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Introduced: 3/15/85
Referred: Community & Regional Affairs, Judiciary and Finance

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

IN THE HOUSE

HOUSE BILL NO. 293

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to municipal default on bonded indebtedness; establishing the Municipal Financial Emergency Commission; and providing for an effective date."

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

* Section 1. LEGISLATIVE FINDINGS. The legislature finds that

(1) while the power of municipalities to contract debt for capital improvements is granted by the Alaska Constitution, revenues that may be raised to repay the debt are limited by the extent to which the state has delegated taxing authority to the municipalities under art. X, sec. 2 of the Alaska Constitution;

(2) the state has a strong interest in debt issuance by municipalities because of the impact on state revenue as a result of municipal assessment to repay debt and because of the effect on the marketability of bonds issued by the state and its agencies, by public corporations of the state, by other municipalities, and by the Alaska Municipal Bond Bank Authority;

(3) bonds issued by municipalities are not legal obligations of the state, nor are the bonds supported by the moral obligation of the state; and

(4) it is in the public interest, and is declared to be a public purpose, to promote the prosperity and general welfare of all the people of the state by assisting in the development and implementation of refinancing plans for municipalities that have defaulted on outstanding debt.

* Sec. 2. AS 29.58 is amended by adding new sections to read:

ARTICLE 7. DEFAULT ON BONDED INDEBTEDNESS.

Sec. 29.58.400. MUNICIPAL FINANCIAL EMERGENCY COMMISSION. (a) The Municipal Financial Emergency Commission is established in the Department of Community and Regional Affairs.

(b) The members of the commission consist of the commissioner of the Department of Community and Regional Affairs, the commissioner of the Department of Revenue, and the commissioner of the Department of Administration. Members of the commission may appoint a designee to serve on the commission.

(c) The commissioner of the Department of Community and Regional Affairs shall chair the commission. A quorum of the commission consists of two members.

(d) The commission may employ staff as is necessary to accomplish the purposes of the commission.

Sec. 29.58.410. DUTIES AND POWERS OF THE COMMISSION. (a) Upon receipt of a written notice of a default by a municipality, as provided in AS 29.58.420, the Municipal Financial Emergency Commission may

(1) investigate the defaulting municipality's fiscal affairs, consult with the assembly or council of the defaulting municipality, and negotiate with creditors in order to assist the municipality in developing a plan for satisfaction of the outstanding debt;

(2) direct a state agency holding money on behalf of or payable to the defaulting municipality to pay the money either to the commission for payment to creditors, or to the defaulting municipality for disposition as required under an adopted plan;

(3) determine whether a proposed plan is fair and equitable and within the ability of the defaulting municipality to meet, and, if so, enter an order finding that it is fair, equitable, and within the

ability of the municipality to meet;

(4) advise the defaulting municipality to take the necessary steps to implement the plan;

(5) order the defaulting municipality to take the necessary steps to implement the plan if the municipality fails to implement the plan within 30 days after receiving the advice of the commission to implement the plan;

(6) require periodic reports on the defaulting municipality's financial affairs during the period in which the plan is implemented;

(7) approve or reject the defaulting municipality's annual budget ordinance during the period in which the plan is implemented;

(8) approve or reject the issuance of additional bonds, notes, or other debt, whether short- or long-term, during the period in which the plan is implemented;

(9) impound the books and records of a defaulting municipality and assume full control of its financial affairs, including the levying of taxes, expenditure of money, and adoption of budgets, if the municipality fails to implement a plan, or if, in the opinion of the commission, the defaulting municipality will default on a future debt service payment under the plan if the financial policies and practices of the municipality are not improved; and

(10) order a defaulting municipality to pay for the cost of developing and implementing a plan.

(b) The power and authority granted to the commission continues, with respect to a defaulting municipality, until the commission is satisfied that the defaulting municipality has performed or will perform the duties required of it in the plan, and until agreements made with the defaulting municipality's creditors have been performed

in accordance with the plan.

(c) The commission is authorized to take all actions necessary to accomplish the purposes of AS 29.58.400 -- 29.58.490, including, but not restricted to, the authority to issue subpoenas necessary for the production of documents and the authority to issue orders. A superior court may, upon application of the commission, compel obedience with a subpoena or order issued by the commission.

Sec. 29.58.420. NOTICE OF DEFAULT. (a) A municipality shall give notice of default to the commissioner of community and regional affairs within 10 calendar days after actual knowledge of the default.

(b) A creditor may give notice to the commissioner of community and regional affairs any time after a default by a municipality.

(c) A municipality may request the assistance of the commission at any time before default if, in the judgment of the municipality, assistance from the commission will assist the municipality in relieving financial distress.

Sec. 29.58.430. ACTION UPON RECEIVING NOTICE OF DEFAULT. The commissioner of community and regional affairs shall convene a meeting of the commission within 15 days after the receipt of a notice of default, or of a request for assistance, under AS 29.58.420. The defaulting municipality must be given notice of the meeting, and shall send an authorized representative to the meeting to represent the defaulting municipality during the development of a plan under AS 29.58.410.

Sec. 29.58.440. STAY OF COURT PROCEEDING. (a) A proceeding initiated in court by a creditor must be stayed until 90 days after the first meeting of the commission following the receipt of the notice of default by the commissioner of community and regional affairs.

(b) The court may grant one or more 30-day extensions of the

stay, at the request of the commission, unless the court finds that the defaulting municipality or the commission has not made a good faith effort to negotiate a plan under AS 29.58.410.

Sec. 29.58.450. BANKRUPTCY PETITION. AS 29.58.400 -- 29.58.490 do not limit or otherwise affect the authority of a municipality to file a petition in bankruptcy under 11 U.S.C. secs. 901 -- 946.

Sec. 29.58.460. PENALTY. A municipal official, employee, or agent who knowingly violates a provision of a plan developed under AS 29.58.410 is guilty of a class C felony.

Sec. 29.58.490. DEFINITIONS. In AS 29.58.400 -- 29.58.490,

(1) "commission" means the Municipal Financial Emergency Commission;

(2) "creditor" means a person having standing to bring an action for default on outstanding debt against the defaulting municipality;

(3) "default" means the failure by a municipality to pay an installment of principal or interest on its outstanding debt, on or before the due date;

(4) "defaulting municipality" means a municipality that has defaulted, or which continues to be subject to the jurisdiction of the commission after the implementation of a plan under AS 29.58.410;

(5) "outstanding debt" means revenue anticipation notes, bond anticipation notes, general obligation bonds, revenue bonds, or refunding bonds issued under this chapter.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Cape May County, New Jersey

$19 million general improvement bonds due 1987-1996
Competitive, March 5
Rated 'A-'

Rationale: S&P affirms Cape May County, N.J.'s 'A-' rating on outstanding general obligation general improvement bonds and assigns an 'A-' rating to the current $19 million offering. The rating reflects strong financial performance and rapid bond retirement, coupled with the tourist-based economy and below-average wealth and income levels. Because of the developments in the casino industry in nearby Atlantic City, building permit activity is very strong. The casino industry also benefits from the county's commercial fishing industry because of increased tourism and year-round populations.

Economy: Cape May County forms the southernmost tip of New Jersey. The county is a peninsula, 454 square miles in total area, and has had steady population growth since the 1960s. The county's major industry is tourism, with the summer tourist industry the strongest economic factor for over 50 years. Population in the summer months increases to 593,856 from 95,724. Unemployment rates are seasonal in nature; during the summer of 1985, unemployment dropped to a low of 6% and reached 15% during the winter. Recent developments in the casino industry in nearby Atlantic City have significantly impacted the county's economy. Building permit activity has been very strong over the past few years with the construction of new hotels and motels, townhouses, and condominiums. The commercial fishing industry continues to be influenced favorably by Atlantic City as the larger tourist and permanent populations create greater seafood consumption.

Debt: Proceeds from this issue will be used for various municipal buildings, road, bridge, and storm sewer construction. With this issue, the county will have outstanding net debt of $29.8 million. Per capita debt is high at $1,007, but low as a percent of true value at 3.9%. Bond retirement is rapid, retiring 87% of the debt in 10 years. The S&P index, measure of per capita debt to per capita effective buying income, is moderate at 9.1%. The county's capital improvement program for the next five years amounts to approximately $16.2 million, with 68% expected to be funded from bond proceeds.

Finances: Financial operations are sound. Revenues are derived primarily from property taxes, which account for approximately 70% of current fund revenues. The largest expenditures item is health and welfare, accounting for 24% of operating expenses. Debt service expense will increase with this sale to approximately 10% of budget. Unaudited results for year ended Dec. 31, 1985 show an ending fund balance net of deferred charges of $6.1 million, or 14% of current fund revenues, a slight decrease from year-end 1984's $6.4 million fund balance. The budget outlook for fiscal 1986 is expected to continue on a favorable basis, with revenues projected to be in line with budget expectations.

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Alaska

Reviewed: rating affirmed

Rationale: S&P affirms Alaska's 'AA-' rating on all outstanding general obligation bonds. With the continued "softening" of the world oil market, a new approach to revenue forecasting known as the "30th percentile" has been implemented. The 30th percentile method means that, in the estimation of the state financial forecasters, there is a 70% chance that revenues will actually be greater than the amounts forecasted, and only a 30% chance that they will be less. Current projections reflect an average annual decline in petroleum revenues of approximately 10% for 1986-1988. Indications are that at current levels the projected decline will not adversely affect state revenues in the short run. However, in the long run, an absence of sustained exploratory activity, smaller discoveries, enhanced recovery, and production of heavy oil, at least at current levels, can adversely affect state revenues. Financially, the state continues to perform in a manner commensurate with its rating, as evidenced by a good cash and fund balance position, and a strong permanent fund. The fishing and timber industries, important contributors to the Alaskan economy, are still somewhat depressed, but continue to show signs of gains. Debt remains manageable and is declining as the state continues to meet some of its capital needs through pay-as-you-go financing. Overall, the state's economy continued to show growth in population, employment and personal income, and maturation in the trade and services sectors.

Economy: The state's economic base is primarily extractive, with major dependence upon oil and gas production, and to a somewhat lesser extent, the supportive industries of fishing, timber, minerals, and tourism. Approximately 86% of state revenues are derived from royalties and taxes paid on state-owned oil and gas leases. Indications are that the production level of several Cook Inlet fields is declining and production from the Prudhoe Bay field will substantially decline in the 1990s. As of Jan. 1, 1986, the Alaska Oil and Gas Conservation Commission estimated the state's remaining recoverable reserves to be 7.995 billion barrels of oil and 34.23 trillion cubic feet of gas. Approximately one-third of Prudhoe Bay's estimated 9.6 billion barrels had been produced by year-end 1984. Some encouragement may be gained from the fact that there have been varied successes in oil and gas exploration in North Slope, totaling an estimated 2.5 billion barrels of recoverable oil. This new exploration bolstered a relatively strong employment picture. Arco Alaska and Standard Oil Co. of Ohio, two major petroleum operators, are cutting their construction budgets by 43% and 17%, respectively. The combined exploration spending still represents a large sum for 1986 at $1.25 billion. State revenue forecasters believe that in the short run, the current decline in world oil prices will be offset at the wellhead by the reduction in the Trans Alaska Pipeline System tariffs, by approximately $1.20 per barrel. A partial settlement was reached in a long outstanding tariff litigation between the state and pipeline owners. The state will receive a total of $285 million, including refunds from 1982-1985, as a result of this settlement. However, the settlement will have an adverse effect on local communities who depend on the pipeline for a portion of their property taxes. North Slope Borough will lose approximately $2.0 million annually, while Valdez and Fairbanks North Star will lose approximately $1.8 million and $500,000 annually, respectively. In fiscal 1986, the state will receive an added $227 million from this settlement.

The fishing and timber industries continue to be important contributors to the state's economy. Total revenues to fishermen from fish catch sold in Alaska for fiscal 1985 was $700 million, compared to $602.3 million in 1984. Since 1977, salmon catches have been improving, however, the shell fish industry, which includes king crab and shrimp, the major revenue contrib-

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utors, remains somewhat depressed. However, it is anticipated that harvests will continue to improve, and the future of the industry enhanced by the priority given to U.S. fisheries over foreign fleets to harvest within the 200-mile fisheries conservation zone. Alaska forests are expected to remain a major source of timber, despite restrictions imposed by the Alaska National Interest Lands Conservation Act of 1979. As part of the settlement act passed by Congress, the industry has been guaranteed 450 million board feet per year, a quantity capable of sustaining traditional harvest levels. The industry has been declining since 1980, as export of forest products have declined at an average annual rate of 10% due to competition and a strong U.S. dollar. In 1984, forest product exports totaled $219 million, or 21% of all Alaska exports.

Anticipated depletion of oil reserves in the future resulted in attention to minerals and mineral deposits. Shipments of coal to Korea from the Usibelli Mine, which began in 1984 and now totals 560,000 tons yearly, may be increased to 800,000 tons in 1986. Development of a world-class molybdenum mine by U.S. Borax & Chemical Co. is continuing with expectations of 900 new jobs on completion. Also under development are the Red Dog and Greens Creek zinc and lead mines. The Red Dog deposit is estimated at 29% of U.S. deposits and is the second largest zinc deposit in the world. Tourism continues to contribute significantly to the economy. Its importance is underlined by the size of the marketing budget of $8.1 million in 1985, and a projected $7.2 million in 1986. In 1984, 700,000 visitors spent a total of $620 million. Approximately 715,000 visited in 1985.

Following completion of Trans Alaska Pipeline System construction in mid-1977, population which totaled 411,000 in 1978, declined to 402,000 in 1980. Since this decline, major gains have been realized, particularly in the early 1980s resulting in an approximate total increase of 25% for 1980-1984. Current estimated 1985 population is 566,600. For 1980-1984, all sectors of employment continued to experience growth with the exception of mining and manufacturing which had 11% and 1% declines, respectively. Government employment, historically high in Alaska, accounts for 29% of total employment for 1980-1984. Per capital money income experienced modest gains, with the 1981 level at $11,722. This represents 134.8% of the U.S. average; at $12,900 in 1983, it was the equivalent of 135.8% of the U.S. average. Total personal income for 1980-1984 increased from $5,238 million to $8,739 million, or 66.8%.

Finances: The state continues to portray a strong financial posture. Fiscal 1985 unrestricted revenues for the general fund totaled approximately $3.2 billion, excluding amounts which go directly to the permanent fund. Petroleum revenues accounted for approximately 85% of total unrestricted revenues, down from a peak of 90% in 1980. Projected unrestricted general fund revenue for fiscal 1986 is $3.1 billion, of which $2.1 billion, or 66%, will be from petroleum revenues. As of Dec. 31, 1985 the permanent fund balance was $7.0 billion. The fund is expected to total $8.5 billion by 1990 and $16.6 billion by 2000. The amount of fund income available for dividends in 1985 was $217.3 million, with 521,323 eligible applicants receiving $404.

An amendment to limit state appropriations to $2.5 billion, approved by voters at the November 1982 general elections, will be placed on the ballot for reconsideration in the 1986 general election. Under the amendment, state appropriations cannot exceed $2.5 billion for any fiscal year by more than the cumulative change, based on federal indices in population and inflation after July 1, 1981. If rejected, it will be repealed. If approved, the amendment would become permanent, and appropriations may be subjected to impoundment powers of the governor, who may withhold or reduce appropriations during a budget year if revenues are less than appropriations. The amendment has not been operative, and has exceeded any revenues or accrued surpluses available for appropriation.

Debt: Historically, the issuance of state debt has been significant due to the state's commitment to capital improvement programs. The state is currently studying the implementation of a debt management policy, which may have been influenced by declining oil revenues and the need to meet unfilled infrastructure requirements while maintaining a conservative debt position. The policy will include all debt that relies on state general fund appropriations, in particular all nonself-supporting state debt, including G.O. debt, lease revenue debt, and similar obligations paid by the state. The state's last debt issuance was in fiscal 1983. Maximum annual debt service on all bonds is $175.7 million, due in 1986. As currently structured, debt service requirements will decrease substantially through 2000.

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Alaska Municipal Bond Bank

Reviewed; ratings affirmed

Rationale: S&P affirms the 'A' rating on all outstanding Alaska Municipal Bond Bank's general obligation bonds and the 'A-' rating on all outstanding bond bank revenue bonds. About $168.5 million of debt is affected. The basis of the rating is the moral obligation of the state. S&P policy establishes this rating at one full category below the existing rating of the state. In this case, the rating would be 'A-' based upon the state's 'AA-' rating. However, the G.O.s of the bond bank where the state has the authority to withhold aid to participating units, in lieu of debt service payments upon the request of the bank, are rated 'A'. The revenue bonds remain at 'A-', where no withholding provisions exist.

The bank: The Municipal Bond Bank Act established the bank as a public corporation and instrumentality of the state of Alaska within the department of revenue, but separate from and independent of the state. The bank, which began operations in August 1975, was created for the purpose of lending money to government units within the state of Alaska by purchasing municipal bonds issued by such governmental units. Under the act and the bank's general resolution, the bank initially was authorized to purchase only G.O. bonds. Effective May 16, 1978, the Alaska state legislature authorized the bank to purchase municipal revenue bonds, and provided that the bank shall be called the Alaska Municipal Bond Bank Authority when issuing revenue bonds, and the Alaska Municipal Bond Bank when issuing G.O. bonds. The purchase of bonds is dependent upon bond counsel's opinion, stating that the bonds are valid obligations of the governmental unit as required by the act and that a loan agreement has been authorized and executed between the bank and the governmental unit, which constitutes a valid and binding obligation of the governmental unit. The powers of the bank are vested in a five-member board of directors, three of whom are public members appointed by the governor and confirmed by the state legislature. The three appointees serve four-year staggered terms. The remaining two members, the Commissioner of Revenue and the Commissioner of Community and Regional Affairs, are permanent.

Finances: Ongoing operations of the bank are not funded by the state's general fund appropriations, but by fees and charges and interest earned on investments. The bank is not allowed to carry surpluses, which must be returned to the state. Since its inception, the bank has returned $7.6 million. In fiscal 1985, $1.8 million was returned. The reserve fund, which receives capital appropriations from the state's general fund for

funds leveraging, is maintained at an amount equal to the maximum annual debt service requirement. As of June 30, 1985, the Alaska legislature has appropriated $17.9 million to the bank for the statutory reserve fund, of which approximately $5.4 million is available to meet statutory reserve fund requirements for future bank bond issues. The bank is annually required to deliver a statement to the governor and state legislature, stating the sum, if any, necessary to restore the reserve fund to the required debt service reserve level. The state is not legally obligated to make such an appropriation and, to date, it has never been necessary.

Debt: The bank has issued $192.8 million in bonds with $166.5 million currently outstanding. The outstanding debt is comprised of G.O., revenue, coastal energy reserve, and coastal energy loan program bonds. There is a statutory debt limit of $300 million, of which $131.5 million remains available. During 1982-1985, the bank's debt issuance has been $48.5 million, $30.6 million, $7.0 million, and $25.8 million, respectively. Due to declining state petroleum revenues, it is anticipated that local units will be turning to the bank on a regular basis for the financing of their capital needs.

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North Slope Borough, Alaska

Reviewed: ratings affirmed

Rationale: S&P affirms North Slope Borough, Alaska's outstanding 'BBB+' rating on approximately $794.9 million general obligation bonds. The rating on $52.8 million series D bond anticipation notes due Nov. 18, 1986 is also affirmed at 'SP-1+'. An additional $428.5 million of G.O. debt is outstanding but secured separately by various credit enhancements. The long-term debt rating reflects the narrowness of the borough's economic base, the large amount of debt supported by that base, debt carrying charges that represent 67% of general fund expenditures, balanced by good financial operations and a strong financial position. The borough's economic viability entirely depends on the oil and gas industry, and the outlook for any significant diversification is poor. Due to remoteness and harsh environmental conditions, development of the limited infrastructure that supports the small community required the issuance of large amounts of debt. Total G.O. debt currently outstanding is approximately $1.3 billion. The pace of debt issuance slowed over the past two years and is not expected to exceed $107.4 million over the next three years. As a result, maturing debt should exceed new debt issuance over the period. The debt matures rapidly, with 48% rolling off in five years, and 95% in 10 years. The borough derives 60% of its revenues from a tax on oil- and gas-related real property improvements. Therefore, its main revenue stream is unaffected by fluctuations in oil prices. A small effect is expected from the recently settled pipeline tariff agreements which includes owners' income in the property assessment formula. The borough could lose up to $2 million annually as a result of the settlement (0.6% of total revenues). An additional 27% of revenues is derived from interest earnings. The very large debt burden appears adequately supported by an increasing but very narrow tax base.

Issuer: North Slope Borough is a vast, geographically isolated, sparsely populated area located entirely north of the Arctic Circle. Barrow, located almost 2,000 miles northwest of Seattle, is the borough seat and its largest city (population of 2,647). The virtually impassable Brooks Range forms the borough's southern boundary. A wide range of services is provided by the borough, including health, safety, sanitation, utilities, education, housing, and transportation systems. The borough is analogous to the county form of government in the lower 48 states, but has greater governmental powers. Remoteness, the absence of a modern infrastructure, and severe climatic conditions make the cost of development enormous.

Debt: Debt issuance increased sharply in 1983 and 1984 as infrastructure improvements were made to provide services to residents and to accommodate increased oil-related economic activity. The borough currently has outstanding $1.3 billion G.O. bonds and bond anticipation notes (net of refunded debt). Debt on a per capita basis is extremely high at $121,704, but is a more moderate 7.5% of true value ($13 billion in 1986). Carrying charges are very high as a percent of expenditures. The primary source of payment for the debt is a property tax assessed on capital improvements made at the oil and gas fields at Prudhoe Bay and Kuparuk. These properties represent 95% of the tax base. Capital financing of $107.4 million is planned for the next three years. These funds will be raised principally through issuance of G.O. bonds. An emergency debt service reserve fund was established during fiscal 1984 and is funded at 15% of outstanding debt. At July 1, 1985, a balance of $184 million was available in this fund. Debt service requirements for 1985 totaled $189 million.

Economy: Oil and gas production, transportation, and exploration form the base of the borough's economy. Before the discovery of oil and gas at Prudhoe Bay in 1968, and the construction of the Alyeska Pipeline, economic activity was limited to subsistence hunting, fishing, and military activities (DEW LINE maintenance and research). Further diversification of the economy is not expected due to extreme geographic and climatic problems. The lack of a highway system within the borough makes commercial air service and limited water transportation the only available means of mass transportation.

Within the next 25 years, no basic industry is projected to supplement the oil and gas industry. Maintenance or expansion of the oil industry depends on competitive lease offerings by the state and federal governments. The lead time from lease to production is approximately 10 years. The present production level at Prudhoe Bay of 1.5 million barrels of oil per day represents roughly 18% of total U.S. domestic production. Proven, extractable reserves at Prudhoe Bay are currently projected to last 11 years. Production at Kuparuk has begun and is expected to be 250,000 barrels of oil per day during 1986. An industry investment in Kuparuk is expected to total $8 billion and the economic life of the field is projected at 20-30 years. The two major North Slope operating companies are Atlantic Richfield Co. (Arco) and Standard Oil Co. of Ohio (Sohio). Although Arco's 1986 North Slope construction budget was reduced from $715 million to approximately $500 million as a result of reduced oil prices, work on the Prudhoe Bay Gas Plant and the Kuparuk Lisburne production facility will continue. Sohio has indicated it will proceed with its 1986 construction program as planned.

Finances: General fund financial operations remain strong. Significant operating surpluses were generated in each of the past five years which were transferred to the reserve for capital outlay fund, the emergency debt service reserve fund, or the recently created permanent fund. At July 1, 1985, balances available in these funds were $72 million, $184 million, and $117 million, respectively. As a result of these transfers, the general fund balance was reduced from $56 million in 1983 to $4 million in 1985. The three primary revenue sources of the general fund are property taxes (60%), interest earnings (27%), and state aid (10%). Tax collections are excellent, reaching roughly 99% on a current basis in each of the last five years. Debt service of $189 million represented 67% of general fund expenditures in 1985. As of July 1, 1985, a balance of $184 million was available in

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the emergency debt service reserve fund. Monies in excess of the 15% requirement in this fund will be transferred to the permanent fund. As of June 1985, $4 million was transferred from the emergency debt service reserve fund to the permanent fund. An additional $79 million transfer from the general fund left a balance of $117.4 million available in the permanent fund to be held in perpetuity. Interest earnings on permanent fund balances will be used for general fund operations. Although financial management is sound, large debt service carrying charges, the range of services provided, and the high cost of service provision will continue to absorb the borough's large financial resources.

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MUNICIPAL REVENUE

Alaska Industrial Development Authority

$11 million variable demand/fixed rate bond due 2004
Sold, February 25, Goldman, Sachs & Co.
Rated 'A–'

Rationale: S&P assigns an 'A–' rating to the Alaska Industrial Development Authority's conversion of its variable demand/fixed rate bonds, series 1984 A and B to a fixed rate. The 'A–' rating on the outstanding economic development bonds, the consolidated bonds, and the umbrella bonds is affirmed. The rating is based upon the moral obligation pledge of the state of Alaska, whose rating is affirmed at 'AA–'. The bonds are additionally secured by the general obligation of the authority.

Issuer and security: The state legislature established the Alaska Industrial Development Authority in 1967 to aid in economic development. The authority was originally created to administer the enterprise development fund. This fund was capitalized in 1981 with $166 million in state-originated loans. In addition, the state contributed $23 million to fund the capital reserve funds. In 1982 and 1984, the enabling act was amended to expand the authority's powers. In 1982, the multifamily housing loan security fund was set up and in 1984 the economic development fund. All three programs are legally separate and distinct. All economic development activities are channeled through the enterprise development fund. This fund holds the authority's general assets from which all of the authority's general obligation indebtness is payable. The enterprise development fund as of Dec. 31, 1985 had general assets of $525 million. The multifamily housing fund, which is not an asset of the authority, provides additional security to any of the authority's G.O. bonds issued for multifamily housing projects. This fund at Dec. 31, 1985 held $8 million in assets. The economic development fund empowers the authority to own and operate certain types of facilities when it is in the public interest to do so. This fund was capitalized with an appropriation of $12 million in cash and $132 million in loans held by the state. Financial obligations or liability incurred will be secured solely by the economic development fund and there is no general obligation pledge of the authority.

The authority has four types of bond issues outstanding: economic development bonds, consolidated bonds, umbrella bonds, and variable demand/fixed rate bonds. All issues except the variable demand/fixed rate bonds are secured by a general obligation pledge from the authority. Variable demand bonds are special obligations of the authority which become G.O.s upon conversion to a fixed rate. All bonds are further secured by the state's moral obligation pledge, if necessary, the state's legislature can, but is not obligated to, appropriate funds to the bonds through their capital reserve funds pursuant to notice under state statutes, if these reserves fall below required levels. The authority's total outstanding G.O. debt at June 30, 1985 is $213 million. This issue will increase debt by $11 million to $224 million. Total variable rate/fixed rate debt at Dec. 31, 1985 excluding this conversion is $40 million. The total $40 million is expected to be converted to fixed rate by the end of 1986 for $254 million in G.O. debt of the authority.

The economic development bonds provide funds for participations in loans for industrial and commercial projects up to $1 million. All revenues from these loan participations are pledged first to the payment of economic development bonds and then to the other G.O. debt of the authority. As of June 30, 1985, the total outstanding economic development bond debt was $126 million. Consolidated bonds provide funds for participations in loans for industrial, commercial, and multifamily housing projects from $1–$10 million. Revenues from these participations are not specifically pledged to the repayment of consolidated bonds. However, this is not a credit concern because both economic development and consolidated bonds are secured by the authority's general obligation and the state's moral obligation pledges. As of Dec. 31, 1985, outstanding consolidated bonds totaled $59 million.

The new umbrella bond program is intended to replace both the economic development and consolidated bonds. These new bonds do not have claim to the economic development, consolidated, and variable rate bonds' existing capital reserve funds. A separate reserve fund for the umbrella bonds was established with similar provisions to the previously issued bonds. At Dec. 31, 1985, the balances in all the capital reserve funds for the authority's G.O. debt is $26 million. This balance reflects the average annual debt service payments of the bonds.

Loan portfolio: The authority's portfolio of loans falls into three categories: bond loans, appropriation loans, and federal guaranteed loans. Bond loans derive their funds from bond proceeds, appropriated loans from state appropriated money, and federal guaranteed loans from the authority's funds on hand. These three sources of funds are used to buy loan participations from Alaska financial institutions. The fiscal 1985 composition of the portfolio is 22% appropriated loans, 61% bond loans, and 17% Small Business Administration (SBA) guaranteed loans. Appropriated loans are expected to decline to an insignificant percentage of the portfolio by 1991. Funds from the paid-off appropriation loans are used to buy SBA loans or investments. However, no SBA loans have been purchased in the last year due to remittance procedure problems with the new SBA servicer FIDATA. Until this situation is eliminated, no future investments in the SBA program will be maintained. The authority's purchase of loan participations is limited to completed projects that satisfy all terms of the authority's loan underwriting criteria. The authority's capital participation rate in loans under $1 million is 90% and 80% for those between $1–$10 million. Loans are disbursed geographically in proportion to the state's population distribution. As a result, the Anchorage area has the highest percentage of bonded loans at 55.5%. The portfolio's investment in projects is concentrated mainly in commercial space, approximately 78% in fiscal 1985. Bond loans delinquency rates on 90 days and over are still below 1%, even given the slump in the Alaska economy. This low rate is attributed to stringent underwriting criteria. In addition, each participating financial institution must provide servicing on all loans and maintain a 90-day delinquency rate below 2% or be suspended from selling new participations until the rate is controlled. The authority has a loan loss reserve fund of $2.6 million. This was created in 1991 and to date, the only charge offs are $1.1 million in defaulted appropriated loans. The reserve is

returned to its original level from earnings. The authority reviews the adequacy of this reserve fund annually with its accountants.

Finances: The authority's assets have grown from $218 million in 1981 to $524 million in 1985. Liabilities total $220 million in fiscal 1985, of which $213 million are bonds payable. All operating expenses are paid from commitment and finance fees. In fiscal 1985, this totaled $1.4 million to cover expenses of $1.1 million. Net earnings have risen from $16 million in fiscal 1981 to $30 million in fiscal 1985. The authority has unrestricted investments, capital reserve funds, cash, and interest earnings totaling $157 million at June 30, 1985 to meet shortfalls in debt service of approximately $28 million. Unrestricted surplus at June 30, 1985 is $264 million.

During fiscal 1986, the authority will convert all of its remaining $40 million variable rate debt to fixed. In addition, during 1986's first half it intends to issue its first taxable financing of $15 million. For fiscal 1987 and beyond, approximately $65 million in debt will be issued a year. It is impossible to determine how H.R. 3838 will affect future issuances other than to assume the program will continue with additional volume constraints.

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Alaska Housing Finance Corp.

Reviewed: ratings affirmed

Rationale: S&P affirms Alaska Housing Finance Corp. (AHFC) ratings on $4.27 billion in outstanding taxable and tax-exempt debt. The bonds, issued under 59 resolutions, are secured by over 52,000 level-paying mortgage and growing equity mortgage (GEM) loans. The loans are originated throughout the state by private lenders and subsequently purchased by the AHFC with bond proceeds. Direct state appropriations (in cash and in mortgages) permit the purchase of mortgage loans which bear interest at legislatively prescribed "below market" rates. To enhance the security of its bonds, the AHFC has entered into various credit arrangements. They include: Federal Housing Administration (FHA) Title I insurance, Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) collateralization, bank letters of credit, and surety bonds. Additionally, the issuer enjoys strong support from the state of Alaska; 13 issues are guaranteed by a pledge of the state's full faith and credit. The affirmed bond ratings reflect the strength of the credit enhancements (*see list at right*).

Issuer: To date, AHFC has received $563 million in state appropriations. Fiscal year ending Jun[illegible] 1985 witnessed no requests for additional funding. Such funding will not be sought in the foreseeable future. Fund balances of $1,458 million (fiscal 1985) reflect the healthy, well managed performance of the issuer to date. The corporation has a staff of 43 with experience in administration, mortgage underwriting, and finance. AHFC is governed by a five-member board consisting of two ex-officio and three governor-appointed members.

Programs: Since its inception in 1971, AHFC has adopted many innovative programs and financing techniques. The principal activities include:

—*Mortgage loan subsidization.* All of the corporation's programs provide an interest rate subsidy on the first $90,000 of a mortgage loan to Alaskan borrowers. The state currently subsidizes the mortgage loans to a maximum of 3% (4% for eligible veterans) below the cost of taxable funds to the corporation. However, loan rates may not be less than 10% (9% for veterans) unless the corporation's related cost of funds is less than 10%.

—*Taxable bonds.* To overcome the constraints of tax-exempt issuance caps ($200 million per annum), the corporation began issuing taxable bonds in 1981. It currently has approximately $1.3 billion in taxable debt outstanding, $100 million of which was issued in 1985.

—*Alaska Building Equity loan program.* In 1983, AHFC introduced its own version of the GEM loan. Titled the Alaska Building Equity (ABE) loan, it requires an increase in the borrower's monthly payments to provide for an accelerated amortization of principal. Thus, it can take advantage of shorter-term, lower interest taxable bonds.

—*FNMA collateralization.* In 1983, AHFC signed a $530 million pool purchase contract with FNMA enabling Alaskan mortgages to be swapped for FNMA mortgage-backed securities.

Rated debt outstanding	Amt (mil. $)	Rating
Housing mortgage bonds (nonparity)		
1972 series A	10.6	AA
1973 series A	10.3	AA
1973 series B	29.6	AA
1975 series A	30.6	AA
1976 series B	10.5	AA
Insured mortgage bonds (parity)	911.7	A
1975 first series; 1976 first and second series; 1977 first, second, and third series; 1978 first, second, and third series; 1979 first and second series; 1980 first, second, and third series;		
State-assisted mortgage bonds (nonparity)		
series A	95.8	A
series B and C	75.7	AA
series D and E	90.5	A–
series F	170.8	AA
series H	50.0	AA
series I	50.0	AA
series J	50.0	AA
series K	75.0	AA
series L	75.0	AA
series M	75.0	AA
series N	75.0	AA
series O*	50.0	AAA
series P*	50.0	AAA
Home mortgage bonds (nonparity)		
1981 first series	79.6	A–
1981 second series	90.9	A
1982 first series	77.6	AA–
1982 second series	93.3	AA–
1983 first series	73.1	AA–
1983 second series	122.4	AA–
Collateralized 1984 series A	75.0	AAA
Collateralized 1984 series B	127.4	AAA
Collateralized 1985 series A	100.0	AAA
Collateralized 1985 series B	102.4	AAA
State-guaranteed bonds (nonparity)*		
1983 first series	48.2	AA
1983 second series	117.5	AA
1983 third series	72.0	AA
1983 fourth series	94.7	AA
1983 fifth series	48.3	AA
1983 sixth series	72.7	AA
1984 first series	130.0	AA
1984 second series	100.0	AA
Collateralized 1984 first series	100.0	AAA
Collateralized 1984 second series	302.5	AAA
Collateralized 1985 first series	150.0	AAA
Second mortgage bonds	9.3	AA
Fairbanks North Star Borough res. mtge. bonds	26.1	A–
AHFC Overseas Finance N.V. gtd. bonds	98.1	AAA

*Guaranteed by full faith and credit of the state of Alaska.

(continued on next page)

(WBSs). These WBSs are then, in effect, purchased with bond proceeds and used as collateral for the bonds. Such collateralization has enabled the issuer to obtain 'AAA' ratings on 10 tax-exempt and taxable issues to date.

—*Recycling.* AHFC relies heavily on recycling, wherein prepayments are used to make new mortgages, in many of its bond structures. This technique has reduced the need for future bond financings and state appropriations.

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Platte River Power Authority, Colorado

$113 million electric revenue bonds due 2018
Sold, February 20, Salomon Brothers Inc.
Rated 'A+'

Rationale: The $113 million issue of Platte River Power Authority electric revenue bonds is rated 'A+', along with $618 million of outstanding parity debt. The 'A' rating of the Loveland, Colo. electric revenue bonds was reviewed in connection with this sale and is affirmed. The ratings reflect the strength of the participant cities' economic bases and good financial performances. The authority's rates to the cities are low because capacity charges to Public Service Co. of Colorado are sufficient to pay debt service. Bond proceeds will be used to retire all outstanding commercial paper. The authority has refunded the commercial paper program instead of retiring it from revenues as was planned to avoid potential tax problems and to take advantage of current long-term interest rates.

Security: The bonds are secured by take-or-pay contracts with the cities of Fort Collins (45.7% of the project), Longmont (28.1%), Loveland (21.5%), and Estes Park (6.1%). The authority's rate covenant is net revenues 1.25 times (x) adjusted aggregated debt service. Debt service is adjusted to levelize payments of term bonds in 2000 and 2002. The additional bonds test requires net revenues in 12 of the preceding 24 months prior to issuance to meet the rate covenant. Additional security is provided by a debt service reserve fully funded to maximum debt service at the time of bond issuance.

Operations: Platte River's resources include energy and capacity under contract with the Western Area Power Administration (WAPA) through 1989. The authority receives 156mw in the winter and 238mw in the summer. The authority owns the 255mw coal-fired Rawhide Energy Station and an 18% share of the Yampa Project coal-fired Craig units, totaling 154mw. Excess capacity in the Craig and Rawhide units is sold to Public Service under a contract through 1994, which is less than the life of the bonds. Public Service is obligated to take-or-pay for capacity and energy made available in accordance with the schedule in the contract. If the contract schedules are not met, Public Service has the option to terminate the contract. Therefore, these bonds are not rated on the basis of the Public Service contract. Revenue derived from these sales is sufficient to pay all Platte River debt service at this time. In 1985, Platte River sold 340.5mw of capacity per month and 2,380gwh to Public Service.

Platte River expects peak demand to grow at a compound rate of 5.4% per year in the future and for energy sales to grow 5.9% per year. Since 1980, annual growth rates ranged from −3.8% to 16.4% for peak demand and from 3.3% to 11.8% for energy sales. The average growth rates of 5.9% and 5.7%, respectively, were strong despite this volatility. Based on this growth, Platte River expects to sell power from Yampa and Rawhide to participants when sales to Public Service end.

Rates: The authority is currently charging the participants 35 mills per kwh. Retail rates in all cities except Loveland are below those of Public Service and the Poudre Valley cooperative supplied by Tri-state generation and transmission cooperative. Loveland's rates are only marginally above Public Service's rates. The authority does not anticipate raising rates to the participants until 1991 when it begins taking back its Rawhide capacity. Between 1991 and 1998, rates are expected to rise from 35.2 mills per kwh to 55.2 mills per kwh.

Finances: During the last two years, Platte River changed from a construction-oriented organization to an operating power supplier. The effect of this change is clearer when the operating statements for 1983 and 1984 are compared. Revenues grew 105% in that year and operating expenses grew 107%, primarily due to a 195% increase in depreciation with the start-up of Rawhide. During 1985, only 29.5% of revenues came from sales to the participants, the remainder of the revenues came from sales to Public Service. Annual debt service coverage was 1.48x in 1984 and 1.53x in 1985, including commercial paper interest. The balance sheet continued to improve in 1985. The current ratio was 4.39:1 and the quick ratio was 1.69:1. Leverage declined as the ratio of debt to plant declined to 1.14:1 from 1.20:1.

Participants: Fort Collins, Loveland, and Estes Park are in Larimer County, north of Denver, and Longmont is in Boulder County, west of Denver. The key economic sectors in this area are manufacturing, services, retail trade, and government. High technology electronics are a major source of employment, with manufacturing facilities of Hewlett-Packard Co., Storage Technology Inc., and NCR Inc. located in the participant cities. Colorado State University is another major employer in Fort Collins. The average unemployment rates for 1985 are below the national average in both counties, but rose slightly toward the end of the year to 7.1% in Larimer County and 6.7% in Boulder County. Total numbers employed remained stable.

Participants	Fort Collins	Longmont	Loveland	Estes Park
% Platte River	45.7	28.1	22.5	6.1
Peak demand 1985	110	69	48	14
gwh sold 1985	582	332	256	72
Population est. 1985	83,000	49,600	35,300	7,600
1984 revenue (000)	30,487	17,981	15,529	4,572
Debt serv. cov. (x)	*	*	5.60	*
Current ratio**	5.17:1	3.15:1	6.43:1	N.A.

*No electric revenue bonds outstanding
**Current assets/current liabilities
N.A.—Not available.

The financial performance of the participants is good. Each has had a positive trend in revenues and controlled growth of expenses in recent years. Off-balance sheet debt service coverage is less than 1.00x for all participants because Platte River debt service payments are subsidized through the Public Service contract.

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CS HB 519

CSHB 519 makes the following changes with respect to the original bill:

1. deletes the requirement for State Bond Committee approval of ASHA debt issuance before lease-financing agreements may be entered into (sections 2, 6, 7, and 10 of CS HB 519); however, the State Bond Committee still must approve ASHA debt before it can be issued (section 4 of CS HB 519);

2. requires approval of public buildings by law before lease-financing agreements may be entered into (sections 2, 6, 7, and 10 of CS HB 519);

3. includes construction or acquisition cost in addition to lease payment and bond amount, in notice to legislature and bond committee (sections 2, 6, 7, and 10);

4. makes new subsection (b) in Sec. 8 of the bill into a separate section so that it is not repealed in the event SB 341, the procurement bill, passes; amendments have been prepared for SB 341 which would delete all authority in that bill for lease-purchase financing, so that the subject is dealt with only in HB 519; this is to avoid enactment of conflicting provisions;

5. amends international airports and toll facilities statutes to permit negotiated bond sales in addition to public bid (sections 17, 18, 19, and 20).

James
3/4/86

Original sponsor: Rules/governor

IN THE HOUSE BY THE HOUSE SPECIAL COMMITTEE ON STATE LOANS

CS FOR HOUSE BILL NO. 519 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to public finance; and providing for an effective date."

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

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

(1) sue and be sued;

(2) receive and hold real and personal property;

(3) contract and be contracted with;

(4) adopt, use and alter a corporate seal;

(5) borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services, which obligations secure, in whole or in part, debt issued by another party, as approved by the state bond committee under AS 37.15.770 and approved by law; an appropriation does not constitute approval by law for purposes of this paragraph;

(6) do and have done all matters necessary for the purpose of any function set out [FORTH] in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that

annual appropriation. If the board intends to enter into an agreement under this subsection, the board shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The board may not enter into an agreement under this section unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 3. AS 18.55.100(a)(15) is amended to read:

(15) acting as the Alaska State Building Authority arrange or contract for the financing or [, DESIGN, CONSTRUCTION AND] acquisition of public buildings designed by, constructed by, or whose acquisition has been approved by the Department of Transportation and Public Facilities for lease to the state in accordance with AS 18.55.-010 - 18.55.290 and AS 37.15.770.

* Sec. 4. AS 18.55.140 is amended to read:

Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS. The authority may issue bonds and notes from time to time in its discretion for any of its corporate purposes and may issue refunding bonds for the purpose of paying or retiring bonds previously issued by it. The authority may not issue bonds for public buildings until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770 and the building has been approved by law. An appropriation for the building does not constitute approval by law for purposes of this section.

* Sec. 5. AS 18.55.140 is amended by adding a new subsection to read:

(b) Bonds issued by the authority for public buildings must

issued in the name of the Alaska State Building Authority and are subject to AS 18.55.010 - 18.55.290.

* Sec. 6. AS 18.55.288 is amended by adding a new paragraph to read:

(4) "bond" means any bond, note, interim certificate, debenture, or other obligation issued by the authority or the authority acting as the Alaska State Building Authority under AS 18.55.010 - 18.55.290;

* Sec. 7. AS 22.05.025 is amended by adding a new subsection to read:

(c) The supreme court may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the supreme court intends to enter into an agreement under this subsection, the supreme court shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The supreme court may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 8. AS 24.23 is amended by adding new sections to read:

ARTICLE 2. LEASE AGREEMENTS.

Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency may lease necessary office space, and contract for the lease of space, for the use of the Alaska legislature and its employees.

Sec. 24.23.110. The Legislative Affairs Agency may enter into lease-financing agreements only with the Alaska State Housing

Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the agency intends to enter into an agreement under this subsection, the agency shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The agency may not enter into an agreement under this section unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 9. AS 37.05.280 is amended to read:

Sec. 37.05.280. LEASES. The department shall lease necessary space, and contract for the lease of space, for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 - 37.05.-280. A [NO] lease or contract for a lease may not provide for a period of occupancy greater than 40 years. A lease agreement must provide that lease payments are subject to annual appropriation. An agency of the state requiring office, warehouse, or other space shall lease the space through the department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966, WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF $12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE LEGISLATURE BY CONCURRENT RESOLUTION.]

* Sec. 10. AS 37.05 is amended by adding a new section to read:

Sec. 37.05.285. LEASE FINANCING. The department may enter into

lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the department intends to enter into an agreement under this subsection, the department shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The department may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 11. AS 37.15.040 is amended to read:

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 <u>the</u> [SUCH] manner [AS] it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder <u>or bidders</u>. 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.

* Sec. 12. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created <u>within the Department of Revenue</u> 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.

* Sec. 13. AS 37.15.130 is amended to read:

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. For the purpose of this chapter and AS 44.62.310, public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 14. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of state general obligation bonds.

* Sec. 15. AS 37.15.140 is amended by adding new subsections to read:

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before March 31 of each year. The report must show

(1) all outstanding debt of debt-issuing entities of the state;

(2) the anticipated effect on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness, resulting from that debt;

(3) which long-term debt is state supported and which is supported only by revenue attributable to the project being financed

by the debt;

(4) all long-term capital lease obligations of the state;

(5) the volume of short-term debt issued and retired during the year by debt-issuing entities of the state;

(6) specific identification of each issue for which the state has pledged some form of indirect support for the debt, including any moral obligation of the state to support the debt;

(7) future bonding and debt capacity implications of legislation enacted in the previous legislative session; and

(8) the recommended debt issuance capacity of the state for the next two years following the year of the report.

(c) The state bond committee may develop written policies concerning debt of the state.

* Sec. 16. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may, with approval of the committee, select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. 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 [OFFICE] of the Governor [GOVERNOR] or otherwise.

* Sec. 17. AS 37.15.450(a) is amended to read:

(a) The bonds shall be sold in the manner, price or prices, [SUCH] amounts or series, and at the [SUCH] time or times [AS]

determined by the committee at either public or private sale. [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.

* Sec. 18. AS 37.15.460 is amended to read:

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 where a [WHETHER THE] notice of sale, if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.450].

* Sec. 19. AS 37.15.650(a) is amended to read:

(a) The toll facilities bonds are sold in the manner, price or prices, amounts or series, and at the time as determined by the committee, at either public or private sale. [BEFORE SELLING A SERIES OF

BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS. IF SATISFACTORY BIDS ARE RECEIVED, THE BONDS OFFERED FOR SALE ARE AWARDED TO THE HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT A BID RECEIVED IS NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE BIDDER, THE COMMITTEE MAY REJECT THE BID RECEIVED.] Bonds, or a series of bonds, may not be sold if the effective interest rate over the life of the bonds exceeds 11 percent per year or that rate of interest that 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 is payable annually or semiannually.

* Sec. 20. AS 37.15.660 is amended to read:

Sec. 37.15.660. 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 <u>where a</u> [WHETHER THE] notice of sale<u>, if any,</u> is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.650].

* Sec. 21. AS 37.15 is amended by adding new sections to read:

ARTICLE 5. STATE-SUPPORTED DEBT.

Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond committee shall review proposals for the issuance of debt by or on behalf of

(1) the Alaska State Housing Authority acting as the Alaska State Building Authority for the purpose of providing public

buildings; and

(2) the University of Alaska.

(b) The committee may review the general programs and financing plans of the agency that proposes to issue the debt as well as the specific aspects of the proposed debt issue, including

(1) amounts;

(2) times;

(3) maturities;

(4) debt structure and security features;

(5) credit enhancements;

(6) use of proceeds;

(7) official documents;

(8) planned rating agency presentations; and

(9) selection, retention, or compensation of financial advisors, bond counsel, trustees, underwriters, and other professionals.

(c) The state bond committee shall consider approval of the amount and time of sale of the debt. The committee shall approve the issuance of the debt if, in its judgment, issuance of the debt is in the best interests of the state. The committee may limit approval of the issuance of debt upon compliance with terms established by the committee.

(d) At the time of sale of the debt, the state bond committee shall review the bids or pricing of the debt, including discounts, underwriting spreads, and interest rates. If the committee determines that the bids or prices are not satisfactory or that the bidders are not responsible, the agency may not sell the debt.

Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the state bond committee, in its judgment, determines that the amount or

retirement of debt issued by municipalities and subject to reimbursement by the state under AS 14.11.100 is not in the best interest of the state, the committee may

(1) establish an amount or amounts, for any or all years before the maturity of all of that municipal debt, that may not be exceeded by the Department of Education in approving requests under AS 14.11.103; or

(2) establish, under AS 14.11.100(j)(3), a term required for the maturities of municipal debt authorized by local voters after March 31, 1986.

* Sec. 22. AS 39.25.120(c) is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 23. This Act takes effect immediately in accordance with AS 01.-10.070(c).

TABLE 1.21 (DRAFT FOR ALASKA PUBLIC DEBT 1986)

Debt of Alaska Municipalities
6-30-85
(Dollars)

Boroughs	G.O. Debt	Revenue Debt	Total Debt	School G.O. Debt	% of School Debt Paid by State	Net G.O. Debt	Total Net Debt
ANCHORAGE, MUNICIPALITY OF	358,799,900	347,080,000	705,879,900	139,965,000	94 %	227,232,800	574,312,800
BRISTOL BAY	3,535,000	-	3,535,000	3,535,000	90	353,500	353,500
FAIRBANKS NORTH STAR	80,700,000	-	80,700,000	79,900,000	92	7,192,000	7,192,000
Fairbanks City	9,010,000	61,170,000	70,180,000	-	-	9,010,000	70,180,000
North Pole	1,218,550	-	1,218,550	-	-	1,218,550	1,218,550
TOTAL	90,928,500	61,170,000	152,098,500	79,900,000	92	17,420,550	78,591,050
HAINES	555,000	-	555,000	500,000	100	-	-
Haines City	745,000	-	745,000	-	-	745,000	745,000
TOTAL	1,300,000	-	1,300,000	500,000	100	800,000	800,000
JUNEAU, CITY & BOROUGH	47,651,000	27,480,000	75,131,000	30,209,018	91	20,160,794	47,640,794
KENAI PENINSULA	119,324,005	-	119,324,005	100,120,000	90	29,216,005	29,216,005
Homer City	2,113,000	1,025,000	3,138,000	-	-	2,113,000	3,138,000
Kenai City	5,835,000	235,000	6,070,000	-	-	5,835,000	6,070,000
Seldovia City	378,000	43,000	421,000	-	-	378,000	421,000
Seward City	10,000	7,672,000	7,682,000	-	-	10,000	7,682,000
Soldotna City	2,800,000	-	2,800,000	-	-	2,800,000	2,800,000
TOTAL	130,460,005	8,975,000	139,435,005	100,120,000	90	40,352,005	49,327,005
KETCHIKAN GATEWAY	21,090,000	410,000	21,500,000	16,445,000	92	5,960,600	6,370,600
Ketchikan City	10,840,000	23,280,000	34,120,000	-	-	10,840,000	34,120,000
TOTAL	31,930,000	23,690,000	55,620,000	16,445,000	92	16,800,600	40,490,600
KODIAK ISLAND	25,815,000	-	25,815,000	25,515,000	91	2,596,350	2,596,350
Kodiak City	2,455,000	3,298,000	5,753,000	-	-	2,455,000	5,753,000
TOTAL	28,270,000	3,298,000	31,568,000	25,515,000	91	5,051,350	8,349,350
MATANUSKA-SUSITNA	110,160,000	-	110,160,000	95,120,000	90	24,552,000	24,552,000
Palmer City	2,048,000	290,000	2,338.000	-	-	2,048,000	2,338,000
TOTAL	112,208,000	290,000	112,498,000	95,120,000	90	26,600,000	26,890,000
NORTH SLOPE	1,155,680,000	-	1,155,680,000	207,220,000	97	954,676,600	954,676,600
SITKA, CITY & BOROUGH	12,400,000	53,675,000	66,075,000	2,052,258	100	10,347,742	64,022,742
TOTAL BOROUGHS	1,973,162,405	525,658,000	2,498,820,405	700,581,276	93 %	1,319,795,941	1,845,453,941

TABLE 1.21 (continued)

Cities	G.O. Debt	Revenue Debt	Total Debt	School G.O. Debt	% of School Debt Paid by State	Net G.O. Debt	Total Net Debt
Bethel	556,505	535,000	1,091,505	-	- %	556,505	1,091,508
Cordova	-	1,456,000	1,456,000	-	-	-	1,456,000
Craig	35,646	87,000	128,646	-	-	35,646	120,646
Dillingham	-	286,000	286,000	-	-	-	286,000
Galena	900,000	-	900,000	-	-	900,000	900,000
Hoonah	-	-	-	-	-	-	-
Hydaburg	-	-	-	-	-	-	-
Kake	-	86,000	86,000	-	-	-	86,000
King Cove	-	-	-	-	-	-	-
Klawock	-	-	-	-	-	-	-
Kotzebue	-	-	-	-	-	-	-
Nenana	397,356	2,320,000	2,717,356	190,000	100	207,356	2,527,356
Nome	2,161,250	-	2,161,250	-	-	2,161,250	2,161,250
Pelican	-	-	-	-	-	-	-
Petersburg	6,195,000	4,367,835	10,562,835	4,826,500	96	1,561,560	5,929,395
St. Mary's	-	-	-	-	-	-	-
Sand Point	-	-	-	-	-	-	-
Skagway	820,000	-	820,000	-	-	820,000	820,000
Tanana	-	-	-	-	-	-	-
Unalaska	3,299,032	429,216	3,728,248	925,000	90	2,466,532	2,895,748
Valdez	75,833,000	7,650,000	83,483,000	22,585,000	94	54,603,100	62,253,100
Whittier	-	-	-	-	-	-	-
Wrangell	10,750,000	812,600	11,562,600	9,385,777	82	3,053,663	3,866,263
Yakutat	235,193	490,476	725,669	-	-	235,193	725,669
TOTAL CITIES	101,182,982	18,520,127	119,703,109	37,912,277	91	66,600,805	85,120,932
TOTAL MUNICIPALITIES	2,074,345,387	544,178,127	2,618,523,514	738,493,553	93 %	1,386,396,746	1,930,574,873

Sources: Alaska Department of Education and Alaska Taxable 1985, Alaska Department of Community and Regional Affairs.

TABLE 1.22

Alaska Municipal Debt Ratios (DRAFT FOR ALASKA PUBLIC DEBT 1986)
6-30-85

Boroughs	Full Value	Population	GO Debt Per Capita	Ratio of GO Debt to Full Value	Net GO Debt Per Capita [1]	Ratio of Net GO Debt to Full Value [1]
ANCHORAGE, MUNICIPALITY OF	$15,755,411,000	248,263	$1,445	2.28%	$915	1.44%
BRISTOL BAY	101,798,800	1,271	2,781	3.47	278	.35
FAIRBANKS NORTH STAR	2,564,966,300	46,340				
Fairbanks City	1,458,574,300	27,099	332	.62	332	.62
North Pole	187,457,100	1,640	742	.65	742	.65
TOTAL	4,210,997,700	75,079	1,211	2.16	232	.41
HAINES	49,029,200	768				
Haines City	44,916,300	1,079	690	1.66	690	1.66
TOTAL	93,945,500	1,847	703	1.38	433	.85
JUNEAU, CITY & BOROUGH	1,613,388,900	29,370	1,622	2.95	686	1.25
KENAI PENINSULA	2,417,376,100	22,321				
Homer City	215,845,000	3,817	553	.98	553	.98
Kenai City	282,950,000	6,434	906	2.06	906	2.06
Seldovia City	16,451,300	678	557	2.30	557	2.30
Seward City	142,170,600	2,072	5	.01	5	.01
Soldotna City	215,425,400	3,597	778	1.30	778	1.30
TOTAL	3,290,219,200	38,919	3,352	3.97	1,037	1.23
KETCHIKAN GATEWAY	284,545,100	5,900				
Ketchikan City	391,440,000	8,414	1,288	3.81	1,288	3.81
TOTAL	675,985,100	14,314	2,230	4.72	1,174	2.49
KODIAK ISLAND	180,536,600	7,146				
Kodiak City	391,834,100	6,602	371	.63	371	.63
TOTAL	572,370,700	13,748	2,056	4.94	367	.88
MATANUSKA-SUSITNA	2,225,993,800	38,077				
Palmer City	141,412,400	3,016	679	1.45	679	1.45
TOTAL	2,367,406,200	41,093	2,730	4.74	647	1.12
NORTH SLOPE		12,342	93,638		77,352	
AS 29.53.045(b) Tax Limit	12,876,786,900			8.97		7.41
AS 29.53.045(c) Tax Limit	2,397,118,779			48.21		39.83
SITKA, CITY & BOROUGH	396,227,900	8,221	1,508	3.13	1,259	2.61
TOTAL BOROUGHS	41,954,537,900 [2]	484,467	4,073	4.70	2,724	3.15

TABLE 1.22 (continued)

Cities	Full Value	Population	GO Debt Per Capita	Ratio of GO Debt to Full Value	Net GO Debt Per Capita [1]	Ratio of Net GO Debt to Full Value [1]
Bethel	$182,296,900	3,681	$151	.31%	$151	.31%
Cordova	120,673,000	2,520				
Craig	34,707,400	1,167	31	.10	31	.10
Delta Junction	30,870,500	1,207				
Dillingham	94,669,900	2,100				
Eagle	9,104,500	194				
Galena	19,149,500	942	955	4.70	955	4.70
Hoonah	27,845,200	906				
Hydaburg	12,688,900	463				
Kake	11,608,000	633				
King Cove	23,230,800	547				
Klawock	5,563,000	600				
Kotzebue	93,245,100	2,981				
Nenana	12,881,500	542	733	3.08	383	2.10
Nome	116,712,900	3,876	558	1.85	558	1.85
Pelican	10,155,400	213				
Petersburg	161,219,300	3,137	1,975	3.84	498	.97
St. Mary's	4,239,400	563				
Sand Point	71,086,800	900				
Skagway	58,447,100	790	1,038	1.40	1,038	1.40
Tanana	11,195,400	425				
Unalaska	105,309,400	1,922	1,716	3.13	1,283	2.34
Unalakleet	19,714,500	787				
Valdez		3,687	20,581		14,810	
AS 29.53.045(b) Tax Limit	1,740,431,900			4.36		3.14
AS 29.53.045(c) Tax Limit	716,105,732			10.59		7.63
Whittier	19,419,200	338				
Wrangell	111,757,000	2,376	4,524	9.62	1,285	2.73
Yakutat	17,679,400	462	509	1.33	509	1.33
TOTAL CITIES	3,125,901,900 [2]	37,959	2,666	3.24	1,755	2.13
TOTAL MUNICIPALITIES	45,080,439,800	522,426	3,971	4.61	2,654	3.08
TOTAL STATEWIDE	48,915,237,900	566,657				

Source: Alaska Taxable 1985, Alaska Department of Community & Regional Affairs

1/ Net of school debt.

2/ Includes [illegible]

PROPOSED DRAFT LANGUAGE
FOR MUNICIPAL SCHOOL DEBT SECTION OF
ALASKA PUBLIC DEBT 1986

As of June 30, 1985, $738 million of municipal school debt was outstanding. Under a program enacted in 1970 (Alaska Statutes 14.11.100) the State will reimburse the municipalities for debt service on certain portions of that debt. On June 30, 1985, the aggregate total percentage of municipal school debt to be reimbursed by the State was 93%. The State share of municipal school debt was thus $687 million.

Because the statute which provides for reimbursement of a portion (100, 90 or 80 percent) of debt service on municipal school debt specifies a two year lag between payment by the municipality and reimbursement by the State for debt incurred prior to January 1, 1982, some principal and interest paid during the fiscal years ending June 30, 1984 and June 30, 1985 has not yet been reimbursed. The State share of municipal school debt outstanding on June 30, 1985 plus the State share of municipal school debt principal payments made by the municipalities during prior years but not yet reimbursed by the State amounted to a total of $754 million. If added to the total of State and State supported debt, the amount of the State's principal outstanding on that debt would have been $1,686 million.

On October 1, 1985 voters in six municipalities approved the issuance of an additional $303 million of general obligation school debt. Most of that debt will have been issued by June 30, 1986. Voters in the City of Sitka approved the issuance of $22.6 million of general obligation school debt in a special election on January 27, 1986. Voters in the Kodiak Island Borough will decide on the issuance of almost $10 million of general obligation school debt in a special election on March 25, 1986. If issued, current statute provides for State reimbursement of up to eighty percent of the debt service on that debt during the year in which the payments are made.

Version #3
Cook
2/25/86 ✓

Original sponsor: Rules/governor

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE ON STATE LOANS

CS FOR HOUSE BILL NO. 521 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

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

* Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

(47) AS 29.47.190 - 29.47.195 (notice of and limitation on debt).

* Sec. 2. AS 29.47.190(b) is amended to read:

(b) Before a general obligation bond issue election, the governing body shall have published a notice of the total existing bond indebtedness at least once a week for three consecutive weeks. The first notice shall be published at least 20 days before the date of the election. A notice must [SHALL] include

(1) the current total general obligation bonded indebtedness, including authorized but unsold bonds, of the municipality;

(2) the cost of the debt service on the current indebtedness;

(3) the total assessed value of taxable property in the municipality;

(4) the full value of taxable property in the municipality as determined by the department; and

(5) for a city in a borough, the current total general obligation bonded indebtness of the borough, including authorized but unsold bonds.

new

* Sec. 3. AS 29.47.190 is amended by adding a new subsection to read:

(c) This section applies to home rule and general law municipalities.

* Sec. 4. AS 29.47 is amended by adding a new section to read:

Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A governing body may not authorize issuance of general obligation bonds unless

(1) the general obligation bonded indebtedness of the municipality outstanding at the time of the authorization by the governing body does not exceed seven percent of the average assessed value of taxable property of the municipality for the last two years; and

(2) upon issuance of the authorized bonds the total general obligation bonded indebtedness of the municipality will not exceed seven percent of the average assessed value of taxable property of the municipality for the last two years.

(b) For purposes of calculating current general obligation bonded indebtedness under (a) of this section for a borough, the general obligation bonded indebtedness of each city in the borough shall be included. For purposes of determining the current general obligation bonded indebtness for a city in a borough, a proportional share of the borough's general obligation bonded indebtedness shall be included based on the value of taxable property in the city compared to the total value of taxable property in the borough.

(c) The limitation under (a) of this section does not apply to

(1) general obligation bonds necessary because of a natural disaster;

(2) general obligation bonds necessary to protect the public health;

(3) general obligation bonds for which, without expenditure

of tax revenue, cash receipts from fees, rents, or other charges pledged to pay the debt have been sufficient each fiscal year after issuance of the bonds to meet interest and redemption payments on the bonds and costs of operating and maintaining the capital project financed with the bonds;

(4) bond anticipation notes;

(5) revenue anticipation notes issued in accordance with article IX, sec. 10, Constitution of the State of Alaska; or

(6) debt for which there are sinking funds or other funds on hand pledged to the payment of the debt, including the proceeds of refunding bonds or refunding notes.

* ~~Sec. 5. This Act takes effect immediately in accordance with AS 01.-10.070(c).~~

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
(907) 586-6526

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative John Sund, Chairman
House Special Committee on Loans

From: Scott A. Burgess, Executive Director

Date: February 25, 1986

Subject: HB 521 - Municipal Debt Limit

You asked me to look into the historical picture for municipal G.O. debt/full assessed value ratio, and how the 7% limit might have applied.

Attached is the information from "Alaska Taxable" for the years, 1979 - 1985. Unfortunately, the information for prior years was not readily available except in aggregate for all municipalities (last page).

Several municipalities have approached or exceeded the 7% limit over the years, e.g. Palmer, Bristol Bay Borough and Unalaska; however, the only indication that pre-oil revenues and capital budgets have kept the percentage down might be the total 5.2% municipal debt to valuation in 1975, compared to 4.3% in 1985.

I hope this information is useful.

SEVEN PERCENT CAP

Borough	FULL VALUE	G. . DEBT	7% OF FULL VALUE	PERCENT OF G.O. DEBT/CAP	CURRENT PERCENT DEBT
Anchorage	$15,755,411,000.00	$358,799,900.00	$1,102,878,770.00	32.53%	2.28%
Bristol Bay	$101,798,800.00	$3,535,000.00	$7,125,916.00	49.61%	3.47%
Fairbanks	$4,210,997,700.00	$90,926,500.00	$294,769,839.00	30.85%	2.16%
Haines	$93,945,500.00	$1,300,000.00	$6,576,185.00	19.77%	1.38%
Juneau	$1,613,388,900.00	$47,631,000.00	$112,937,223.00	42.19%	2.95%
Kenai Peninsula	$3,290,219,200.00	$137,929,000.00	$230,315,344.00	59.89%	4.19%
Ketchikan Gateway	$675,985,100.00	$31,930,000.00	$47,318,957.00	67.48%	4.72%
Kodiak	$572,370,700.00	$28,270,000.00	$40,065,949.00	70.56%	4.94%
Mat-Su	$2,367,406,200.00	$112,208,000.00	$165,718,434.00	67.71%	4.74%
North Slope	$12,876,786,900.00	$1,155,680,000.00	$901,375,083.00	128.21%	8.97%
Sitka	$396,227,900.00	$12,400,000.00	$27,735,953.00	44.71%	3.13%
Total Boroughs	$41,954,537,900.00	$1,980,631,400.00	$2,936,817,653.00	67.44%	4.72%

CITIES

Bethel	$182,296,900.00	$556,500.00	$12,760,783.00	4.36%	0.31%
Cordova	$120,673,000.00	$0.00	$8,447,110.00	0.00%	0.00%
Craig	$34,707,400.00	$0.00	$2,429,518.00	0.00%	0.00%
Delta Junction	$30,870,500	$0	$2,160,935.00	0.00%	0.00%
Dillingham	$94,669,900.00	$0.00	$6,626,893.00	0.00%	0.00%
Eagle	$9,104,500.00	$0.00	$637,315.00	0.00%	0.00%
Galena	$19,149,500.00	$900,000.00	$1,340,465.00	67.14%	4.70%
Hoonah	$27,845,200.00	$0.00	$1,949,164.00	0.00%	0.00%
Hydaburg	$12,688,900.00	$0.00	$888,223.00	0.00%	0.00%
Kake	$11,608,000.00	$0.00	$812,560.00	0.00%	0.00%
King Cove	$23,230,800.00	$0.00	$1,626,156.00	0.00%	0.00%
Klawock	$5,563,000.00	$0.00	$389,410.00	0.00%	0.00%
Kotzebue	$93,245,100.00	$0.00	$6,527,157.00	0.00%	0.00%
Nenana	$12,881,500.00	$396,300.00	$901,705.00	43.95%	3.08%
Nome	$116,712,900.00	$2,161,200.00	$8,169,903.00	26.45%	1.85%
Pelican	$10,155,400.00	$0.00	$710,878.00	0.00%	0.00%
Petersburg	$161,219,300.00	$6,195,000.00	$11,285,351.00	54.89%	3.84%
Sand Point	$71,086,800.00	$0.00	$4,976,076.00	0.00%	0.00%
Skagway	$58,447,100.00	$820,000.00	$4,091,297.00	20.04%	1.40%
St. Mary's	$4,239,400.00	$0.00	$296,758.00	0.00%	0.00%
Tanana	$11,195,400.00	$0.00	$783,678.00	0.00%	0.00%
Unalakleet	$19,714,500	$0	$1,380,015.00	0.00%	0.00%
Unalaska	$105,309,400.00	$3,299,000.00	$7,371,658.00	44.75%	3.13%
Valdez	$1,740,431,900.00	$75,833,000.00	$121,830,233.00	62.24%	4.36%
Whittier	$19,419,200.00	$0.00	$1,359,344.00	0.00%	0.00%
Wrangell	$111,757,000.00	$10,750,000.00	$7,822,990.00	137.42%	9.62%
Yakutat	$17,679,400.00	$235,200.00	$1,237,558.00	19.01%	1.33%
TOTAL CITIES	$3,135,901,900.00	$101,146,200.00	$218,813,133.00	46.22%	3.24%
STATE	$48,915,237,900.00	$816,100,000.00	$3,424,066,653.00	23.83%	1.67%
Total Boroughs	$41,954,537,900.00	$1,980,631,400.00	$2,936,817,653.00	67.44%	4.72%

TABLE I

Borough	Full Value	Population	General Obligation Debt	PER Capita Debt	PER Capita Value	DEBT % TO VALUATION
Anchorage						
City	$4,982,502,900					
Other (includes State assessed)	$8,216,852,900					
TOTAL	$13,199,355,800	244030	$355,008,897	$1,455	$54,089	2.69%
Bristol Bay — TOTAL	$112,215,200	1271	$3,665,000	$2,884	$88,289	3.27%
Fairbanks						
City	$1,385,598,700	27103	$10,590,000	$391	$51,123	0.76%
North Pole	$119,049,000	1005	$1,237,000	$1,231	$118,457	1.04%
Other (includes State assessed)	$2,123,270,930		$85,300,000			4.02%
TOTAL	$3,627,908,630	69633	$97,127,000	$1,395	$52,100	2.68%
Haines						
City	$29,627,633	1079	$765,000	$709	$27,458	2.58%
Other	$59,255,267		$555,000			0.94%
TOTAL	$88,882,900	1847	$1,320,000	$715	$48,123	1.49%
Juneau						
City	$482,026,900					
Douglas	$61,679,900					
Other	$950,212,400					
TOTAL	$1,493,919,200	28941	$51,761,000	$1,789	$51,619	3.46%
Kenai Peninsula						
Homer	$150,681,179	5432	$2,677,000	$493	$27,740	1.78%
Kenai	$179,859,530	6176	$3,230,000	$523	$29,122	1.80%
Seldovia	$20,224,597	678	$397,000	$586	$29,830	1.96%
Seward	$85,492,086	2072	$2,609,000	$1,259	$41,261	3.05%
Soldotna	$130,644,557	3597	$2,326,653	$647	$36,320	1.78%
Other (includes State assessed)	$2,535,738,051					
TOTAL	$3,102,640,000	38919	$131,579,403	$3,381	$79,720	4.24%
Ketchikan Gateway						
City	$360,146,300	8414	$11,305,000	$1,344	$42,803	3.14%
Other	$351,195,300		$22,490,000			6.40%
TOTAL	$711,341,600	14314	$33,795,000	$2,361	$49,696	4.75%
Kodiak						
City	$459,473,500	6469	$2,375,000	$367	$71,027	0.52%
Other	$191,971,200		$30,025,000			15.64%
TOTAL	$651,444,700	13479	$32,400,000	$2,403	$48,330	4.97%
Mat-Su						
Palmer	$149,565,900	2792	$2,048,000	$734	$53,569	1.37%
Houston	$46,743,400	739		$0	$63,252	0.00%
Wasilla	$219,402,800	3548		$0	$61,838	0.00%
Other (includes State assessed)	$1,357,672,860		$78,855,718			5.81%
TOTAL	$1,773,384,960	34030	$80,903,718	$2,377	$52,112	4.56%
North Slope (includes State assessed) TOTAL	$12,354,883,600	12359	$1,203,440,000	$97,373	$999,667	9.74%
Sitka — TOTAL	$756,351,400	8221	$13,220,000	$1,608	$92,002	1.75%
Total Boroughs	$37,872,327,990	467044	$2,004,220,018	$4,291	$81,089	5.29%

CITIES	Full Value	Population	General Obligation Debt	PER Capita Debt	PER Capita Value	DEBT % TO VALUATION
Bethel	$170,370,900	3681	$1,155,856	$314	$46,284	0.68%
Cordova	$121,884,950	2520	$1,434,800	$569	$48,367	1.18%
Craig	$28,381,400	907	$89,000	$98	$31,292	0.31%
Dillingham	$112,645,500	2026	$68,000	$34	$55,600	0.06%
Galena	$17,097,800	902	$0	$0	$18,955	0.00%
Hoonah	$26,023,600	865	$0	$0	$30,085	0.00%
Hydaburg	$11,858,800	429	$0	$0	$27,643	0.00%
Kake	$10,848,600	631	$90,000	$143	$17,193	0.83%
King Cove	$21,711,000	521	$0	$0	$41,672	0.00%
Klawock	$5,199,100	542	$0	$0	$9,592	0.00%
Kotzebue	$85,041,480	2981	$0	$0	$28,528	0.00%
Nenana	$11,233,940	547	$2,869,000	$5,245	$20,537	25.54%
Nome	$207,050,000	3732	$300,000	$80	$55,480	0.14%
Pelican	$9,143,800	213	$0	$0	$42,929	0.00%
Petersburg	$161,668,700	3137	$5,225,000	$1,666	$51,536	3.23%
St. Mary's	$3,925,300	563	$0	$0	$6,972	0.00%
Sand-Point	$66,436,300	870	$0	$0	$76,364	0.00%
Skagway	$63,333,600	790	$836,000	$1,058	$80,169	1.32%
Tanana	$6,617,500	417	$0	$0	$15,869	0.00%
Unalaska	$95,670,900	1922	$5,392,375	$2,806	$49,777	5.64%
Valdez (includes State assessed)	$1,720,125,130	3687	$80,497,000	$21,833	$466,538	4.68%
Whittier	$18,510,280	273	$0	$0	$67,803	0.00%
Wrangell	$106,435,200	2376	$3,395,000	$1,429	$44,796	3.19%
Yakutat (includes State assessed)	$17,949,840	462	$238,800	$517	$38,852	1.33%
Eagle	$7,848,700	161	$0	$0	$48,750	0.00%
TOTAL CITIES	$3,107,012,320	35155	$101,590,831	$2,890	$88,380	3.27%
STATE	$45,009,767,610	547475	$924,008,000	$1,688	$82,213	2.05%
Total Boroughs	$37,872,327,990	467044	$2,004,220,018	$4,291	$81,089	5.29%
STATEWIDE TOTALS	$45,009,767,610	547475	$3,029,818,849	$5,534	$82,213	6.73%

TABLE I

VALUATION, POPULATION AND G.O. BONDED DEBT

BOROUGHS	FULL VALUE DETERMINATION 1-1-83	POPULATION 7-1-83	G.O. BONDED DEBT 7-1-83	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
ANCHORAGE, MUNICIPALITY OF						
TOTAL	10,866,745,130	230,846	353,114,898	1,530	47,074	3.25
BRISTOL BAY						
TOTAL	103,818,800	1,271	3,785,000	2,978	81,683	3.65
FAIRBANKS NORTH STAR	3,356,789,390	65,311	81,575,000	1,249	51,397	2.43
Fairbanks City	2,715,947,100	27,103	11,915,000	440	100,208	0.44
North Pole	114,967,700	934	-0-	-0-	123,092	-0-
TOTAL	3,356,789,390	66,311	93,490,000	1,432	51,397	2.79
HAINES	84,508,200	1,847	660,000	357	45,754	.78
Haines City	40,740,800	1,079	849,710	788	37,758	2.09
TOTAL	84,508,200	1,847	1,509,710	817	45,754	1.79
JUNEAU, CITY & BOROUGH						
TOTAL	1,145,326,400	27,519	27,904,000	1,014	41,619	2.44
KENAI PENINSULA	3,906,130,750	35,769	108,180,024	3,024	109,204	2.77
Homer City	174,800,200	3,237	3,055,689	944	54,000	1.75
Kenai City	206,824,100	5,721	3,695,000	646	36,152	1.79
Seldovia City	18,246,100	510	430,000	843	35,777	2.36
Seward City	87,603,300	1,871	2,727,000	1,458	46,822	3.11
Soldotna City	132,734,800	3,353	2,294,000	684	39,587	1.73
TOTAL	3,906,130,750	32,769	120,381,713	3,366	109,204	3.08
KETCHIKAN GATEWAY	690,816,100	14,314	23,429,000	1,637	48,262	3.39
Ketchikan City	367,163,600	8,414	7,550,000	897	43,637	2.06
TOTAL	690,816,100	14,314	30,979,000	2,164	48,262	4.48
KODIAK ISLAND	541,882,100	13,079	22,275,000	1,703	41,432	4.11
Kodiak City	367,230,600	6,072	3,250,000	553	60,479	0.89
TOTAL	541,882,100	13,079	25,525,000	1,952	41,431	4.71
MATANUSKA-SUSITNA	1,421,820,060	30,568	83,304,989	2,725	46,514	5.86
Palmer City	91,963,800	2,738	2,128,000	-777	33,588	2.31
TOTAL	1,421,820,060	30,568	85,432,989	2,795	46,514	6.01
NORTH SLOPE BOROUGH						
TOTAL	10,059,361,780	7,721	755,700,000	97,876	1,302,857	7.51
SITKA, CITY & BOROUGH						
TOTAL	439,486,500	8,221	16,488,419	2,006	53,459	3.75
TOTAL BOROUGHS	32,616,691,210	433,466	1,514,310,729	3,493	75,246	4.64

TABLE I

VALUATION, POPULATION AND G.O. BONDED DEBT

CITIES	FULL VALUE DETERMINATION 1-1-83	POPULATION 7-1-83	G.O. BONDED DEBT 7-1-83	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
BETHEL	161,303,600	3,681	1,225,000	333	43,821	.76
CORDOVA	127,490,900	2,307	1,557,000	675	55,263	1.22
CRAIG	24,451,600	907	37,498	41	26,959	.15
DILLINGHAM	101,306,600	1,896	66,723	35	53,432	.07
GALENA	15,213,500	876	-0-	-0-	17,367	-0-
HOONAH	23,534,900	865	-0-	-0-	27,208	-0-
HYDABURG	10,652,500	429	-0-	-0-	24,831	-0-
KAKE	9,622,950	631	-0-	-0-	15,250	-0-
KING COVE	19,563,700	586	-0-	-0-	33,385	-0-
KLAWOCK	4,619,800	508	128,000	252	9,094	2.77
KOTZEBUE	77,496,800	2,981	-0-	-0-	31,452	-0-
NENANA	10,987,670	586	2,869,000	4,896	18,750	26.11
NOME	113,099,900	3,620	390,000	108	31,243	.35
PELICAN	9,444,600	213	-0-	-0-	44,341	-0-
PETERSBURG	142,322,700	3,046	5,570,000	1,829	46,725	3.91
ST. MARY'S	3,512,600	563	-0-	-0-	6,239	-0-
SAND POINT	59,691,200	889	-0-	-0-	67,144	-0-
SKAGWAY	61,462,250	790	1,753,325	2,219	77,800	2.85
TANANA	5,870,800	485	-0-	-0-	12,105	-0-
UNALASKA	86,393,240	1,922	5,522,375	2,873	44,950	6.40
VALDEZ	1,696,828,300	3,687	84,460,000	22,864	459,347	4.98
WRANGELL	97,867,600	2,376	2,484,000	1,045	41,190	2.54
YAKUTAT	25,788,660	462	133,800	290	55,820	.52
TOTAL CITIES	2,649,726,170	34,306	106,196,721	3,142	78,404	4.01
STATE	39,009,681,680	516,324	842,413,000	1,814	75,844	.08
MUNICIPAL	35,266,417,380	446,414	1,316,204,221	2,948	70,284	4.19
STATEWIDE TOTAL	39,009,681,680	516,324	1,620,507,450	4,648	75,844	3.75

Note: All population figures include military personnel.

TABLE I

VALUATION, POPULATION AND G.O. BONDED DEBT

BOROUGHS	FULL VALUE DETERMINATION 1-1-82	POPULATION 7-1-82	G.O. BONDED DEBT 7-1-82	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
ANCHORAGE, MUNICIPALITY OF						
TOTAL	10,611,784,259	204,216	261,010,000	1,278	51,963	2.46
BRISTOL BAY						
TOTAL	87,477,900	1,271	3,895,000	3,064	68,826	4.45
FAIRBANKS NORTH STAR	2,996,031,060	58,721	83,158,350	1,416	51,021	2.78
Fairbanks City	1,067,847,224	25,747	11,915,000	463	41,474	1.12
North Pole	99,724,738	934	-0-	-0-	106,772	-0-
TOTAL	2,996,031,060	58,721	95,073,350	1,619	51,021	3.17
HAINES	70,950,672	1,847	923,310	499	38,414	1.30
Haines City	34,791,413	1,079	805,000	746	32,244	.23
TOTAL	70,950,672	1,847	1,728,310	935	38,414	2.44
JUNEAU, CITY & BOROUGH						
TOTAL	1,037,772,068	22,023	27,904,000	1,267	47,122	2.69
KENAI PENINSULA	2,978,040,060	32,303	98,999,603	3,064	92,191	3.32
Homer City	155,219,629	2,897	2,877,000	993	53,579	1.85
Kenai City	205,513,739	5,231	3,695,000	706	39,288	1.80
Seldovia City	19,029,142	729	430,000	590	26,103	2.26
Seward City	63,650,774	1,828	-0-	-0-	34,820	-0-
Soldotna City	124,949,463	3,008	-0-	-0-	41,539	-0-
TOTAL	2,978,040,060	32,303	106,001,603	3,279	92,191	3.56
KETCHIKAN GATEWAY	666,802,500	12,431	14,495,000	1,166	53,640	2.17
Ketchikan City	314,484,068	7,777	8,110,000	1,043	40,438	2.58
TOTAL	666,802,500	12,431	22,605,000	18189	53,640	3.39
KODIAK ISLAND	438,045,500	12,714	20,042,372	1,576	34,454	4.58
Kodiak City	323,844,006	5,873	3,250,000	553	55,141	1.00
TOTAL	438,045,500	12,714	23,292,372	1,832	34,454	5.32
MATANUSKA-SUSITNA	1,203,078,576	26,002	65,218,090	2,508	46,269	5.42
Palmer City	92,287,31?	2,524	3,629,401	1,438	36,568	3.93
TOTAL	1,203,078,5??	26,..2	68,847,491	1,488	46,269	5.72
NORTH SLOPE BOROUGH						
TOTAL	8,268,630,720	7,552	587,400,000	77,781	1,094,893	7.10
SITKA, CITY & BOROUGH						
TOTAL	421,405,430	8,221	17,486,200	2,127	51,259	4.15
TOTAL BOROUGHS	28,780,018,745	387,301	1,215,243,326	3,138	74,309	4.22

TABLE I

VALUATION, POPULATION AND G.O. BONDED DEBT

CITIES	FULL VALUE DETERMINATION 1-1-82	POPULATION 7-1-82	G.O. BONDED DEBT 7-1-82	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
BETHEL	** 142,746,500	3,681	585,000	159	38,779	.41
CORDOVA	116,365,600	2,241	1,673,200	747	51,921	1.44
CRAIG	21,638,600	604	37,498	62	35,825	.17
DILLINGHAM	69,193,500	1,841	73,000	40	37,585	.11
GALENA	6,229,700	844	-0-	-0-	7,382	-0-
HOONAH	16,659,050	863	-0-	-0-	19,304	-0-
HYDABURG	8,976,800	412	-0-	-0-	21,883	-0-
KAKE	7,371,700	631	-0-	-0-	11,683	-0-
KING COVE	28,256,300	523	-0-	-0-	54,027	-0-
KLAWOCK	3,711,300	433	-0-	-0-	8,571	-0-
KOTZEBUE	** 89,072,800	2,464	-0-	-0-	36,150	-0-
NENANA	8,966,600	540	2,725,000	5,046	16,605	30.39
NOME	158,666,727	3,430	507,872	148	46,259	.32
PELICAN	13,368,755	185	-0-	-0-	72,264	-0-
PETERSBURG	129,351,800	3,040	2,995,000	985	42,550	2.32
ST. MARY'S	3,108,500	442	-0-	-0-	7,033	-0-
SAND POINT	55,240,000	797	-0-	-0-	69,310	-0-
SKAGWAY	56,933,200	790	1,826,325	2,312	72,067	3.21
TANANA	5,195,300	485	-0-	-0-	10,712	-0-
UNALASKA	73,520,942	1,922	3,500,000	1,821	38,252	4.76
VALDEZ	1,701,061,400	3,694	84,460,000	22,864	460,493	4.97
WRANGELL	87,754,617	2,376	2,578,000	1,085	36,934	2.94
YAKUTAT	24,526,680	462	-0-	-0-	53,088	-0-
TOTAL CITIES	2,827,916,371	32,700	100,960,895	3,087	86,481	3.57
STATE	35,226,938,816	464,460	842,413,000	1,814	75,844	.08
MUNICIPAL	31,376,115,816	446,414	1,316,204,221	2,948	70,284	4.19
STATEWIDE TOTAL	35,226,938,816	464,460	2,158,617,221	4,648	75,844	3.75

*TOTAL POPULATION LISTED IN THIS TABLE

Note: All population figures include military personnel.

TABLE VII

VALUATION, POPULATION AND G.O. BONDED DEBT

BOROUGHS	FULL VALUE DETERMINATION 1-1-81	POPULATION 7-1-81	G.O. BONDED DEBT 7-1-81	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
ANCHORAGE, MUNICIPALITY OF						
TOTAL	8,003,075,180	180,740	266,216,000	1,473	44,280	3.33
BRISTOL BAY						
TOTAL	85,017,500	1,182	4,000,000	3,384	71,927	4.71
FAIRBANKS NORTH STAR	2,606,854,330	51,659	83,055,000	1,608	50,463	3.19
Fairbanks City	850,853,800	25,568	14,465,000	566	33,278	1.70
North Pole	89,056,600	928	326,000	351	95,966	0.37
TOTAL	2,606,854,330	51,659	97,846,000	1,894	50,463	3.75
HAINES	63,753,650	1,712	1,015,258	593	37,239	1.59
Haines City	30,334,500	1,017	825,000	811	29,827	2.72
TOTAL	63,753,650	1,712	1,840,258	1,075	37,239	2.89
JUNEAU, CITY & BOROUGH						
TOTAL	859,024,500	21,080	16,875,000	801	40,751	1.97
KENAI PENINSULA	2,582,371,000	26,520	47,054,146	1,774	97,375	1.82
Homer City	145,074,250	2,588	1,650,000	638	56,057	1.14
Kenai City	190,958,350	4,558	3,960,000	869	41,895	2.07
Seldovia City	14,256,000	505	446,000	883	28,230	3.13
Seward City	71,361,400	1,943	-0-	-0-	36,727	-0-
Soldotna City	108,511,400	2,445	2,377,000	972	44,381	2.19
TOTAL	2,582,371,000	26,520	55,487,146	2,092	97,375	2.15
KETCHIKAN GATEWAY	545,522,900	11,373	7,279,000	640	47,967	1.33
Ketchikan City	273,541,600	7,200	8,630,000	1,199	37,992	3.16
TOTAL	545,522,900	11,373	15,909,000	1,399	47,967	2.92
KODIAK ISLAND	378,356,600	8,358	15,610,000	1,868	45,269	4.13
Kodiak City	298,300,700	4,678	3,485,000	745	63,767	1.17
TOTAL	378,356,600	8,358	19,095,000	2,285	45,269	5.05
MATANUSKA-SUSITNA	1,122,893,100	19,123	49,100,000	2,568	58,720	4.37
Palmer City	78,562,400	2,275	2,268,411	997	34,533	2.89
TOTAL	1,122,893,100	19,123	51,368,411	2,686	58,720	4.57
NORTH SLOPE BOROUGH						
TOTAL	6,704,742,250	7,098	454,200,000	63,990	944,596	6.77
SITKA, CITY & BOROUGH						
TOTAL	382,448,700	7,927	15,441,000	1,948	48,246	4.04
TOTAL BOROUGHS	23,334,059,710	336,772	998,277,815	2,964	69,287	4.28

SITKA, CITY & BOROUGH TOTAL TOTAL BOROUGHS	382,448,700 23,334,059,710	7,927 336,772	15,441,000 998,277,815	1,948 2,964	48,246 69,287	4.04 4.28

TABLE VII

VALUATION, POPULATION, AND G.O. BONDED DEBT

CITIES	FULL VALUE DETERMINATION 1-1-81	POPULATION 7-1-81	G.O. BONDED DEBT 7-1-81	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
BETHEL	108,004,100	3,549	-0-	-0-	30,432	-0-
CORDOVA	97,562,550	2,223	1,776,689	799	43,888	1.82
CRAIG	17,008,000	560	-0-	-0-	30,371	-0-
DILLINGHAM	58,781,900	1,670	109,000	65	35,199	.19
GALENA	5,784,000	805	-0-	-0-	7,185	-0-
HOONAH	15,199,900	799	-0-	-0-	19,024	-0-
HYDABURG	8,190,500	356	-0-	-0-	23,007	-0-
KAKE	6,726,000	583	-0-	-0-	11,537	-0-
KING COVE	8,591,800	513	-0-	-0-	16,748	-0-
KLAWOCK	3,386,200	389	-0-	-0-	8,705	-0-
KOTZEBUE	81,270,760	2,250	-0-	-0-	36,120	-0-
NENANA	9,702,500	592	225,000	380	16,389	2.32
NOME	104,516,600	3,039	555,000	183	34,392	.53
PELICAN	7,263,100	172	-0-	-0-	42,227	-0-
PETERSBURG	116,163,500	3,001	3,160,000	1,053	38,708	2.72
ST. MARY'S	2,836,200	432	-0-	-0-	6,565	-0-
SAND POINT	17,276,000	697	-0-	-0-	24,786	-0-
SKAGWAY	52,744,600	819	961,000	1,173	64,401	1.82
UNALASKA	85,319,800	1,944	3,500,000	1,800	43,889	4.10
VALDEZ	1,743,001,700	3,279	76,849,000	23,437	531,565	4.41
WRANGELL	70,581,500	2,345	2,656,000	1,133	30,099	3.76
YAKUTAT	23,362,160	430	-0-	-0-	54,331	-0-
TOTAL CITIES	2,453,998,510	30,447	89,791,689	2,949	80,599	3.66
STATE	29,780,286,180	422,187	701,178,000	1,661	70,538	2.36
MUNICIPAL	25,788,058,230	392,492	1,091,019,504	2,780	65,703	4.23
STATEWIDE TOTAL	29,780,286,180	422,187	1,792,197,504	4,245	70,538	6.02

*TOTAL POPULATION LISTED IN THIS TABLE

Note: All population figures include military personnel.

TABLE VII

VALUATION, POPULATION AND G. O. BONDED DEBT

BOROUGHS	FULL VALUE DETERMINATION 1-1-80	POPULATION 7-1-80	G.O. BONDED DEBT 7-1-80	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
ANCHORAGE, MUNICIPALITY OF						
TOTAL	7,495,203,650	204,328	259,003,000	12,676	36,682	3.46
BRISTOL BAY						
TOTAL	57,186,900	1,685	4,000,000	2,374	33,939	6.99
FAIRBANKS NORTH STAR	1,444,688,030	60,227	33,935,000	563	23,987	2.35
Fairbanks City	795,151,200	36,457	20,591,251	565	21,811	2.60
North Pole	71,632,900	823	350,000	425	87,039	.48
TOTAL	2,311,472,130	60,277	54,876,251	911	38,379	2.37
HAINES	29,646,700	1,924	1,130,355	588	15,409	3.81
Haines City	29,672,800	1,366	845,000	619	21,722	2.85
TOTAL	59,319,500	1,924	1,975,355	1,027	30,831	3.33
JUNEAU, CITY & BOROUGH OF						
TOTAL	713,912,400	23,115	18,145,000	784	30,885	2.54
KENAI PENINSULA	1,758,702,610	25,507	44,762,000	175	68,950	2.54
Homer City	127,909,800	2,227	2,224,000	999	57,436	1.74
Kenai City	137,051,700	4,421	-0-	-0-	31,000	-0-
Seldovia City	12,481,900	528	462,000	875	23,640	3.70
Seward City	69,032,900	1,788	1,316,000	736	38,609	1.91
Soldotna City	85,597,750	2,365	2,726,000	1,153	36,194	3.18
TOTAL	2,190,776,660	25,507	51,490,000	2,018	85,889	2.35
KETCHIKAN GATEWAY	219,310,300	13,463	7,614,000	558	16,289	3.47
Ketchikan City	216,000,400	8,542	8,950,000	1,048	25,286	4.15
TOTAL	435,310,700	13,463	16,564,000	1,230	32,334	3.81
KODIAK ISLAND	197,169,700	11,978	3,725,000	311	16,461	1.89
Kodiak City	160,493,200	4,668	3,744,000	802	34,382	2.33
TOTAL	357,662,900	11,978	7,469,000	624	29,860	2.09
MATANUSKA-SUSITNA	965,423,500	23,177	50,455,000	2,177	41,654	5.23
Palmer City	20,735,400	2,095	2,292,022	2,094	9,898	11.05
TOTAL	986,158,430	23,177	52,747,022	2,276	42,549	5.35
NORTH SLOPE						
TOTAL	5,818,229,841	4,160	257,000,000	55,748	1,262,089	4.42
SITKA, CITY & BOROUGH OF						
TOTAL	330,920,600	8,787	15,987,800	1,819	37,660	4.83
TOTAL BOROUGHS	20,756,153,711	378,801	739,257,428	1,952	54,794	3.56

TABLE VII

VALUATION, POPULATION AND G.O. BONDED DEBT

CITIES	FULL VALUE DETERMINATION 1-1-80	POPULATION 1-1-80	G.O. BONDED DEBT 1-1-80	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
BETHEL	-0-	3,853	700,000	182	-0-	-0-
CORDOVA	56,731,600	2,780	1,888,600	679	20,407	3.33
CRAIG	8,803,900	587	-0-	-0-	14,998	-0-
DILLINGHAM	47,697,200	1,656	116,000	70	28,803	.24
GALENA	4,292,000	957	-0-	-0-	4,485	-0-
HOONAH	7,518,783	1,093	-0-	-0-	6,879	-0-
HYDABURG	3,822,600	381	-0-	-0-	10,033	-0-
KAKE	3,234,100	710	-0-	-0-	4,555	-0-
KING COVE	6,979,200	733	-0-	-0-	9,521	-0-
KLAWOCK	2,966,600	404	61,460	152	7,343	2.08
KOTZEBUE	-0-	2,526	-0-	-0-	-0-	-0-
NENANA	5,785,400	503	233,000	463	11,502	4.03
NOME	82,179,700	2,892	895,000	309	29,049	1.09
PELICAN	6,505,000	221	-0-	-0-	29,434	-0-
PETERSBURG	78,706,200	3,197	3,410,000	1,067	24,619	4.33
ST. MARY'S	2,445,000	549	-0-	-0-	4,454	-0-
SAND POINT	10,700,000	794	-0-	-0-	13,476	-0-
SKAGWAY	47,245,900	877	1,006,000	1,147	53,872	2.13
UNALASKA	56,629,100	929	3,806	4	60,957	.01
VALDEZ	1,748,232,000	4,066	76,852,000	18,901	429,964	4.40
WRANGELL	60,922,500	3,325	2,689,000	809	9,196	4.41
YAKUTAT	14,567,700	442	-0-	-0-	32,959	-0-
TOTAL CITIES	2,255,964,483	33,475	87,854,866	2,624	67,393	3.63
STATE	26,927,537,754	457,201	573,186,000	1,254	58,896	2.13
MUNICIPAL	23,012,118,194	412,276*	827,112,294	2,006	55,817	3.59
STATEWIDE TOTAL	26,927,537,754	457,201	1,400,298,294	3,063	58,896	5.20

*TOTAL POPULATION LISTED IN THIS TABLE

Note: All population figures include military personel.

TABLE VII

VALUATION, POPULATION AND G.O. BONDED DEBT

BOROUGHS	FULL VALUE DETERMINATION 1-1-79	CIVILIAN POPULATION 7-1-79	G.O. BONDED DEBT 7-1-79	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
ANCHORAGE, MUNICIPALITY TOTAL	6,540,804,000	185,280	260,836,000	1,408	35,302	3.99
BRISTOL BAY TOTAL	41,564,600	1,685	565,000	335	24,667	1.36
FAIRBANKS NORTH STAR	2,303,862,300	60,227	36,643,000	608	38,253	1.59
Fairbanks City	727,804,500	30,462	16,055,000	527	23,892	2.21
North Pole	64,264,000	823	350,000	425	78,085	.54
TOTAL	2,303,862,300	60,227	53,048,000	881	38,253	2.30
HAINES	42,550,000	1,924	790,000	411	22,115	1.86
Haines City	22,569,900	1,366	865,000	633	16,523	3.83
TOTAL	42,550,000	1,924	1,655,000	860	22,115	3.89
JUNEAU, CITY & BOROUGH OF TOTAL	604,923,000	23,115	13,823,060	598	26,170	2.29
KENAI PENINSULA	2,050,959,800	25,507	45,739,500	1,793	80,408	2.23
Homer City	86,129,650	2,227	2,789,000	1,252	38,675	3.24
Kenai City	141,765,560	4,421	4,145,000	938	32,066	2.92
Seldovia City	9,172,600	528	477,000	903	17,372	5.20
Seward City	50,242,210	1,778	1,376,000	774	28,258	2.74
Soldotna City	84,356,630	2,365	2,790,000	1,180	35,669	3.31
TOTAL	2,050,959,800	25,507	57,316,500	2,247	80,407	2.79
KETCHIKAN GATEWAY	371,820,000	13,463	7,482,000	556	27,618	2.01
Ketchikan City	190,468,900	8,542	9,280,000	1,086	22,298	4.87
TOTAL	371,820,000	13,463	16,762,000	1,245	27,618	4.51
KODIAK ISLAND	309,925,487	8,926	3,930,000	440	34,722	1.27
Kodiak City	238,004,311	5,754	4,163,000	723	41,363	1.75
TOTAL	309,925,487	8,926	8,093,000	907	34,722	2.61
MATANUSKA-SUSITNA	928,420,000	23,177	52,455,000	2,263	40,058	5.65
Palmer City	57,824,900	2,056	2,315,278	1,126	28,125	4.00
TOTAL	928,420,000	23,177	54,770,278	2,363	40,058	5.90
NORTH SLOPE TOTAL	5,105,508,500	8,055	215,478,000	26,751	633,831	4.22
SITKA, CITY & BOROUGH OF TOTAL	322,127,700	8,787	11,008,626	1,253	36,660	3.42
TOTAL BOROUGHS	18,622,465,387	360,146	693,355,464	1,925	51,708	3.76

TABLE VII

VALUATION, POPULATION AND G.O. BONDED DEBT

CITIES	FULL VALUE DETERMINATION 1-1-79	CIVILIAN POPULATION 7-1-79	G.O. BONDED DEBT 7-1-79	PER CAPITA DEBT	PER CAPITA VALUATION	DEBT % TO VALUATION
BETHEL		3,853	765,000	199		
CORDOVA	49,704,500	2,780	1,992,800	717	17,879	4.01
CRAIG	7,918,600	587	138,111	235	13,490	1.74
DILLINGHAM	32,693,800	1,656	198,000	120	19,743	.06
EAGLE		142				
GALENA	4,011,200	957			4,191	
HOONAH	7,026,900	1,093			6,429	
HYDABURG	3,572,500	381			9,377	
KAKE	3,022,500	710			4,257	
KING COVE	6,446,300	733			8,794	
KLAWOCK	2,795,000	404			6,918	
NENANA	5,786,500	503	240,000	477	11,504	4.15
NOME	48,054,089	2,892	672,559	233	16,616	1.40
PELICAN	5,461,000	221			24,710	
PETERSBURG	66,846,200	3,197	3,715,000	1,162	20,909	5.56
ST. MARY'S	1,775,000	436			4,071	
SAND POINT	8,878,900	773			11,486	
SKAGWAY	40,996,100	877	1,585,375	1,808	46,746	3.87
UNALASKA	33,331,900	768	3,519,594	4,583	43,401	10.56
VALDEZ	1,652,877,200	4,066	59,595,000	14,657	406,512	3.61
WRANGELL	54,520,100	3,325	2,732,000	822	16,397	5.01
YAKUTAT	10,830,510	442			3,247	
TOTAL CITIES	2,046,548,810	30,796	75,153,439	2,440	66,455	3.67
STATE	25,007,474,690	429,649	670,503,000	1,561	58,204	2.68
MUNICIPAL	20,709,014,197	390,942	768,508,903	1,966	52,972	3.71
STATEWIDE TOTAL	25,007,474,690	429,649	1,439,011,903	3,349	48,115	5.75

TABLE I

VALUATION, POPULATION, AND G. O. BONDED DEBT

Per capita valuation, per capita general obligation bonded debt, and debt as a percent of valuation are reported in Table I. Included are organized boroughs and home rule and general law municipalities. Excluded are cities of the second class without debt or for which no valuation data is available. Data reported below for debt and population is as of July 1.

YEAR	MUNICIPALITIES DEBT	STATE OF ALASKA DEBT	TOTAL DEBT	POPULATION	PER CAPITA DEBT	% Debt to Valuation
1975	351,421,098	392,508,000	743,929,098	379,286	1,961	5.2%
1976	420,807,982	462,923,000	883,730,982	393,167	2,248	3.6
1977	519,599,526	530,008,000	1,049,607,526	398,983	2,631	3.0
1978	545,227,664	596,213,000	1,141,440,664	423,541	2,695	2.6
1979	768,508,903	670,503,000	1,439,011,903	429,649	3,349	3.1
1980	827,112,294	573,186,000	1,400,298,294	464,295	3,016	3.1
1981	1,091,019,504	701,178,000	1,792,197,504	422,187	4,245	3.7
1982	1,316,204,221	842,413,000	2,158,617,221	464,460	4,648	3.7
1983	1,619,154,450	946,183,000	2,565,332,450	516,324	4,968	4.1
1984	2,105,810,849	924,008,000	3,029,818,849	547,475	5,534	4.7
1985	2,084,098,600	816,100,000	2,900,198,600	566,657	5,118	4.3

29.47

Introduced: 1/27/86
Referred: House Special Committee on State Loans, Community & Regional Affairs and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

HOUSE BILL NO. 521

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

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

* Section 1. AS 29.47.190(b) is amended to read:

(b) Before a general obligation bond issue election, the governing body shall have published a notice of the total existing bond indebtedness at least once a week for three consecutive weeks. The first notice must [SHALL] be published at least 20 days before the date of the election. A notice must [SHALL] include

(1) the current total general obligation bonded indebtedness, including authorized but unsold bonds of the municipality;

(2) the cost of the debt service on the current indebtedness;

(3) the total assessed value of taxable property in the municipality;

(4) the full property value, as determined by the Department of Community and Regional Affairs under AS 14.17.140.

* Sec. 2. AS 29.47 is amended by adding a new section to read:

Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A municipality may not incur additional general obligation bond debt if current bonded indebtedness exceeds, or will exceed upon issuance of the debt issue, seven percent of the full property value, as determined by the Department of Community and Regional Affairs under AS 14.17.140.

overlapping indebtedness structure

(b) For purposes of the debt limitation established in (a) of this section, "municipality" includes a municipality or a combination of municipalities that occupy, in whole or in part, the same geographic area.

(c) For purposes of the debt limitation established in (a) of this section, "general obligation bond debt" does not include

(1) refunding bonds; or

(2) self-supporting debt even though such debt may also be general obligation debt of the municipality.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Amend definitions

certain effective date

STATE OF ALASKA
Outstanding Debt of the State
and State Agencies
($ Millions)

	Principal Outstanding 11-30-85 [1]	Principal Outstanding 6-30-85	Principal Outstanding 6-30-84
STATE DEBT			
State of Alaska General Obligation Bonds	752.7	816.1	924.0
STATE SUPPORTED DEBT			
Alaska State Housing Authority Lease Revenue Bonds	35.7	47.4	54.4
University of Alaska Debt	17.1	17.4	22.8
Spring Creek Correctional Center Lease, Certificates of Participation in Rent	45.4	0	0
Seward Student Service Center Commercial Lease, Certificates of Participation in Rent	5.8	5.8	0
Total State Supported Debt	104.0	70.6	77.2
STATE GUARANTEED DEBT			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans Mortgage Program) [2]	658.4	681.4	702.8
STATE MORAL OBLIGATION DEBT			
Alaska Housing Finance Corporation			
Insured Mortgage Bonds	916.4	929.2	941.3
Insured Rural Mortgage Bonds	5.6	6.1	6.9
Alaska Industrial Development Authority Economic Development Bonds and Consolidated Bonds	237.3	213.5	155.3
Alaska Municipal Bond Bank	132.1	163.6	119.7
Total State Moral Obligation Debt	1,291.4	1,312.4	1,223.2
STATE REVENUE DEBT			
International Airports Revenue Bonds	42.6	43.8	44.6

STATE AGENCY DEBT			
Alaska Housing Finance Corporation			
Housing Mortgage Bonds	89.1	91.7	94.0
State Assisted Mortgage Bonds	877.2	882.9	1,103.8
Home Mortgage Bonds 2/	495.2	536.8	571.9
Second Mortgage Bonds	8.1	9.7	13.1
Fairbanks North Star Borough Residential Mortgage Bonds	24.7	28.5	33.9
Notes Payable to the State of Alaska	23.5	24.4	25.5
Alaska Municipal Bond Bank			
Coastal Energy Reserve Bonds and Loan Bonds	24.4	24.4	24.8
Alaska Medical Facility Authority	11.9	12.3	12.7
Alaska Power Authority			
Notes Payable to State of Alaska	188.9	191.1	191.1 3/
Variable Rate Demand Bonds	267.5	0	0
Alaska State Housing Authority			
Marine View, and Section 8 New Construction Debt	17.7	18.9	20.0
Wrangell 221(d)(3) Indebtedness	.5	.5	.5
HUD Notes Payable	39.2	39.2	31.7
Total State Agency Debt	2,067.9	1,860.4	2,123.2
STATE AGENCY COLLATERALIZED DEBT			
Alaska Housing Finance Corporation			
Collateralized Bonds (Veterans Mortgage Program)	552.5	402.5	-
Collateralized Home Mortgage Bonds	302.4	202.4	-
Overseas Finance N.V. Guaranteed Bonds	100.0	100.0	100.0
FNMA Collateralized Notes	296.7	300.0	175.0
Alaska State Housing Authority			
FHA Insured Mortgage Revenue Bonds	32.3	35.5	33.8
Total State Agency Collateralized Debt	1,283.9	1,040.4	308.8
Total State General Obligation Bonds and State Supported Debt	856.7	886.7	1,001.2
Total State and State Agency Debt	6,200.9	5,825.1	5,403.8

1/ 12-1-85 for AHFC Principal Outstanding.
2/ Excludes AHFC Collateralized Bonds.
3/ The figure represents general obligation bonds and variable rate demand notes which were refinanced by State Loans.

Sources: Alaska Public Debt, State of Alaska, March 1985; Selected Official Statements; "Corporation and Program Information," AHFC, July 1984; Other information provided by State agencies directly.

Debt Outstanding

Years Ended June 30	Alaska G.O. Debt	University of Alaska	ASHA	Certificates of Participation [1]	Total
1977	$530,008,000	$19,246,000	$93,190,000	$	$ 642,444,000
1978	596,213,000	18,605,000	88,575,000		703,393,000
1979	670,503,000	17,893,000	83,730,000		772,126,000
1980	573,186,000	22,251,000	78,550,000		673,987,000
1981	701,178,000	21,363,000	73,015,000		795,556,000
1982	842,413,000	20,305,000	67,125,000		929,843,000
1983	946,183,000	19,191,000	60,985,000		1,026,359,000
1984	924,008,000	18,316,000	54,440,000		996,764,000
1985	846,008,000	17,396,000	47,470,000	6,000,000	916,874,000
1986	738,148,000	16,660,000	40,055,000	51,265,000	846,128,000

1 Seward Student Service Center and Spring Creek Correctional Center.

	SLB Rating	SLB Trend	Moody's/ S&P	Population (000's)	Per Capita Debt	Net GO Debt/ Personal Income	Net GO Debt/ Market Value	General Fund Balance/ General Fund Revenues
Alabama	Lower AA	Stable	Aa/AA	4,110.0	$ 267	2.9%	1.6%	4.2%
Alaska	Mid AA	Stable	Aa/AA-	510.5	2,125	13.1	2.7	54.1
California	Upper AA	Stable	Aa/AA+	25,622.0	110	0.8	0.3	1.4
Connecticut	Mid AA	Upward	Aa1/AA	3,138.0	749	5.4	3.1	3.9
Delaware	Mid AA	Stable	Aa/AA	606.0	929	7.2	4.1	12.7
Florida	Mid AA	Stable	Aa/AA	10,976.0	270	2.3	1.1	8.9
Georgia	Upper AA	Upward	Aaa/AA	5,837.0	286	2.8	0.9	2.6
Hawaii	Lower AA	Stable	Aa/AA	1,038.7	1,608	13.5	4.3	11.9
Illinois	Upper AA	Stable	Aaa/AA+	11,511.0	308	2.2	1.5	2.2
Iowa	Lower MIG-1	Stable	MIG-2/NR	2,894.0	155	1.3	0.6	0.3
Louisiana	Lower AA	Stable	A1/AA-	4,462.0	707	6.9	2.8	0.1
Maine	Upper AA	Stable	Aa1/AAA	1,150.0	256	2.9	1.1	2.2
Maryland	Lower AAA	Stable	Aaa/AAA	4,354.0	682	5.2	2.7	1.2
Massachusetts	Upper A	Stable	A1/AA	5,767.0	777	5.9	3.6	0.3
Michigan	Mid A	Stable	A/A+	9,107.0	144	1.3	0.7	5.1
Minnesota	Mid AA	Stable	Aa/AA+	4,162.0	273	2.3	0.9	1.6
Mississippi	Lower AA	Stable	Aa/AA-	2,598.0	257	3.2	2.2	0.8
Missouri	Mid AAA	Stable	Aaa/AAA	4,985.0	59	0.5	0.5	10.5
Montana	Mid AA	Stable	Aa/AA	824.0	286	2.9	1.4	12.6
Nevada	Mid AA	Stable	Aa/AA	911.0	101	0.8	0.2	15.6
New Hampshire	Mid AA	Stable	Aa/AA	977.0	365	3.1	1.2	0
New Jersey	Mid AAA	Stable	Aaa/AAA	7,515.0	421	3.0	1.5	9.1
New Mexico	Mid AA	Stable	Aa/AA	1,424.0	247	2.6	1.2	4.0
New York	Upper A	Stable	A/A+	17,735.0	613	4.7	4.1	0.2
North Carolina	Mid AAA	Stable	Aaa/AAA	6,164.2	143	1.5	0.7	4.8
North Dakota	Upper AA	Stable	Aa/AA	673.0	94	0.8	0.2	14.6
Ohio	Mid AA	Stable	Aa/AA	10,752.0	294	2.6	1.2	0.9
Oregon	Upper A	Stable	A1/A+	2,674.0	174	1.6	0.6	8.4
Pennsylvania	Mid A	Upward	A/AA-	11,901.0	387	3.4	3.4	0.6
Rhode Island	Mid AA	Downward	Aa/AA-	958.2	372	3.2	1.7	2.5
South Carolina	Lower AAA	Stable	Aaa/AAA	3,300.0	196	2.2	1.0	4.4
Tennessee	Lower AAA	Stable	Aaa/AA+	4,722.0	111	1.0	0.5	5.0
Texas	Mid AAA	Stable	Aaa/AAA	15,221.0	67	0.6	0.2	12.9
Utah	Lower AAA	Stable	Aaa/AAA	1,672.0	177	2.0	0.6	13.9
Vermont	Mid AA	Downward	Aa/NR	530.0	516	4.8	1.6	(10.7)
Virginia	Mid AAA	Stable	Aaa/AAA	5,636.0	84	0.7	0.7	6.1
Washington	Lower AA	Downward	A/AA-	4,349.0	574	4.4	1.6	5.1
West Virginia	Upper A	Stable	A1/AA-	1,953.0	396	4.3	1.6	9.9
Wisconsin	Mid AA	Stable	Aa/AA	4,766.0	324	3.4	1.3	3.4

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Table
As of 01/15/06

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
Group 1	Aa1	AA	Connecticut	-.10	-.10	-.10	-.10
	Aaa	AA	Georgia	-.10	-.10	-.10	-.10
	Aaa	AAA	Maryland	-.10	-.10	-.10	-.10
	Aaa	AAA	New Jersey	-.10	-.10	-.10	-.10
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	Utah	-.10	-.10	-.10	-.10
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.10
Group 2 (BASE GROUP)	Aa	AA+	California	6.10	7.20	7.75	7.90
	Aaa	AAA	Missouri*	6.10	7.20	7.75	7.90
	Aaa	NR	Oklahoma*	6.10	7.20	7.75	7.90
	Aaa	AA+	Tennessee	6.10	7.20	7.75	7.90
	Aaa	AAA	Texas	6.10	7.20	7.75	7.90
Group 3	Aa	AA	Alabama	+.05	+.05	+.10	+.10
	Aa	AA	Delaware	+.05	+.05	+.10	+.10
	Aa	AA	Montana*	+.05	+.05	+.10	+.10
	A	A+	New York	6.20	7.20	7.80	8.00
Group 4	Aa	AA	Kentucky	+.10	+.10	+.10	+.20
	Aa1	AAA	Maine	+.10	+.10	+.10	+.20
	A1	AA	Massachusetts	+.10	+.10	+.10	+.20
	Aa	AA+	Minnesota	+.10	+.10	+.10	+.20
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.20
	Aa	AA	New Mexico*	+.10	+.10	+.10	+.20
	Aa	AA	Ohio	+.10	+.10	+.10	+.20
Group 5	Aa	AA	Florida	+.15	+.15	+.20	+.25
	Aa	AA	Hawaii	+.15	+.15	+.20	+.25
	Aaa	AA+	Illinois	+.15	+.15	+.20	+.25
	Aa	AA	Nevada	+.15	+.15	+.20	+.25
	Aa	AA-	Rhode Island	+.15	+.15	+.20	+.25
	Aa	AA	Wisconsin	+.15	+.15	+.20	+.25
Group 6	Aa	AA-	Alaska	+.20	+.20	+.40	+.35
	Aa	AA	New Hampshire*	+.20	+.20	+.40	+.35
	A	AA-	Pennsylvania	+.20	+.20	+.40	+.35
	Aa	NR	Vermont	+.20	+.20	+.40	+.35
Group 7	A1	AA-	Louisiana	+.25	+.30	+.50	+.50
	Aa	AA	North Dakota*	+.25	+.30	+.50	+.50
	A1	A+	Oregon	+.25	+.30	+.50	+.50
	A1	AA-	West Virginia	+.25	+.30	+.50	+.50
Group 8	A	AA-	Washington	+.30	+.40	+.60	+.60
Group 9	A	A+	Michigan	+.40	+.60	+.60	+.65
Group 10	Baa1	A	Puerto Rico	+.60	+.80	+.75	+.75

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Idano, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have little or no outstanding state general obligation debt.

*** NR = not rated.

**** State comparative trading relationships are suoject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Annual Debt Service and Lease Payments

Years Ended June 30	State G.O. Debt	School Debt [1]	University of Alaska	ASHA	Certificates of Participation [2]	Total
1977	$ 41,883,935	$ 9,051,600	$1,537,720	$ 9,900,488	$	$ 62,373,743
1978	50,028,035	11,418,400	1,701,139	10,115,268		73,262,842
1979	60,024,203	22,273,300	1,697,318	10,090,898		94,085,719
1980	75,072,274	24,081,000	1,790,830	10,062,439		111,006,543
1981	97,632,358	38,380,134	2,195,644	9,974,141		148,182,277
1982	97,459,032	38,262,156	2,311,989	10,046,938		148,080,115
1983	143,624,338	36,203,300	2,306,381	9,914,785		192,048,804
1984	166,336,429	91,210,700	2,008,332	9,915,722		269,471,183
1985	169,523,874	92,758,415	1,998,829	9,923,642	70,190	274,274,950
1986	163,244,162	105,345,000	1,756,038	9,909,715	2,956,410	283,211,325

1 Amounts appropriated to fund State portion of municipal school construction outlays and debt service.

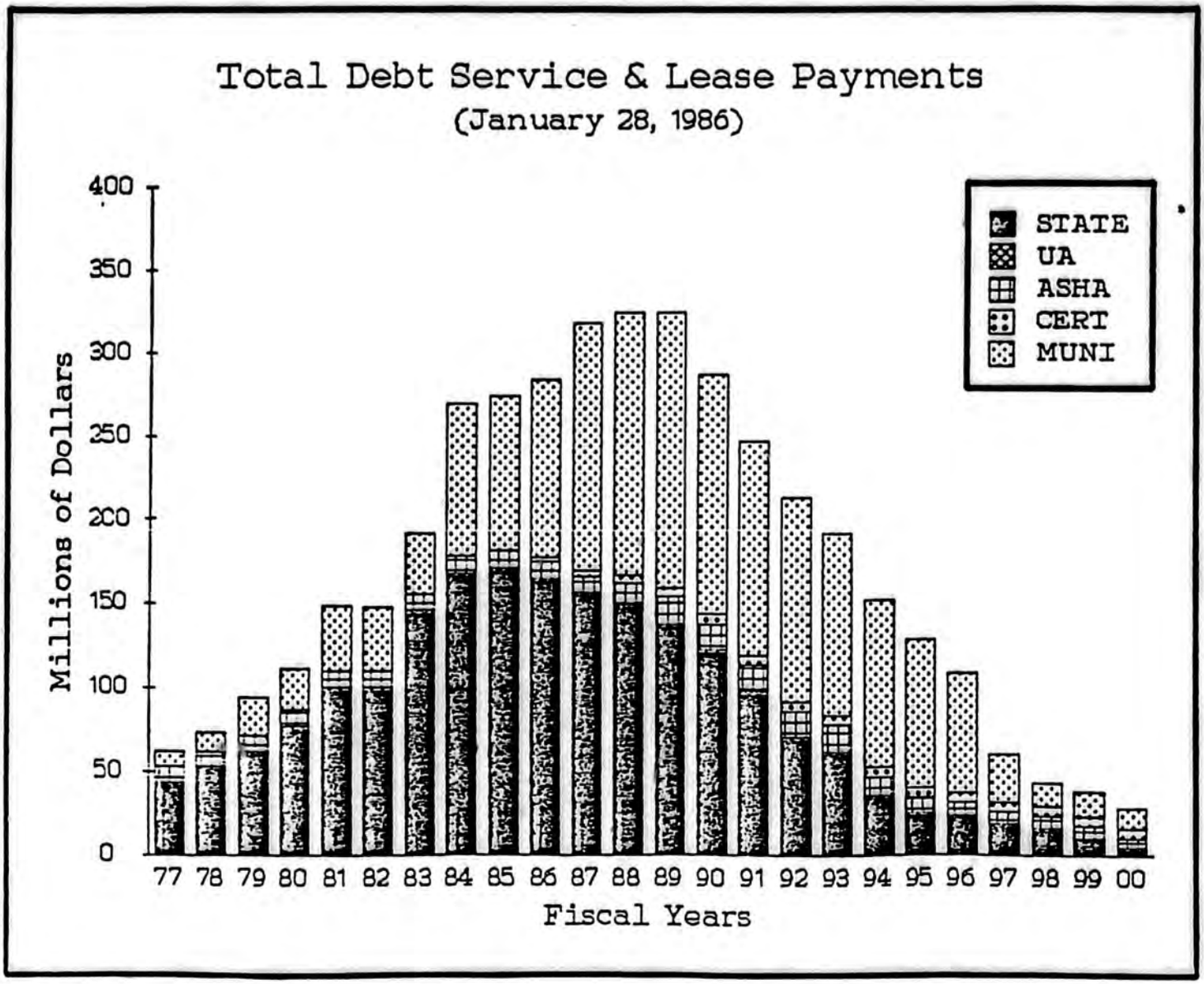
2 Seward Student Service Center and Spring Creek Correctional Center.

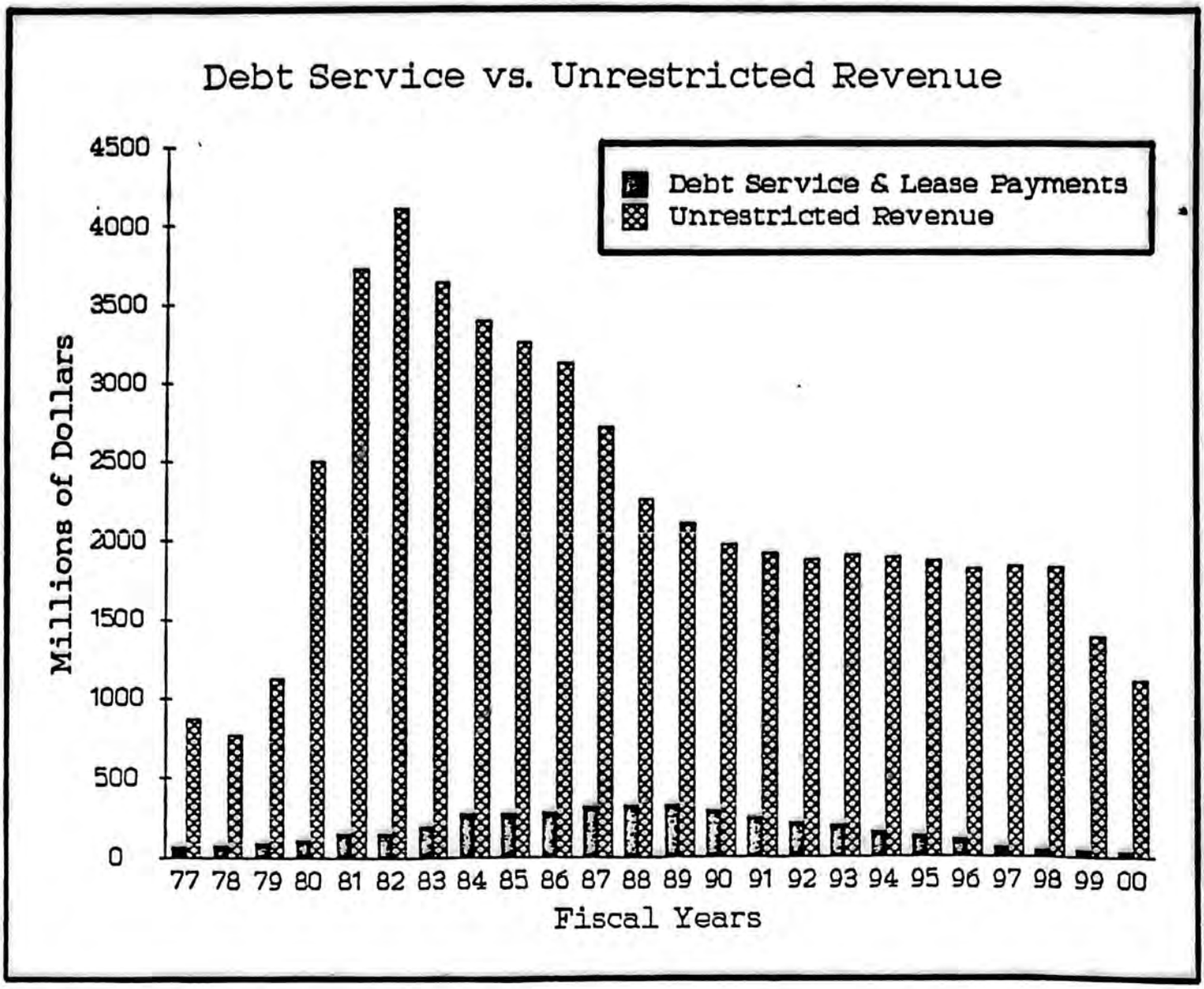
Table I

State Debt Service Burden
in $ Millions and as a % of Unrestricted Revenues 1/

Fiscal Year	1 Existing Debt Service and Lease Obligations		2 Existing School Debt Reimbursement		3 Total Existing Debt Service (1 & 2)		4 Minimum Under Existing Law		5 Maximum Under HB 520	
86	$178	6.1%	$105	3.6%	$283	9.7%	$283	9.7%	$283	9.7%
87	168	7.0	109	4.5	277	11.5	312	12.9	312	12.9
88	161	7.8	100	4.8	261	12.6	313	15.1	313	15.1
89	150	7.9	109	5.7	259	13.6	313	16.4	323	16.9
90	135	7.5	90	5.0	225	12.5	276	15.3	286	15.9
91	110	6.5	78	4.6	188	11.1	238	14.1	248	14.7
92	82	4.8	72	4.2	154	9.0	201	11.8	211	12.4
93	73	4.3	63	3.7	136	8.0	182	10.7	192	11.3
94	44	2.8	56	3.6	100	6.4	143	9.2	153	9.8
95	32	2.1	47	3.1	79	5.2	119	7.8	129	8.5
96	28	2.0	33	2.4	61	4.4	100	7.2	110	7.9
97	24	1.6	16	1.1	40	2.7	57	3.9	67	4.6
98	21	1.5	14	1.0	35	2.5	42	3.0	52	3.7
99	16	1.1	14	1.0	30	2.3	37	2.6	47	3.3
00	9	.7	12	.9	21	1.6	27	2.1	37	2.9

1/ Unrestricted revenues are September 1985 30th percentile estimates.


Total Debt Service & Lease Payments
(January 28, 1986)
Millions of Dollars
400
350
300
250
200
150
100
50
0
77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00
Fiscal Years
STATE
UA
ASHA
CERT
MUNI


Debt Service vs. Unrestricted Revenue
Debt Service & Lease Payments
Unrestricted Revenue
Millions of Dollars
4500
4000
3500
3000
2500
2000
1500
1000
500
0
77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00
Fiscal Years

General Obligation Debt Outstanding of Alaska Municipalities

Years Ended June 30	
1976	$ 420,807,982
1977	519,599,526
1978	545,227,664
1979	768,508,903
1980	827,112,294
1981	1,091,019,504
1982	1,316,204,221
1983	1,619,154,450
1984	2,105,810,849
1985	2,084,098,600

Alaska Municipalities
Capacity to Issue Additional General Obligation Debt
Under a 7% of Full Value Limit
($ Millions)

	Full Value January 1, 1985	GO Debt Limit at 7%	GO Debt Outstanding	GO Debt Capacity
Boroughs				
Anchorage	15,755.4	1,102.9	358.8	744.1
Bristol Bay	101.8	7.1	3.5	3.6
Fairbanks	4,211.0	294.8	90.9	203.9
Haines	93.9	6.6	1.3	5.3
Juneau	1,613.4	112.9	47.7	65.2
Kenai	3,290.2	230.3	137.9	92.4
Ketchikan	676.0	47.3	31.9	15.4
Kodiak	572.4	40.1	28.3	11.8
Mat-Su	2,367.4	165.7	112.2	53.5
North Slope	12,876.8	901.4	1,155.7	-
Sitka	396.2	27.7	12.4	15.3
Cities				
Bethel	182.3	12.8	.6	12.2
Cordova	120.7	8.4	-	8.4
Craig	34.7	2.4	-	2.4
Delta Junction	30.9	2.2	-	2.2
Dillingham	94.7	6.6	-	6.6
Eagle	9.1	.6	-	.6
Galena	19.1	1.3	.9	.4
Hoonah	27.8	1.9	-	1.9
Hydaburg	12.7	.9	-	.9
Kake	11.6	.8	-	.8
King Cove	23.2	1.6	-	1.6
Klawock	5.6	.4	-	.4
Kotzebue	93.2	6.5	-	6.5
Nenana	12.9	.9	2.7	-
Nome	116.7	8.2	2.2	6.0
Pelican	10.2	.7	-	.7
Petersburg	161.2	11.3	6.2	5.1
St. Mary's	4.2	.3	-	.3
Sand Point	71.1	5.0	-	5.0
Skagway	58.4	4.1	.8	3.3
Tanana	11.2	.8	-	.8
Unalakleet	19.7	1.4	-	1.4
Unalaska	105.3	7.4	3.3	4.1
Valdez	1,740.4	121.8	75.8	46.0
Whittier	19.4	1.4	-	1.4
Wrangell	111.8	7.8	10.7	-
Yakutat	17.7	1.2	.2	1.0

Debt Capacity
General Obligation Bonds and Lease Purchase Financing

Mean Revenue Estimates

($ Millions, Nominal)

Fiscal Year	Unrestricted Revenue(1)	5% of Revenue	Existing Debt Service & Lease Payments(2)	Available for Additional Debt Service	Additional Debt Capacity(3)(4)	Cumulative Debt Capacity
1986	3,188	159	178	---	---	---
1987	2,904	145	168	---	---	---
1988	2,503	125	161	---	---	---
1989	2,491	125	150	---	---	---
1990	2,474	124	135	---	---	---
1991	2,441	122	110	12	83	83
1992	2,450	123	82	40	186	269
1993	2,648	132	73	59	128	397
1994	2,692	135	45	90	207	604
1995	2,787	139	32	107	116	720
1996	2,790	140	29	111	22	742
1997	2,868	143	24	119		
1998	2,891	145	22	123		
1999	2,352	118	16	101		
2000	2,265	113	9	104		
2001	2,130	107	6	101		
2002	1,990	100	5	95		
2003	1,811	91	5	86		
2004	1,696	85	5	80		
2005	1,549	77	5	72		

PRELIMINARY DRAFT

(1) December 1985 Department of Revenue revenue estimates.
(2) Includes debt service on general obligation bonds, Alaska State Housing Authority lease revenue bonds, University of Alaska revenue bonds, Seward Student Service Center Lease Certificates of Participation and Spring Creek Correctional Center Certificates of Participation.
(3) Assumes ten-year bonds at 8.0% -- amortization factor .149.
(4) The absence of revenue estimates beyond FY 2005 and the need to ascertain the availability of funds for debt service over a ten-year term prevents the estimation of debt capacity beyond FY 1996.

Anchorage Times 1/27/86

Debt

Continued from page A-1

But that doesn't include the state's share of repaying school construction bonds sold by local school districts. Because that debt is growing dramatically, Wall Street analysts are taking a closer look at Alaska's borrowing power, said Rep. John Sund, a Ketchikan Democrat who chairs the House Special Committee on Loans.

The state owed $750 million in school repayment costs as of last June, Sund said. Voters in November approved another $300 million in school bond sales across the state.

For the first time, bond experts are beginning to lump school debts in Alaska with general obligation debts. That dramatically increases Alaska's bond debt.

Sund said the projected decline of North Slope oil production — and the general reduction in oil prices — also could affect Alaska's bond rating.

Sheffield said the state bond committee should have more control over the design and construction of state buildings. He also is proposing new limits on the amount of bonds a municipality can sell.

But the governor said the most important part of his package would allow the state more say in the design and construction of local schools.

Sheffield introduces debt plan

Hopes to protect state's bond rating

by Bruce Scandling
Associated Press

JUNEAU — Gov. Bill Sheffield is pushing a debt management plan he says will protect Alaska's credit rating on Wall Street.

A package of bond legislation was scheduled to be introduced in the legislature today, said John Hilliard, the governor's deputy press secretary.

"If you run a business or own a home, you know how important it is to keep your financial affairs in order," Sheffield said in a prepared statement. "You keep careful track of how much money you borrow, and you maintain a solid credit rating."

When a state or municipality sells bonds to finance construction projects, it is borrowing money at set interest rates. That rate rises if the state's credit rating drops.

Sheffield said he wants to tighten the reins on local school construction to make sure Alaska's borrowing power stays under control. School debt has grown so significantly that bond analysts are becoming concerned, he said.

Right now, the state's overall debt on general obligation bonds — which pay for building roads, sewers and facilities other than schools — is about $975 million.

See Debt, page A-6

Amendments to SB 341

1. Page 8, lines 2 - 6: delete Sec. 36.30.080(b) which reads as follows:

> (b) The department may enter into lease-financing agreements, including lease-purchase agreements and agreements related to the issuance of certificates of participation. A lease-financing agreement must provide that lease payments are subject to annual appropriation.

2. Page 8, lines 7 - 15: delete

on lines 7 - 8:

"or lease-financing agreement"

on lines 11 - 12:

"and the anticipated total construction, acquisition, or other costs of project"

on lines 13 - 14:

"the legislature"

so that Sec. 36.30.080(c) would read:

> (c) If the department intends to enter into a lease with an annual rent to the state anticipated to exceed $1,000,000, the department shall provide notice to the legislature. The notice must include the anticipated annual lease obligation amount. The department may not enter into an agreement under this subsection unless the lease has been approved by law. An appropriation for the lease does not constitute approval by law for purposes of this section.

Opinion

The governor makes a good point that something should be done about managing public debt statewide — but his idea of what to do goes too far. Gov. Bill Sheffield has proposed four bills under the name "Debt Management Plan" that add up to this: Let the state tell you what to do.

It shouldn't take measures so far-reaching as that to control the situation, especially in regard to the bill, HB 520, that proposes major changes in financing public school construction. The administration is right in saying that the ratio of debt to revenue is too high, and in calling for "reasonableness" to protect bond ratings.

Schools deserve better

The rating in the bond market is important and municipal bond ratings cleave closely to the state's. Ratings affect not only the ease of sale, or marketability, but also the cost of bonds, the interest rate government must pay to pay back the borrowed money.

Here's a sampling of what the governor considers reasonable:

- Require school condition surveys, which would analyze the conditions of a building in a community or school district relative to the need for a new building elsewhere.
- Shift the state's share of construction costs from 80 percent a year on all payments made on school bond debts to 100 percent payment of the principal only, effectively reducing the state's overall share to about 50 percent.
- Vest in the State Bonds Committee — a trio of the state's departmental commissioners, all gubernatorial appointees — the authority to determine the number of years and payment schedule for which bonds can be sold.
- Create a two-year lag between bond sales and the time the state would start paying its share.
- Limit new state obligations for school bonds to an additional $10 million a year, leaving uncovered districts to either play politics for direct capital grants from the Legislature or foot the full cost of construction with local taxes.

The Governor's Office has argued earnestly for its plan, and has circulated a brief explaining it, but it has not made its case on HB 520.

The bill would create reams and rolls of bureaucratic paper and red tape, and take pivotal options out of the hands of local government.

Alaska's oil wealth places the state in an unusual position as the holder of the primary resource wealth of the people. This reality and the state constitution put the burden of school financing on the state of Alaska. Yet this administration's solution is to attempt to cram its idea of a solution down the throats of its citizens, rather than undertake a cooperative resolution.

Better ways can be found to deal with the problem of public debt, and the Legislature should undertake no action on these bills until some positive, inter-governmental process is begun.

Quotable

☐ In that the state is essentially backing out of its significant commitment to school construction, then it should also back out of its apparent significant intent to regulate what munici-

TABLE I

Borough	Full Value	Population	General Obligation Debt	PER Capita Debt	PER Capita Value	DEBT % TO VALUATION
Anchorage						
City	$4,982,502,900					
Other (includes State assessed)	$8,216,852,900					
TOTAL	$13,199,355,800	244030	$355,008,897	$1,455	$54,089	2.69%
Bristol Bay — TOTAL	$112,215,200	1271	$3,665,000	$2,884	$88,289	3.27%
Fairbanks						
City	$1,385,588,700	27103	$10,590,000	$391	$51,123	0.76%
North Pole	$119,049,000	1005	$1,237,000	$1,231	$118,457	1.04%
Other (includes State assessed)	$2,123,270,930		$85,300,000			4.02%
TOTAL	$3,627,908,630	69633	$97,127,000	$1,395	$52,100	2.68%
Haines						
City	$29,627,633	1079	$765,000	$709	$27,458	2.58%
Other	$59,255,267		$555,000			0.94%
TOTAL	$88,882,900	1847	$1,320,000	$715	$48,123	1.49%
Juneau						
City	$482,026,900					
Douglas	$61,679,900					
Other	$950,212,400					
TOTAL	$1,493,919,200	28941	$51,761,000	$1,789	$51,619	3.46%
Kenai Peninsula						
Homer	$150,681,179	5432	$2,677,000	$493	$27,740	1.78%
Kenai	$179,859,530	6176	$3,230,000	$523	$29,122	1.80%
Seldovia	$20,224,597	678	$397,000	$586	$29,830	1.96%
Seward	$85,492,086	2072	$2,609,000	$1,259	$41,261	3.05%
Soldotna	$130,644,557	3597	$2,326,653	$647	$36,320	1.78%
Other (includes State assessed)	$2,535,738,051					
TOTAL	$3,102,640,000	38919	$131,579,403	$3,381	$79,720	4.24%
Ketchikan Gateway						
City	$360,146,300	8414	$11,305,000	$1,344	$42,803	3.14%
Other	$351,195,300		$22,490,000			6.40%
TOTAL	$711,341,600	14314	$33,795,000	$2,361	$49,696	4.75%
Kodiak						
City	$459,473,500	6469	$2,375,000	$367	$71,027	0.52%
Other	$191,971,200		$30,025,000			15.64%
TOTAL	$651,444,700	13479	$32,400,000	$2,403	$48,330	4.97%
Mat-Su						
Palmer	$149,565,900	2792	$2,048,000	$734	$53,569	1.37%
Houston	$46,743,400	739		$0	$63,252	0.00%
Wasilla	$219,402,800	3548		$0	$61,838	0.00%
Other (includes State assessed)	$1,357,672,860		$78,855,718			5.81%
TOTAL	$1,773,384,960	34030	$80,903,718	$2,377	$52,112	4.56%
North Slope (includes State assessed) TOTAL	$12,354,883,600	12359	$1,203,440,000	$97,373	$999,667	9.74%
Sitka — TOTAL	$756,351,400	8221	$13,220,000	$1,608	$92,002	1.75%
Total Boroughs	$37,872,327,990	467044	$2,004,220,018	$4,291	$81,089	5.29%

CITIES	Full Value	Population	General Obligation Debt	PER Capita Debt	PER Capita Value	DEBT % TO VALUATION
Bethel	$170,370,900	3681	$1,155,856	$314	$46,284	0.68%
Cordova	$121,884,950	2520	$1,434,800	$569	$48,367	1.18%
Craig	$28,381,400	907	$89,000	$98	$31,292	0.31%
Dillingham	$112,645,500	2026	$68,000	$34	$55,600	0.06%
Galena	$17,097,800	902	$0	$0	$18,955	0.00%
Hoonah	$26,023,600	865	$0	$0	$30,085	0.00%
Hydaburg	$11,858,800	429	$0	$0	$27,643	0.00%
Kake	$10,848,600	631	$90,000	$143	$17,193	0.83%
King Cove	$21,711,000	521	$0	$0	$41,672	0.00%
Klawock	$5,199,100	542	$0	$0	$9,592	0.00%
Kotzebue	$85,041,480	2981	$0	$0	$28,528	0.00%
Nenana	$11,233,940	547	$2,869,000	$5,245	$20,537	25.54%
Nome	$207,050,000	3732	$300,000	$80	$55,480	0.14%
Pelican	$9,143,800	213	$0	$0	$42,929	0.00%
Petersburg	$161,668,700	3137	$5,225,000	$1,666	$51,536	3.23%
St. Mary's	$3,925,300	563	$0	$0	$6,972	0.00%
Sand Point	$66,436,300	870	$0	$0	$76,364	0.00%
Skagway	$63,333,600	790	$836,000	$1,058	$80,169	1.32%
Tanana	$6,617,500	417	$0	$0	$15,869	0.00%
Unalaska	$95,670,900	1922	$5,392,375	$2,806	$49,777	5.64%
Valdez (includes State assessed)	$1,720,125,130	3687	$80,497,000	$21,833	$466,538	4.68%
Whittier	$18,510,280	273	$0	$0	$67,803	0.00%
Wrangell	$106,435,200	2376	$3,395,000	$1,429	$44,796	3.19%
Yakutat (includes State assessed)	$17,949,840	462	$238,800	$517	$38,852	1.33%
Eagle	$7,848,700	161	$0	$0	$48,750	0.00%
TOTAL CITIES	$3,107,012,320	35155	$101,590,831	$2,890	$88,380	3.27%
STATE	$45,009,767,610	547475	$924,008,000	$1,688	$82,213	2.05%
Total Boroughs	$37,872,327,990	467044	$2,004,220,018	$4,291	$81,089	5.29%
STATEWIDE TOTALS	$45,009,767,610	547475	$3,029,818,849	$5,534	$82,213	6.73%

Standard & Poor's Corporation
25 Broadway, New York, New York 10004

December 29, 1983

RECEIVED
JAN 03 1984
ALASKA DEPARTMENT OF REVENUE
TREASURY DIVISION
JUNEAU

Mr. Milt Barker
Deputy Commissioner
Department of Revenue
11th Floor State Office Bldg.
Pouch, SB
Juneau, Alaska 99811

Dear Mr. Barker:

I would like to respond to your letter of December 13, regarding our views on lease obligations.

Lease Payments are viewed in essentially the same light as debt service on general obligation bonds, regardless of whether the obligation is cancellable due to non-appropriation. In fact, debt obligations secured by lease payments are included in our computations for overall debt burden.

Many states do not consider lease rental debt under debt limitation laws, primarily because legal interpretations view the obligations to pay rent as an annual budget item, and not a long term debt with a continuing appropriation. The fact remains, however, that the debt is still outstanding, and payable for as long as the property is being used by the lessee. While many leases permit non-payment of rent and cancellation of lease obligations, Standard & Poor's would be very concerned about an issuer's general obligation rating, in those cases where leases were cancelled as a ploy to avoid paying debt obligations.

I've enclosed some information regarding our approach to rating lease-rental debt obligations. If you have any further questions, feel free to contact Vladimir Stadnyk or myself at (212) 201-1767.

Very Truly Yours,

Richard P. Larkin
Managing Vice President
Municipal Finance Department

cc: V. Stadnyk
T. Arthur

December 13, 1983

Municipal Finance Department
Standard & Poor's Corporation
25 Broadway
New York, NY 10004

Dear Sirs:

I would appreciate any information you could provide me regarding your agency's view of municipal lease financing as it relates to an issuer's debt capacity.

More specifically, could you comment on whether lease payments on a municipal lease-purchase obligation which is cancellable subject to a non-appropriation clause are considered in the same light as debt service on general obligation bonds?

Sincerely,

Milt Barker

Milt Barker
Deputy Commissioner

MB:mw

Municipal Credit Report

STATE OF ALASKA

September 26, 1983
GC

SALE: $78,000,000 bonds for bids September 27. Please see last page for details.

RATING: Aa

Final information on this sale was received September 22.

OPINION: Alaska's large debt has been comfortably supported by petroleum revenues which provide a basis for high quality security. Changing demand patterns for oil as well as management of Alaska's expenditures, revenues and reserves will continue to be important in credit evaluation.

SUMMARY: The state's economy, while still developing, is centered around petroleum and other natural resource development. The predominance of U.S. defense installations is also important to the state's economy. Alaska's economy and financial position has been dramatically affected by North Slope oil production and to oil price increases following decontrol. The state has undertaken a program to manage these resources and to shelter its extraordinary revenue growth through the creation of a Permanent Fund. Dedicated revenue along with special General Fund appropriations have resulted in extraordinary Permanent Fund asset growth now totaling $4.5 billion. Although revenue to the state remains at a high level, falling oil revenues will require expenditure adjustment. General Fund preliminary reports a deficit at year end as a result of an encumbrance owed to the Permanent Fund, aggrevated by lower oil prices resulting in declines in unrestricted revenues. The state is dependent on oil related revenues as it neither levies a sale or individual-income tax. Debt service claim on unrestricted revenues is expected to increase. Management of state resource revenues against significant demands for infrastructure and the volatility of oil markets will be important elements affecting future evaluations.

DEBT FACTORS: Heavy debt loads partly offset by rapid rate of debt retirement in-line with life of recoverable oil reserves. Debt service claim on unrestricted revenues to increase to approximately 5.9% from 4.0% in 1982-83. Additional authorization for state guaranteed $500 million veterans bonds to be voted on November 1983.

Tax-Supported Debt	Per Cap.	St. Med.	% E.F.V.	St. Med.	Pers. Inc.	St. Med.
1983 $1,104,359,000	$2,753	$250	3.1%	1.1%	19.2%	2.4%
1975 505,309,000	1,564	126	10.5	1.4	26.0	3.3
1965 65,705,000	240	56	5.6	1.2	9.3	2.6

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Moody's ratings are opinions, not recommendations to buy or sell, and their accuracy is not guaranteed. A rating should be weighed solely as one factor in an investment decision and you should make your own study and evaluation of any issuer whose securities or debt obligations you consider buying or selling.

Most issuers of corporate bonds, municipal bonds and notes, preferred stock and commercial paper which are rated by Moody's Investors Service, have, prior to receiving the rating, agreed to pay a fee to Moody's for the appraisal and rating services. The fee ranges from $850 to $45,000.

FINANCIAL FACTORS: Sharp declines in oil and gas related revenues are evident resulting in sizeable deficits. Reliance upon oil revenues against sizeable appropriation demands bear close monitoring.

GOVERNMENTAL FACTORS: Legislature meets annually, newly elected governor serving four year term. Appointed bond committee responsible for financing state capital improvements; the election of such members currently being challenged, but in opinion of counsel and attorney general would not affect bond authorization and sale.

ECONOMIC AND SOCIAL FACTORS: A developing economy with major emphasis on development of natural resources. Discovery of oil in Prudoe Bay has had profound affect on the state's development, although weakness in oil markets have moderated significantly the growth experienced previously.

DEBT FACTORS: The state's constitution provides that the state shall not contract debt unless authorized by law for capital improvements and ratified by a majority of the qualified voters voting thereon. The state may, as provided by law and without ratification contract debt for the purpose of repelling invasion, suppressing insurrection, defending the state in war, meeting natural disasters, or redeeming indebtedness outstanding at the time the constitution became effective. The constitutional restrictions do not apply to revenue bond indebtedness to be paid from special assessments on the benefitted property, or to refunding indebtedness.

Debt Statement as of July 1, 1983, including new bonds ($ 000):

General obligation bonds - outstanding	$ 946,183
General obligation bonds - offered	78,000
Gross direct debt	$1,024,183
Alaska State Housing Authority - lease rental	60,985
University of Alaska - Heating Corporation	6,425
University of Alaska - Anchorage Energy Util. System	460
University of Alaska - campus housing and st. ctr.	12,306
Alaska Housing Finance Corporation (9/10/83), incl. st. gtd.*	3,404,860
Gross debt	$4,509,219
Less: Alaska Housing Finance Corporation	3,404,860
Net tax-supported debt**	$1,104,359

*Include AHFC bond sold since July 1, 1983; state-guaranteed bonds included.
**Excludes Alaska Industrial Development Authority, Alaska Municipal Bond Bank and Medical Facility Authority not debts of the state.

Annual Principal Maturities, G.O. Bonds ($ 000):

F. Yr.		F. Yr.		F. Yr.	
1984	$100,175	1990	$95,560	1996	$18,610
1985	107,860	1991	77,499	1997	14,865
1986	109,265	1992	56,149	1998	13,380
1987	109,360	1993	51,363	1999	8,640
1988	109,655	1994	28,395	2000	2,531
1989	103,727	1995	19,096		

Debt Structure: Bonds are scheduled for rapid payout in line with life of proven oil reserves in Alaska. Debt policies have shortened maturities of new bonds to 10 years and rate of retirement has been accelerated; 52% principal due within five years and 94% due in 10 years. New bonds are structured for level principal, with overall debt service declining steadily through 2000.

SEVEN PERCENT CAP

Borough	FULL VALUE	G. O. DEBT	7% OF FULL VALUE	PERCENT OF G.O. DEBT/CAP	CURRENT PERCENT DEBT
Anchorage	$15,755,411,000.00	$358,799,900.00	$1,102,878,770.00	32.53%	2.28%
Bristol Bay	$101,798,800.00	$3,535,000.00	$7,125,916.00	49.61%	3.47%
Fairbanks	$4,210,997,700.00	$90,928,500.00	$294,769,839.00	30.85%	2.16%
Haines	$93,945,500.00	$1,300,000.00	$6,576,185.00	19.77%	1.38%
Juneau	$1,613,388,900.00	$47,651,000.00	$112,937,223.00	42.19%	2.95%
Kenai Peninsula	$3,290,219,200.00	$137,929,000.00	$230,315,344.00	59.89%	4.19%
Ketchikan Gateway	$675,985,100.00	$31,930,000.00	$47,318,957.00	67.48%	4.72%
Kodiak	$572,370,700.00	$28,270,000.00	$40,065,949.00	70.56%	4.94%
Mat-Su	$2,367,406,200.00	$112,208,000.00	$165,718,434.00	67.71%	4.74%
North Slope	$12,876,786,900.00	$1,155,680,000.00	$901,375,083.00	128.21%	8.97%
Sitka	$396,227,900.00	$12,400,000.00	$27,735,953.00	44.71%	3.13%
Total Boroughs	$41,954,537,900.00	$1,980,631,400.00	$2,936,817,653.00	67.44%	4.72%

CITIES

Bethel	$182,296,900.00	$556,500.00	$12,760,783.00	4.36%	0.31%
Cordova	$120,673,000.00	$0.00	$8,447,110.00	0.00%	0.00%
Craig	$34,707,400.00	$0.00	$2,429,518.00	0.00%	0.00%
Delta Junction	$30,870,500	$0	$2,160,935.00	0.00%	0.00%
Dillingham	$94,669,900.00	$0.00	$6,626,893.00	0.00%	0.00%
Eagle	$9,104,500.00	$0.00	$637,315.00	0.00%	0.00%
Galena	$19,149,500.00	$900,000.00	$1,340,465.00	67.14%	4.70%
Hoonah	$27,845,200.00	$0.00	$1,949,164.00	0.00%	0.00%
Hydaburg	$12,688,900.00	$0.00	$888,223.00	0.00%	0.00%
Kake	$11,608,000.00	$0.00	$812,560.00	0.00%	0.00%
King Cove	$23,230,800.00	$0.00	$1,626,156.00	0.00%	0.00%
Klawock	$5,563,000.00	$0.00	$389,410.00	0.00%	0.00%
Kotzebue	$93,245,100.00	$0.00	$6,527,157.00	0.00%	0.00%
Nenana	$12,881,500.00	$396,300.00	$901,705.00	43.95%	3.08%
Nome	$116,712,900.00	$2,161,200.00	$8,169,903.00	26.45%	1.85%
Pelican	$10,155,400.00	$0.00	$710,878.00	0.00%	0.00%
Petersburg	$161,219,300.00	$6,195,000.00	$11,285,351.00	54.89%	3.84%
Sand Point	$71,086,800.00	$0.00	$4,976,076.00	0.00%	0.00%
Skagway	$58,447,100.00	$820,000.00	$4,091,297.00	20.04%	1.40%
St. Mary's	$4,239,400.00	$0.00	$296,758.00	0.00%	0.00%
Tanana	$11,195,400.00	$0.00	$783,678.00	0.00%	0.00%
Unalakleet	$19,714,500	$0	$1,380,015.00	0.00%	0.00%
Unalaska	$105,309,400.00	$3,299,000.00	$7,371,658.00	44.75%	3.13%
Valdez	$1,740,431,900.00	$75,833,000.00	$121,830,233.00	62.24%	4.36%
Whittier	$19,419,200.00	$0.00	$1,359,344.00	0.00%	0.00%
Wrangell	$111,757,000.00	$10,750,000.00	$7,822,990.00	137.42%	9.62%
Yakutat	$17,679,400.00	$235,200.00	$1,237,558.00	19.01%	1.33%
TOTAL CITIES	$3,125,901,900.00	$101,146,200.00	$218,813,133.00	46.22%	3.24%
STATE	$48,915,237,900.00	$816,100,000.00	$3,424,066,653.00	23.83%	1.67%
Total Boroughs	$41,954,537,900.00	$1,980,631,400.00	$2,936,817,653.00	67.44%	4.72%

Moody's **Municipal** Department

1985 Medians

Selected Indicators of Municipal Performance

State Indicators and Rankings

City and County Debt Medians

Enterprise Performance Medians



As a measure of a government's burden of debt, a ratio is calculated between its net debt and the estimated full value of taxable property. The estimated full value serves as a direct measure of local government wealth and, therefore, is reflective of the government's capacity to service public debt. Taxable valuation is utilized as a wealth measure because it tends to be up-to-date and readily available for all sizes of municipal government.

Ratio of Net Debt to E.F.V. (%) [2]

Population Range [1]	Direct Net Debt	Overall Net Debt		
	Median	Low	Median	High
500,000 and over	1.6	0.9	4.2	8.9
500,000 to 499,999	2.3	1.1	3.1	10.4
200,000 to 299,999	2.2	1.6	2.6	9.0
100,000 to 199,999	1.6	0.3	2.5	9.3
50,000 to 99,999	1.7	1.0	2.8	16.1
25,000 to 49,999	1.8	0.1	2.9	15.0
10,000 to 24,999	2.1	0.2	3.3	24.5
Under 10,000	2.4	0.1	3.6	20.0

Ratio of Net Debt to E.F.V. (%) [2]

Population Range [1]	Direct Net Debt	Overall Net Debt		
	Median	Low	Median	High
1,000,000 and over	0.4	0.03	4.2	4.1
250,000 to 999,999	0.6	0.7	2.5	5.2
100,000 to 249,999	0.4	0.5	2.5	5.5
Under 100,000	0.7	0.4	2.1	12.2

[1] Cities and counties included in these observations have been grouped according to 1980 U.S. Census population.

[2] Estimated full value (E.F.V.) refers to the "true" or "fair" market value of all taxable property within the boundaries of the unit of government. Users of this data must be aware of the significant variations that exist in methods and quality of property assessment from state to state and even among municipal governments within a given state. Definitions of "taxable property" also vary across the country as does the dependability of equalization ratios.

SUBJECT SUMMARY
THE CURRENT SUBJECT IS BONDS

BILL #	TITLE	CURRENT STATUS
HB 370	BONDS/DELONG MT. (RED DOG) TRANSP'N PROJECT	(H) TRSP
HB 413	GENERAL OBLIG. BONDS FOR TRANSPORTATION	(H) FIN
HB 486	FINANCING UNIVERSITY OF ALASKA POWER PLANT	(H) LOAN
HB 519	LEASE FINANCING; STATE BOND COMMITTEE, ETC.	(H) LOAN
HB 520	PUBLIC SCHOOL CONSTRUCTION	(H) HESS
HB 521	LIMITATION ON MUNICIPAL DEBT	(H) LOAN
HB 533	AHFC; VET'S STATE-GUARANTEED REVENUE BONDS	(H) LOAN
SB 164	FISH PROCESSOR/BUYER SURETY BOND	(S) RES
SB 205	G.O. BONDS FOR COMMUNITY COLLEGE PROJECTS	(S) HESS
SB 280	BONDS/DELONG MT. (RED DOG) TRANSP'N PROJECT	CHAPTER 68 SLA 85
SB 308	GENERAL OBLIG. BONDS FOR TRANSPORTATION	(S) TRSP
SB 335	WATER, SEWER, & SOLID WASTE MNGMNT BONDS	(S) C&RA

SELECT A SUBJECT AND PRESS ENTER

Alaska State Legislature

COMMITTEES:

Committee on Community and Regional Affairs
Committee on Transportation
Special Committee on Oil and Gas
Special Committee on Fisheries
Finance Sub-committee on Fish and Game

Andre Marrou
Representative

District 5

Kenai — Sterling
Soldotna — Anchor Point
Homer — Port Graham
Seldovia — English Bay
Kachemak — Nikolaevsk
Kasilof — Halibut Cove
Ninilchik — Clam Gulch

January 29, 1986

To: Mike Davis, Chairman House Committee on Oil & Gas
From: Andre Marrou, Representative

Subject: CS for SSHB339

This committee substitute is a re-write of the sponsor substitute which corrects the citations in title 29, changes the effective date clause, and offers a slightly different approach to achieve the same objective. That objective is to more equitably distribute the revenue generated by AS 43.56, a 20 mill oil and gas property tax.

The current state law has promulgated a lopsided distribution of these revenues in favor of local municipalities at the expense of hundreds of millions of dollars of lost revenue to the State. It was the intent of the legislature that the revenues of the 20 mill oil and gas property tax belong to all residents of the State, not just to a few in a privileged location. The current law also implements this inequity by encouraging some municipalities to purchase large amounts of debt and possibly jeopardize the State's bond rating. The debt payments in questions are adjusted dangerously close to the price of oil.

CS for SSHB 339 proposes to eliminate the exemption for tax limitations if those taxes are to pay for bonds (AS 29.45.100). This would automatically activate some tax limitations that have been on the books for years (AS 29.45.080). It also proposes a new tax limitation.

The most important sections of this bill are sections 5 and 6, the effective date clauses. A municipality's taxing authority to pay off current debt obligations will not be impaired! HB 339 deals only with a municipality's authority to tax for bonded debtness after the effective date.

This packet contains:

°Sectional Analysis
°An updated CS for SSHB 399
°Charts and Tables of:
- Six Year State Property Tax History
- Distribution of State Property Tax
- Distribution of State Property Tax for the North Slope Borough
- North Slope Borough Budget from State Property Taxes
- 1984 Mill Rates of affected Municipalities
- Page 10 and 11 of 1984 "Alaska Taxable"

29.45.080 43.56 mill tax on property

During Session: Pouch V, Juneau, Alaska 99811, (907) 465-2719 During Interim: Box 1572, Homer, Alaska 99603, (907) 235-8200

Cook
1/29/86

Original sponsor: Marrou

IN THE HOUSE BY THE COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 339 ( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act establishing limitations relating to municipal general obligation bonds and taxes; and providing for an effective date."

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

* Section 1. AS 29.45.080(a) is amended to read:

(a) A municipality may levy and collect taxes <u>in an amount not to exceed 10 mills</u> on taxable property taxable under AS 43.56 only by using one of the methods set out in (b) or (c) of this section.

* Sec. 2. AS 29.47.200(a) is amended to read:

(a) The full faith and credit of a municipality are pledged for the payment of principal and interest on general obligation bonds. <u>Subject to AS 29.45.080 and 29.45.090, the</u> [THE] municipality may levy ad valorem taxes for payment [WITHOUT LIMITATION OF RATE OR AMOUNT TO PAY OR SECURE THE PAYMENT] of the principal and interest on <u>the</u> bonds [, REGARDLESS OF WHETHER THE BONDS ARE IN DEFAULT OR IN DANGER OF DEFAULT].

* Sec. 3. AS 43.56.010(b) is amended to read:

(b) A municipality may levy and collect a tax under AS 29.45.080 [AT THE RATE OF TAXATION THAT APPLIES TO OTHER PROPERTY TAXED BY THE MUNICIPALITY]. The tax shall be levied at a rate no higher than the rate applicable to other property taxable by the municipality. <u>A</u> [NO] municipality may <u>not</u> exempt from taxation property authorized to be taxed under this chapter. Exemptions shall be limited to those in AS 29.45.030, 29.45.050, and AS 43.56.020.

* Sec. 4. AS 29.45.100 is repealed.

* Sec. 5. The amendment to AS 29.47.200(a) made by sec. 2 of this Act applies only to taxes levied or pledged to pay general obligation bonds sold by a municipality on or after the effective date of this Act. Notwithstanding the repeal of AS 29.45.100 in sec. 4 of this Act, the limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on general obligation bonds sold by a municipality before the effective date of this Act. Taxes to pay or secure the payment of principal and interest on general obligation bonds sold before the effective date of this Act may be levied without limitation as to rate or amount, regardless of whether the bonds are in default or in danger of default.

* Sec. 6. This Act takes effect July 1, 1986.

SECTIONAL ANALYSIS FOR CS SSHB 339

*Section 1.

This section is a new tax limitation that will be implemented once AS 29.45.100 is repealed (Sec. 4)

*Section 2.

This section allows a municipality to tax only to the permissible limits for the payment of principal and interest on general obligation bonds. A municipality cannot violate section 1 of this bill in order to pay for bonds.

*Section 3.

This section is a housekeeping measure that insures that a municipality not exceed the 10 mill cap placed on the taxation under section 1, even if it taxes other property at a higher rate.

*Section 4.

This statute is to be repealed. It reads as follows.

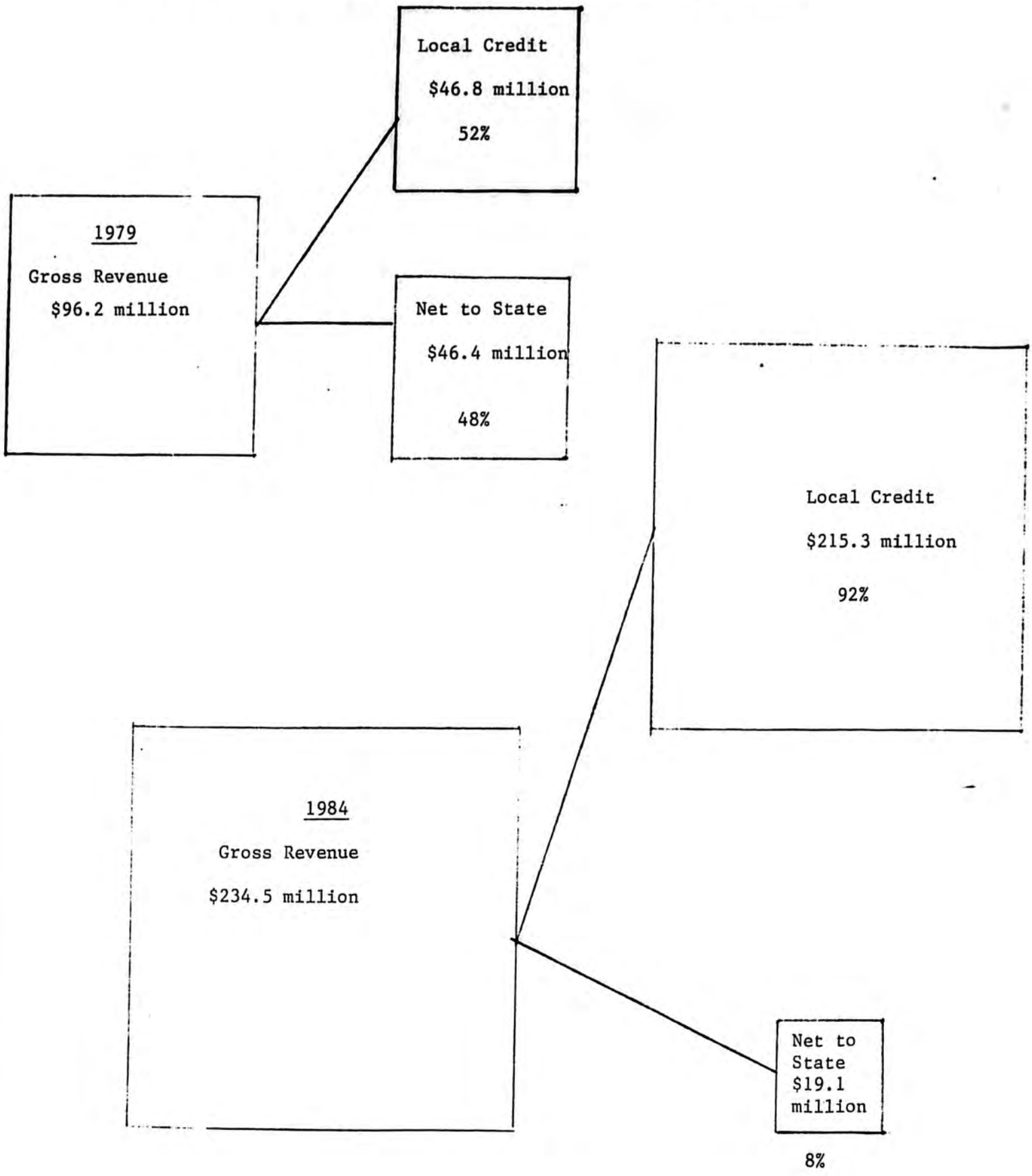
> AS 29.45.100 No Limitations on taxes to pay bonds. The limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds. Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount, regardless of whether the bonds are in default or in danger of default. (12 ch 74 SLA).

This is the statute that has allowed some municipalities to over extend themselves and divert state revenues into municipal coffers.

*Sections 5 & 6.

These sections provide that current municipal debt, and a municipality's ability to pay that debt, will not be impaired. This bill concerns future property tax policy, not past.

Distribution of State Property Tax for the North Slope Borough



Six Year State Property Tax History

Year	State Assessed Value	Percent Increase	Gross Revenue	Local Credit	Net to State	Percent Increase	Percent of Gross to State
1979	11,946,447,380	7.85	238,928,947	66,609,309	172,319,637	(0.69)	72.1
1980	12,165,633,950	1.83	243,312,679	72,900,166	170,412,512	(1.11)	70.0
1981	13,170,633,280	8.26	263,412,665	121,116,160	142,296,505	(16.50)	54.0
1982	14,410,448,680	9.41	288,208,973	144,171,544	144,037,429	1.22	50.0
1983	16,059,836,120	11.45	321,196,722	170,818,425	150,378,297	4.40	46.8
1984	18,593,314,880	15.78	371,866,297	242,038,930	129,827,367	(13.67)	34.9



Distribution of State Property Tax

O & G

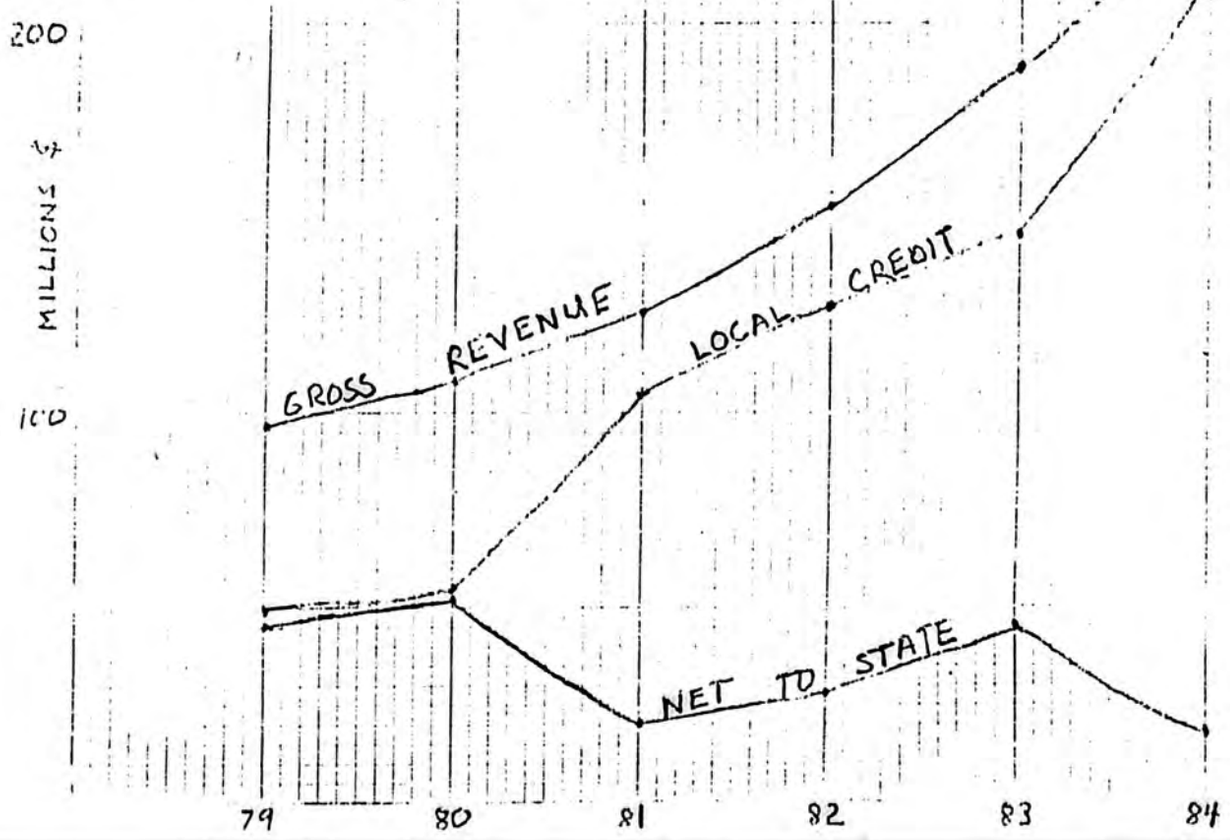
Municipality	Assessed Value	Total Tax	Local Credit	Net to State	% Net to State
		1979			72.1%
		1980			70
		1981			
Unorganized	3,992,227,950	79,844,559	-0-	79,844,559	100 %
North Slope	6,297,616,550	125,952,331	105,150,647	20,801,684	16.5
North Star	639,604,430	12,792,089	3,581,162	9,210,927	72
Anchorage	50,612,980	1,012,260	436,043	576,217	56
Kenai	562,862,700	11,257,254	1,569,841	9,687,413	86
Valdez	1,620,048,000	32,400,960	10,309,985	22,090,975	68
Mat-Su	5,627,910	112,558	40,634	71,924	63
Yakutat	2,032,760	40,655	27,849	12,806	31
Total	13,170,633,280	263,412,666	121,116,161	142,296,505	54
		1982			
Unorganized	3,850,823,000	77,016,460	-0-	77,016,460	100
North Slope	7,722,388,820	154,447,776	126,781,997	27,665,779	17.9
North Star	618,606,800	12,372,136	4,013,657	8,358,479	67.5
Anchorage	60,531,510	1,210,630	436,089	774,541	64.0
Kenai	578,465,660	11,569,313	2,027,740	9,541,573	82.4
Valdez	1,575,389,000	31,507,780	10,871,602	20,636,178	65.5
Mat-Su	2,184,110	43,682	12,240	31,442	72.0
Yakutat	2,059,780	41,196	28,219	12,977	31.5
Total	14,410,448,680	288,208,973	144,171,544	144,037,429	50
		1983			
Unorganized	3,743,264,300	74,865,286	-0-	74,865,286	100
North Slope	9,450,158,880	189,003,178	144,625,348	44,377,830	23.5
North Star	640,786,260	12,815,725	4,351,448	8,464,277	66.0
Anchorage	96,986,770	1,939,735	843,675	1,096,060	56.5
Kenai	605,404,110	12,108,082	3,040,101	9,067,981	74.9
Valdez	1,519,474,000	30,389,480	17,918,701	12,470,779	41.0
Mat-Su	1,626,460	32,529	12,849	19,680	60.5
Yakutat	1,997,400	39,948	24,568	15,380	38.5
Unalaska	137,940	2,759	1,734	1,025	37.1
Total	16,059,836,120	321,196,722	170,818,424	150,378,298	46.8

The assessed values for 1981, 82 and 83 do not include audit adjustments or supplemental rolls.

1984 34.9

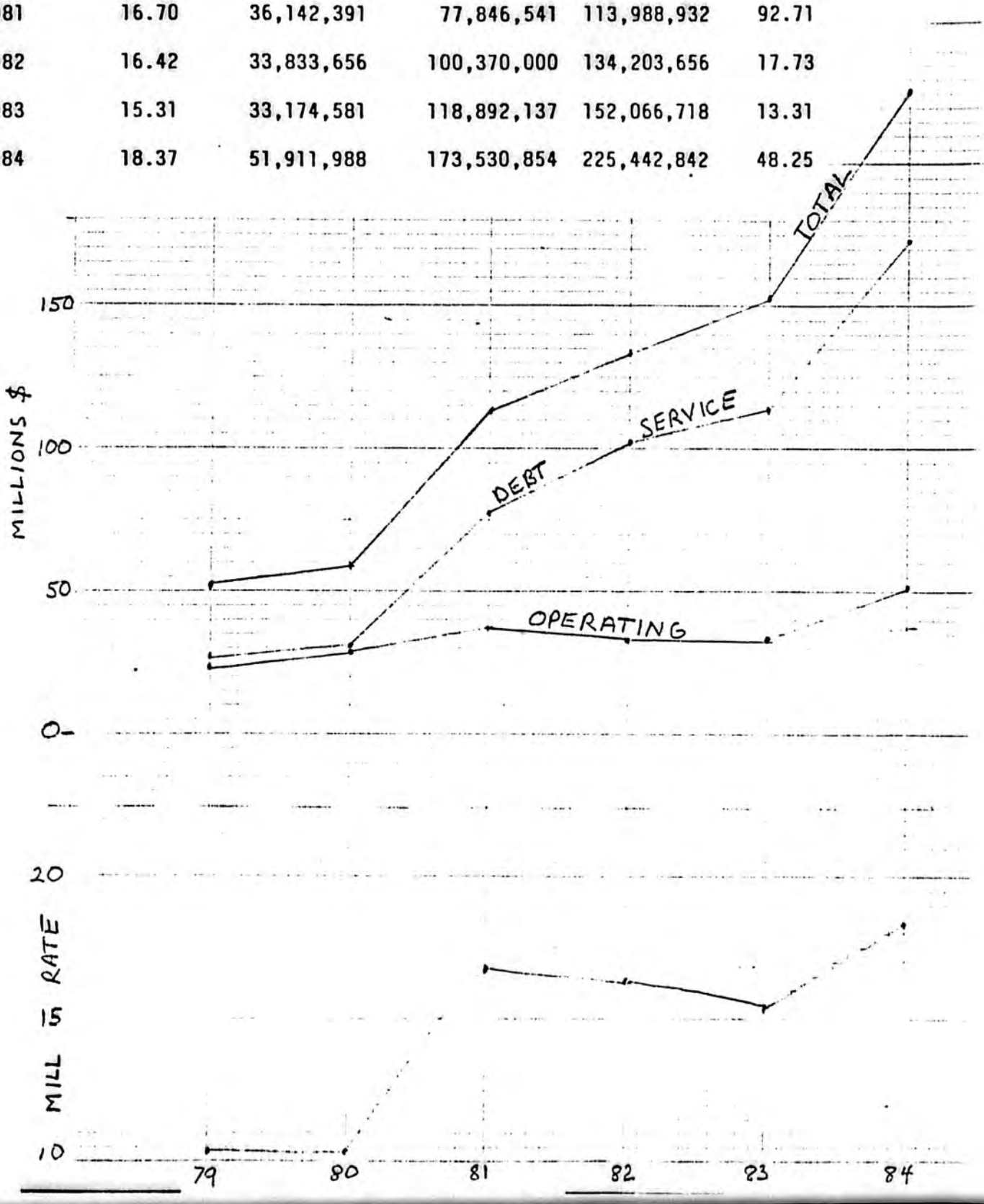
Distribution of State Property Tax For the North Slope Borough

Year	State Assessed Value	Gross Revenue	Local Credit	Net to State	Percent Increase	Percent of Gross to State
1979	4,810,887,800	96,217,756	49,800,530	46,417,226		48.24
1980	5,450,597,290	109,011,946	55,974,326	53,037,620	14.26	48.65
1981	6,297,616,550	125,952,331	105,150,647	20,801,684	(60.78)	16.52
1982	7,722,388,820	154,447,776	126,781,999	27,665,777	33.00	17.91
1983	9,450,158,880	189,003,178	144,625,348	44,377,830	60.41	23.48
1984	11,725,560,030	234,511,201	215,398,538	19,112,663	(56.93)	8.15



North Slope Borough Budget From All Property Taxes

Year	Mill Rate	Operating	Debt Service	Total	% Increase
1979	10.35	24,360,827	26,625,145	50,985,972	
1980	10.33	28,997,204	30,154,114	59,151,318	16.01
1981	16.70	36,142,391	77,846,541	113,988,932	92.71
1982	16.42	33,833,656	100,370,000	134,203,656	17.73
1983	15.31	33,174,581	118,892,137	152,066,718	13.31
1984	18.37	51,911,988	173,530,854	225,442,842	48.25



Representative Andre Marrou
April 8, 1985

The following chart describes the current 1984 municipal oil and gas property tax mill rates in Alaska * :

Municipality	Mill Rate	Oil & Gas State Property Assessed Value	Municipal Credit
Unorganized	0	4,030,427,300	0
North Slope	18.4	11,728,126,470	215,800,000
North Star	7.0	627,613,530	4,393,295
Anchorage	9.0	82,976,730	746,791
Kenai	5.0	577,777,800	2,888,889
Valdez	11.745	1,545,541,000	18,152,379
Mat-Su	8.0	1,626,460	13,012
Yakutat	13.0	1,900,360	24,705

*Jerry Heir (HTRE)
State Petroleum Property Assessor
Dept. of Revenue, May 2, 1984.

RJM:ojb
J13/069

276-1363

0.*

215800000.+
4393295.+
746791.+
2888889.+
18152379.+
13012.+
+ 24705.=
TOTAL 242,019,071.0*

TABLE I

Borough	Full Value	Population	General Obligation Debt	PER Capita Debt	PER Capita Value	DEBT % TO VALUATION
Anchorage						
City	$4,982,502,900					
Other (includes State assessed)	$8,216,852,900					
TOTAL	$13,199,355,800	244030	$355,008,897	$1,455	$54,089	2.69%
Bristol Bay — TOTAL	$112,215,200	1271	$3,665,000	$2,884	$88,289	3.27%
Fairbanks						
City	$1,385,588,700	27103	$10,590,000	$391	$51,123	0.76%
North Pole	$119,049,000	1005	$1,237,000	$1,231	$118,457	1.04%
Other (includes State assessed)	$2,123,270,930		$85,300,000			4.02%
TOTAL	$3,627,908,630	69633	$97,127,000	$1,395	$52,100	2.68%
Haines						
City	$29,627,633	1079	$765,000	$709	$27,458	2.58%
Other	$59,255,267		$555,000			0.94%
TOTAL	$88,882,900	1847	$1,320,000	$715	$48,123	1.49%
Juneau						
City	$482,026,900					
Douglas	$61,679,900					
Other	$950,212,400					
TOTAL	$1,493,919,200	28941	$51,761,000	$1,789	$51,619	3.46%
Kenai Peninsula						
Homer	$150,681,179	5432	$2,677,000	$493	$27,740	1.78%
Kenai	$179,859,530	6176	$3,230,000	$523	$29,122	1.80%
Seldovia	$20,224,597	678	$397,000	$586	$29,830	1.96%
Seward	$85,492,086	2072	$2,609,000	$1,259	$41,261	3.05%
Soldotna	$130,644,557	3597	$2,326,653	$647	$36,320	1.78%
Other (includes State assessed)	$2,535,738,051					
TOTAL	$3,102,640,000	38919	$131,579,403	$3,381	$79,720	4.24%
Ketchikan Gateway						
City	$360,146,300	8414	$11,305,000	$1,344	$42,803	3.14%
Other	$351,195,300		$22,490,000			6.40%
TOTAL	$711,341,600	14314	$33,795,000	$2,361	$49,696	4.75%
Kodiak						
City	$459,473,500	6469	$2,375,000	$367	$71,027	0.52%
Other	$191,971,200		$30,025,000			15.64%
TOTAL	$651,444,700	13479	$32,400,000	$2,403	$48,330	4.97%
Mat-Su						
Palmer	$149,565,900	2792	$2,048,000	$734	$53,569	1.37%
Houston	$46,743,400	739		$0	$63,252	0.00%
Wasilla	$219,402,800	3548		$0	$61,838	0.00%
Other (includes State assessed)	$1,357,672,860		$78,855,718			5.81%
TOTAL	$1,773,384,960	34030	$80,903,718	$2,377	$52,112	4.56%
North Slope (includes State assessed) TOTAL	$12,354,883,600	12359	$1,203,440,000	$97,373	$999,667	9.74%
Sitka — TOTAL	$756,351,400	8221	$13,220,000	$1,608	$92,002	1.75%
Total Boroughs	$37,872,327,990	467044	$2,004,220,018	$4,291	$81,089	5.29%

CITIES	Full Value	Population	General Obligation Debt	PER Capita Debt	PER Capita Value	DEBT % TO VALUATION
Bethel	$170,370,900	3681	$1,155,856	$314	$46,284	0.68%
Cordova	$121,884,950	2520	$1,434,800	$569	$48,367	1.18%
Craig	$28,381,400	907	$89,000	$98	$31,292	0.31%
Dillingham	$112,645,500	2026	$68,000	$34	$55,600	0.06%
Galena	$17,097,800	902	$0	$0	$18,955	0.00%
Hoonah	$26,023,600	865	$0	$0	$30,085	0.00%
Hydaburg	$11,858,800	429	$0	$0	$27,643	0.00%
Kake	$10,848,600	631	$90,000	$143	$17,193	0.83%
King Cove	$21,711,000	521	$0	$0	$41,672	0.00%
Klawock	$5,199,100	542	$0	$0	$9,592	0.00%
Kotzebue	$85,041,480	2981	$0	$0	$28,528	0.00%
Nenana	$11,233,940	547	$2,869,000	$5,245	$20,537	25.54%
Nome	$207,050,000	3732	$300,000	$80	$55,480	0.14%
Pelican	$9,143,800	213	$0	$0	$42,929	0.00%
Petersburg	$161,668,700	3137	$5,225,000	$1,666	$51,536	3.23%
St. Mary's	$3,925,300	563	$0	$0	$6,972	0.00%
Sand Point	$66,436,300	870	$0	$0	$76,364	0.00%
Skagway	$63,333,600	790	$836,000	$1,058	$80,169	1.32%
Tanana	$6,617,500	417	$0	$0	$15,869	0.00%
Unalaska	$95,670,900	1922	$5,392,375	$2,806	$49,777	5.64%
Valdez (includes State assessed)	$1,720,125,130	3687	$80,497,000	$21,833	$466,538	4.68%
Whittier	$18,510,280	273	$0	$0	$67,803	0.00%
Wrangell	$106,435,200	2376	$3,395,000	$1,429	$44,796	3.19%
Yakutat (includes State assessed)	$17,949,840	462	$238,800	$517	$38,852	1.33%
Eagle	$7,848,700	161	$0	$0	$48,750	0.00%
TOTAL CITIES	$3,107,012,320	35155	$101,590,831	$2,890	$88,380	3.27%
STATE	$45,009,767,610	547475	$924,008,000	$1,688	$82,213	2.05%
Total Boroughs	$37,872,327,990	467044	$2,004,220,018	$4,291	$81,089	5.29%
STATEWIDE TOTALS	$45,009,767,610	547475	$3,029,818,849	$5,534	$82,213	6.73%

John - revised estimate of Debt Retirement
4/11

SCHOOL CONSTRUCTION DEBT RETIREMENT - FY87 ESTIMATED STATE AID

ADJUSTED 1/29/86

SCHOOL DISTRICTS	100% BOND SALES PRE 7/1/77 2YR LAG	90% BOND SALES 7/1/77 TO 1/1/82 2YR LAG	80% ESTIMATED CASH PAYMENT 2YR LAG	90% BOND SALES 1/1/82 TO 7/1/83 CURRENT PAY	80% BOND SALES 7/1/83 TO PRESENT CURRENT PAY	Oct. 1985 PASSED BOND PROPOSITIONS FY87 STATE AID EST.	LESS CIG. TAX PAID IN FY85	ESTIMATED TOTAL DEBT RETIREMENT BY DISTRICT FOR FY-87
ANCHORAGE	$9,040,760	$1,425,357	$5,663,383	$9,262,828	$0	$5,400,000	($1,079,068)	$29,713,260
BRISTOL BAY	$0	$380,880	$64,979	$0	$0	$0	($11,389)	$434,470
CORDOVA	$119,695	$0	$16,866	$0	$0	$0	($17,524)	$119,037
DILLINGHAM	$0	$0	$228,818	$0	$0	$0	($20,132)	$208,686
FAIRBANKS	$3,808,542	$0	$236,527	$9,750,173	$0	$2,965,130	($307,232)	$16,453,140
GALENA	$0	$0	$200,146	$0	$0	$0	($10,101)	$190,045
HAINES	$91,973	$0	$91,350	$0	$0	$0	($17,287)	$166,036
JUNEAU	$690,130	$327,408	$122,794	$5,744,185	$0	$99,152	($130,529)	$6,853,140
KENAI	$2,552,847	$0	$2,741,892	$11,753,022	$589,948	$10,697,600	($224,383)	$28,110,926
KETCHIKAN	$402,940	$0	$1,449,226	$2,391,228	$0	$0	($77,678)	$4,165,716
KING COVE	$0	$0	$26,314	$0	$0	$0	($8,587)	$17,727
KODIAK	$441,203	$1,128,062	$94,615	$2,966,765	$0	$0	($72,057)	$4,558,588
MAT-SU	$2,116,025	$2,695,586	$48,134	$7,446,346	$2,112,056	$7,347,746	($202,659)	$21,563,234
NENANA	$22,000	$0	$0	$0	$0	$0	($9,404)	$12,596
NORTH SLOPE	$784,500	$15,984,698	$0	$9,515,250	$0	$0	($52,718)	$26,231,730
PETERSBURG	$389,720	$0	$0	$365,801	$0	$0	($21,977)	$733,544
SITKA	$356,015	$0	$501,704	$0	$0	$0	($52,770)	$804,949
UNALASKA	$0	$94,896	$0	$0	$0	$0	($9,749)	$85,147
VALDEZ	$1,275,514	$1,643,321	$268,126	$0	$0	$0	($31,198)	$3,155,763
WRANGELL	$0	$126,266	$0	$104,888	$695,976	$0	($18,966)	$908,164
TOTALS	$22,091,864	$23,806,474	$11,754,874	$59,300,486	$3,397,980	$26,509,628	($2,375,408)	$144,485,898

TOTAL BOND OUTLAYS	$108,596,804
PLUS: CASH PAYMENTS	$11,754,874
SUB TOTAL	$120,351,678
NEW 85: FY87 EST.	$26,509,628
SUB TOTAL	$146,861,306
LESS: CIG. TAX	($2,375,408)
EST. STATE AID-FY87	$144,485,898

FY 1987 ESTIMATE	$144,485,898
FY 1986 APPROPRIATION	$105,345,000
ESTIMATED INCREASE	$39,140,898

NOTE: NUMBERS PRESENTED ABOVE ARE ROUNDED TO THE NEAREST DOLLAR.
SEE SCHOOL DISTRICT SUMMARIES FOR EXACT AMOUNTS.

Introduced: 1/27/86
Referred: House Special Committee on
State Loans, Judiciary and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

HOUSE BILL NO. 519

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to public finance; and providing for an effective date."

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

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

(1) sue and be sued;

(2) receive and hold real and personal property;

(3) contract and be contracted with;

(4) adopt, use and alter a corporate seal;

(5) borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services, which obligations secure, in whole or in part, debt issued by another party, as approved by the state bond committee under AS 37.15.770;

(6) do and have done all matters necessary for the purpose of any functions set forth in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the board intends to enter into an agreement under this subsection, the board shall provide notice to the

legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. The board may not enter into an agreement under this section until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

* Sec. 3. AS 18.55.100(a)(15) is amended to read:

(15) acting as the Alaska State Building Authority arrange or contract for the financing or [, DESIGN, CONSTRUCTION AND] acquisition of public buildings designed by, constructed by, or whose acquisition has been approved by [the Department of Transportation and Public Facilities] for lease to the state in accordance with AS 18.55.010 -- 18.55.290 and AS 37.15.770.

* Sec. 4. AS 18.55.140 is amended to read:

Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS. (a) The authority may issue bonds and notes from time to time in its discretion for any of its corporate purposes and may issue refunding bonds for the purpose of paying or retiring bonds previously issued by it. The authority may not issue bonds for public buildings until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

(b) Bonds issued by the authority for public buildings must be issued in the name of the Alaska State Building Authority and are subject to AS 18.55.010 -- 18.55.290.

* Sec. 5. AS 18.55.288 is amended to read:

Sec. 18.55.288. DEFINITIONS. In AS 18.55.010 -- 18.55.290[:]

(1) "authority" means the Alaska State Housing Authority;

(2) "bond" means any bond, note, interim certificate,

debenture, or other obligation issued by the authority or the authority acting as the Alaska State Building Authority under AS 18.55.-010 -- 18.55.290 ["PUBLIC BUILDINGS" MEANS A PUBLICLY OWNED STRUCTURE LEASED TO THE STATE FOR GOVERNMENTAL, PUBLIC OR EDUCATIONAL USE];

(3) "project site" means area devoted for a public housing project;

(4) "public buildings" means a publicly owned structure leased to the state for governmental, public, or educational use.

* Sec. 6. AS 22.05.025 is amended to read:

Sec. 22.05.025. COURT FACILITIES. (a) The supreme court has authority over all matters relating to the planning, design, construction, maintenance, occupancy, leasing, and operation of all court facilities and shall cooperate and coordinate with the Department of Transportation and Public Facilities so that court facility construction projects are carried out in accordance with the statutes and regulations applicable to state public works projects.

(b) The supreme court may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the supreme court intends to enter into an agreement under this subsection, the supreme court shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. The supreme court may not enter into an agreement under this subsection until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

(c) In this section, "court facility" means a state facility in

which 75 percent or more of the net usable space is occupied by the court system and other justice-related agencies.

* Sec. 7. AS 24.23 is amended by adding a new article to read:

ARTICLE 2. LEASE AGREEMENTS.

Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency may lease necessary office space, and contract for the lease of space, for the use of the Alaska legislature and its employees. The Legislative Affairs Agency shall adopt regulations that establish procedures for the lease of space which are substantially comparable to the procedures under AS 37.05.280 governing the lease of space for state agencies.

Sec. 24.23.110. The Legislative Affairs Agency may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the agency intends to enter into an agreement under this subsection, the agency must provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. [The agency may not enter into an agreement under this section until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.]

* Sec. 8. AS 37.05.280 is amended to read:

Sec. 37.05.280. LEASES. (a) The department shall lease necessary space, and contract for the lease of space, for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 -- 37.05.280. No lease or contract for a lease may provide for a period

of occupancy greater than 40 years. An agency of the state requiring office, warehouse, or other space shall lease the space through the department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966, WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF $12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE LEGISLATURE BY CONCURRENT RESOLUTION.]

(b) The department may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the department intends to enter into an agreement under this subsection, the department shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. The department may not enter into an agreement under this subsection until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

* Sec. 9. AS 37.15.040 is amended to read:

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 or bidders. 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.

* Sec. 10. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE.

WAS this IN HB4 NO

There is created within the Department of Revenue 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.

* Sec. 11. AS 37.15.130 is amended to read:

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 must [SHALL] be kept in the office of the commissioner of revenue. For the purpose of this chapter and AS 44.62.310, public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized. SAME LANGUAGE AS AHFC.

* Sec. 12. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare ~~the documents necessary for the~~ issuance, sale, and delivery of state general obligation bonds.

~~(b)~~ The state bond committee shall prepare an annual report to be submitted to the governor and legislature before March 31 of each year. The report must show (1) all outstanding debt of debt-issuing entities of the state; (2) the anticipated effect on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness, resulting from that debt; (3) which long-term



debt is state supported and which is supported only by revenue attributable to the project being financed by the debt; (4) all long-term capital lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt-issuing entities of the state; (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt, including any moral obligation of the state to support the debt; (7) future bonding and debt capacity implications of legislation enacted in the previous legislative session; and (8) the recommended debt issuance capacity of the state for the next two years following the year of the report.

(c) The state bond committee may develop written policies concerning debt of the state.

* Sec. 13. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may, with approval of the committee, select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. 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 [OFFICE] of the Governor [GOVERNOR] or otherwise.

* Sec. 14. AS 37.15.450(a) is amended to read:

(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~~ must [SHALL] be awarded to the highest responsible bidder or bidders. 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, must [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 must [SHALL] be payable annually or semiannually.

* Sec. 15. AS 37.15 is amended by adding a new article to read:

ARTICLE 5. STATE-SUPPORTED DEBT.

Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond committee shall review proposals for the issuance of debt by or on behalf of

(1) the Alaska State Housing Authority acting as the Alaska State Building Authority for the purpose of providing public buildings; and

(2) the University of Alaska.

(b) The committee may review the general programs and financing plans of the agency that proposes to issue the debt as well as the specific aspects of the proposed debt issue, including

(1) amounts;

(2) times;

(3) maturities;

(4) debt structure and security features;

(5) credit enhancements;

(6) use of proceeds;

(7) official documents;

(8) planned rating agency presentations; and

(9) selection, retention, or compensation of financial advisors, bond counsel, trustees, underwriters, and other professionals.

(c) The state bond committee shall consider approval of the amount and time of sale of the debt. The committee shall approve the issuance of the debt if, in its judgment, issuance of the debt is in the best interests of the state. The committee may limit approval of the issuance of debt upon compliance with terms established by the committee.

(d) At the time of sale of the debt, the state bond committee shall review the bids or pricing of the debt, including discounts, underwriting spreads, and interest rates. If the committee determines that the bids or prices are not satisfactory or that the bidders are not responsible, the agency may not sell the debt.

Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the state bond committee, in its judgment, determines that the amount or retirement of debt issued by municipalities and subject to reimbursement by the state under AS 14.11.100 is not in the best interests of the state, the committee may

(1) establish an amount or amounts, for any or all years before the maturity of all of that municipal debt, which may not be exceeded by the Department of Education in approving requests under AS 14.11.103; or

(2) establish, under AS 14.11.100(j)(3), a term required for the maturities of municipal debt authorized by local voters after March 31, 1986.

* Sec. 16. AS 39.25.120(c) is amended by adding a new paragraph to

read:

(19) employees of the state bond committee.

* Sec. 17. This Act takes effect immediately in accordance with AS 01.-10.070(c).

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

February 20, 1986

The Honorable John Sund
Chairman
House Loans Committee
P.O. Box V
Juneau, AK 99811

Dear Chairman Sund:

Lease purchase financing was contemplated by the delegates to the constitutional convention when they incorporated Section 11 in Article IX. Statutory authority to do this type of financing was given to the Alaska State Housing Authority in 1966 where Chapter 60, SLA 1966, was enacted. A copy of that Act is enclosed for your ready reference.

Also enclosed are memoranda of the Attorney General, dated October 14, 1983, Wohlforth & Flint, dated January 17, 1984, and Birch, Horton, Bittner, Pestinger and Anderson, dated April 4, 1984. These memoranda deal with different questions arising out of lease purchase or, as it is frequently termed, lease revenue financing. As is pointed out in footnote 3 of the Birch, Horton et al., memorandum, between 1966 and 1974 ASHA financed 11 projects under the grant of authority contained in Chapter 60, SLA 1966.

In the context of this substantial history of activity in the area of lease revenue financing, I should like to reiterate that the purpose of HB 519 is 1) to establish a single landlord agency for the leasing by the state of buildings financed by lease revenue bonds and, 2) to provide the authority in the State Bond Committee to manage debt so acquired in a logical manner.

The bill merely seeks to order a potentially chaotic situation with regard to this type of financing. It does not mandate lease revenue financing any more than Section 11, Article IX, mandates such financing. Indeed, nothing in either the constitution or in statute compels the usage of such financing or, for that matter, compels the usage of any type of term financing. All public works projects could be financed through construction appropriations. All could be financed through general obligation bonds. Many, but not all, could be financed through revenue bonds. The method of financing should be chosen to accord with the best interests of the State after careful analysis of the short- and long-term implications of the financing.

As pointed out by Governor Sheffield in his transmittal letter, rating agencies have begun to take into account all state supported debt

when measuring the creditworthiness of a state or a particular financing. It is the informed belief of the members of the State Bond Committee that to fail to enact HB 519 as applicable to all branches of government is to fail to bring order and control to the management of the state's debt.

Some concern has been expressed that the State Bond Committee would, under the terms of HB 519, be vested with the ability to thwart the will of the Legislature by refusing to issue debt or allow the issuance of debt on a whim. The State Bond Committee has been in existence since 1960 and has managed the issuance of general obligation and revenue debt sold since that time. This debt has financed a substantial number of public works for the judicial branch and the executive branch. The management of that debt in a sound manner has resulted in the state's present rating of AA by Standard & Poors and a comparable rating from Moody's, the foremost rating agencies in the United States. I know of no instance when the State Bond Committee has made a judgment as to the value of the project itself. The judgments made by the Committee have been those solely relating to the debt, and the project itself has only been of interest for the role it plays in structuring the debt.

One difficulty could be presented and that would be when the dollar value of several projects, all ready for financing, exceeded the calculated capacity for new debt. Obviously, if all projects arose within one branch of government, that branch would have to establish financing priorities. If the projects arose in more than one branch, negotiations or consultations between or among those branches, conducted by the heads of those branches, would be required to establish financing priorities. The State Bond Committee would render to the negotiators what assistance it could, but since it has no authority to make selections of projects, it could not establish the priorities.

I call your attention to Section 12 of HB 519 which would require the State Bond Committee to report to the Legislature before March 31 of each year, not only as to existing debt, but also future debt and debt capacity. This is a new requirement and is sought as an additional element in the ordering and management of state debt. Such a report would enable the Legislature to make the discrete judgments it must make in authorizing or approving the projects presented during the budget process by each agency of government requiring the construction of public works projects.

Such centralization of management and reporting will greatly assist the state in maintaining creditworthiness in the nation's financial markets and, more importantly, fulfill on an orderly basis the needs of the public for sound and balanced development of public facilities.

Sincerely,

Mary A. Nordale
Commissioner of Revenue

MAN:mll
86-49

Enclosures

cc: Members of House Loans Committee

LAWS OF ALASKA

1966

Source:

SB 198 am by Conference Committee

Chapter No.

60

AN ACT

To provide public buildings for the use of the state and its political subdivisions.

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

* Section 1. AS 18.55.010 is amended to read:

Sec. 18.55.010. PURPOSE OF SECS. 10 - 290 OF THIS CHAPTER. The purpose of secs. 10 - 290 of this chapter is to remedy the acute housing shortage that exists in certain localities of the state by undertaking slum clearance, low-cost housing projects, housing for persons and their families engaged in national defense activities in the state, and housing projects and housing for veterans of World War II and other citizens of the state and to remedy the short supply of necessary public buildings by providing for the financing, construction and acquisition of public buildings for lease to the state and its political subdivisions.

* Sec. 2. AS 18.55.100(a)(15) is amended to read:

(15) arrange or contract for the financing, design, construction and acquisition of public buildings

for lease to the state or a political subdivision of the state in accordance with secs. 10 - 290 of this chapter.

* Sec. 3. AS 18.55 is amended by adding a new section to read:

Sec. 18.55.105. LEASE OF AUTHORITY'S PUBLIC BUILDINGS TO POLITICAL SUBDIVISIONS. (a) A public building owned by the authority may not be leased to a political subdivision of the state except upon execution of a prior agreement of lease of the premises between the state and the authority. An agreement of lease shall grant an option to the state to apply rental payments made under the lease towards purchase of the premises and receive conveyance of title upon satisfaction of the purchase price. The purchase price shall be a sum equal to all costs of the authority in financing, designing, constructing and acquiring the premises leased and shall include the cost of amortizing indebtedness incurred for those purposes. Total rental payments required under the lease shall equal the purchase price of the premises leased. Upon execution of an agreement of lease between the state and the authority, the state may sublease or assign its interest in the lease to a political subdivision which satisfies the requirements of (b) of this section. A sublease or lease assignment shall include the same option of purchase and right to conveyance of title upon satisfaction of the purchase price as is afforded the state in its agreement of lease with the authority. In case of a sublease to a political subdivision, the state shall covenant with the sublessee that it will not exercise its option to purchase the premises subleased during the term of the sublease.

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(b) A political subdivision may qualify for a sublease or assignment of the state's interest in a lease with the authority as authorized by (a) of this section only if

(1) the premises which are the subject of the sublease or lease assignment are sought as a replacement for a local facility which is condemned, destroyed by fire or other calamity, or is certified by a state official to be inadequate, unsafe, or otherwise unsatisfactory under the laws of the state for its intended use;

(2) the purchase price of the premises does not exceed $2,500,000;

(3) the amount of total indebtedness outstanding on all premises subleased or assigned by the state under this section does not exceed $7,500,000;

(4) the political subdivision agrees to assign to the state, as security for payments required under the proposed sublease or lease assignment, receipts of state taxes shared with the political subdivision, to the extent of the amount of any default in payments required under the proposed sublease or lease assignment;

(5) the Department of Commerce investigates and certifies to the governor the feasibility of a proposed sublease or lease assignment, including but not limited to certification of the fiscal capacity of the political subdivision to meet payments required under the proposed sublease or lease assignment;

(6) the proposed sublease or lease assignment is ratified by referendum vote of a majority of the qualified voters voting in a regular or special local election

provided that the voters are apprised specifically on the ballot of

(A) the term of years of the proposed sublease or lease assignment;

(B) the amount of required payments;

(C) the security required under (4) of this subsection;

(D) the option to purchase and right of conveyance; and

(E) other terms and conditions of the proposed sublease or lease assignment, as determined by the governing body of the political subdivision;

(7) the proposed sublease or lease assignment is ratified by the legislature by concurrent resolution.

(c) If a political subdivision party to a sublease or lease assignment authorized by this section fails to make timely payment of sums due to be paid under the sublease or lease assignment, the state, upon not less than 90 days' notice to the governing body of the political subdivision, may assess, levy and collect taxes within the political subdivision in an amount equal to the payments due and limited to those taxes which the political subdivision is authorized to assess, levy and collect under other provisions of law. Assessment, levy, collection and enforcement of collection shall be at the time and in the manner authorized the political subdivision under other provisions of law.

* Sec. 4. AS 18.55.288(2) is amended to read:

(2) "public buildings" means a publicly owned structure leased to the state or a political subdivision of

the state for governmental, public or educational use;

Approved by Governor April 7, 1966
Actual effective date: July 6, 1966

MEMORANDUM State of Alaska

TO: Hon. Daniel A. Casey, Commissioner
Department of Transportation &
Public Facilities
AND
Hon. Lisa Rudd, Commissioner
Department of Administration

DATE: October 14, 1983

FILE NO: 366-101-84

TELEPHONE NO: 465-3600

SUBJECT: Construction financing of a public facility by lease agreement

FROM:
Norman C. Gorsuch
Attorney General

By: William F. Cummings
Assistant Attorney General
Transportation Section-Juneau

James L. Baldwin
Assistant Attorney General
Governmental Affairs-Juneau

The Department of Administration (DOA) and Department of Transportation and Public Facilities (DOT/PF) have requested our advice whetner there is sufficient authority granted by law to permit a state agency to finance the construction of a public facility on state land under a lease agreement with a developer and owner of the facility other than the state. Briefly, the lease agreement consists of a conveyance of a leasehold interest in state land to a developer who constructs a facility on the land which is leased back to the state. Upon expiration of the lease agreement, the facility either reverts to the state or the state has an option to purchase it.

Using this financing technique, DOA proposes to centralize state offices in Anchorage and DOT/PF proposes to construct a legislative hall in Juneau. Under both proposals, facilities owned by others would be located on state land. 1/ The answers to your questions involve consideration of the issues set out below.

1. Does financing a public facility through a lease agreement violate provisions of the Alaska Constitution governing the creation of state debt?

We believe that the financing of construction by lease is valid only if terms and conditions are imposed which provide sufficient evidence that future legislatures are not bound to ap-

1/ We believe that other public facilities are being studied for financing by lease agreement including facilities for the Alaska Vocational Technical Training Center in Seward and a maximum security prison.

propriate money for the rental. 2/ Article IX, section 8 of the Alaska Constitution prohibits the creation of public debt except for capital improvements and then only after authorization by the legislature and a vote of the people. The lease transactions proposed are a means to finance the construction of public facilities without directly appropriating from the general fund for the cost of construction or authorizing the creation of debt by selling general obligation bonds. This makes it imperative that the state's right to possess and use the facility is contingent on annual appropriations from revenue anticipated for the fiscal year in which the lease obligation is incurred. Traditionally, appropriations for lease payments are considered operating appropriations which lapse on June 30 of the fiscal year. A lease agreement which provides for termination of the leasehold if sufficient appropriations to pay rent are not enacted will negate the conclusion that a debt is created. A one-year lease with automatic annual renewal for a maximum number of years upon enactment of an appropriation to finance the annual rent has been approved as a term which negates any possibility that a debt is created. Gude v. City of Lakewood, 636 P.2d 691 (Colo. 1981). See also Glennon Heights, Inc. v. Central Bank and Trust, 658 P.2d 872 (Colo. 1983).

2. Does existing law prevent a state agency from entering into a lease agreement for the construction of a public facility?

The lease of state office space is governed by AS 37.-05.220 -- 37.05.280. These statutes require a competitive bidding process with award of the contract by DOA to the lowest responsible bidder for the lease. However, the statutes provide one further requirement for office space leases which is lacking in other state contracts for the purchase of goods or services. AS 37.05.280 provides in relevant part that "no contract or lease executed after January 1, 1966, which provides for a payment or payments by the state in excess of $12,000 annually is valid unless the use of the space to be provided for by such contract or lease has been expressly approved by the legislature by concurrent resolution." This provision requires legislative approval of virtually all leases which the state executes to procure office and other space. However, we believe that this part of the

2/ The advice given in this memorandum is consistent with the majority of state courts which have considered the question. E.g., Bulman v. McCrane, 312 A.2d 857 (N.J. 1973); State ex rel. Thomson v. Gisel, 72 N.W.2d 577 (Wisc. 1958); but see Opinion of the Justices, 79 A.2d 753 (Me. 1951).

statute is invalid for two reasons.

Article II of the Alaska Constitution requires that the legislature exercise the law-making power by the passage of a bill not by the adoption of a concurrent resolution. State v. A.L.I.V.E. Voluntary, 606 P.2d 769 (Alaska 1980). Furthermore, the requirement for legislative approval of a lease is a violation of the doctrine of the separation of powers. Governmental power is allocated among the three branches of government by the Alaska Constitution. Some powers are logically allocated to the executive and others to the legislature. The power to execute the law on behalf of the state is one which falls to the executive. Alaska Const. art. III, § 16. It is the role of the legislature to enact laws which establish the conditions under which the executive may enter into leases. Alaska Const. art. II, § 1. However, it is not appropriate for the legislature to reserve a veto power over the enforcement decisions made by the executive. The legislature may amend or repeal the leasing authority for DOA. However, the legislature may not usurp the executive function to lease facilities without destroying the system of checks and balances inherent in our tripartite system of government. 3/ Bradner v. Hammond, 553 P.2d 1 (Alaska 1976).

DOT/PF has limited authority to dispose of land acquired for public works other than highways. 4/ DOT/PF may "vacate land or part of it, or rights in land acquired for public work purposes" by executing and filing a deed in the appropriate recording district upon vacating. AS 35.20.070. "Title reverts to the persons, heirs, successors, or assigns in whom it was vested at the time of the taking." Id. All other disposals of land acquired for public works are conducted by the Department of Natural Resources (DNR).

Before DNR may lease state land, the public must be informed of the nature and terms of the conveyance. Alaska Const. art. VIII, § 10; AS 38.05.035(a)(14), 38.05.345. DNR, acting in

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3/ The cited portion of AS 37.05.280 was held invalid on the basis of separation of powers and improper exercise of the law making power by the superior court in Marine View Tenants' Association v. ASHA, No. 1JU-80-1037 CIV (Nov. 1, 1981). That case was not appealed. However, this decision has limited precedential value until a final decision is rendered by the Alaska Supreme Court.

4/ AS 19.05.070 grants broader discretion to dispose of land acquired for highway purposes.

concert with DOA, must prescribe a disposal procedure for state land which provides the safeguards required by law and permits the construction of a facility which the state will lease from the developer. That procedure may include the grant of a lease under AS 38.05.315 to the state agency responsible for the facility. The lease granted by DNR will allow the lessee agency to sublease the land for development of a leased public facility under specified terms which will include prior DNR review and selection of the sublessee according to AS 37.05.230. The sublease of the land will continue in effect long enough to secure financing for the facility. The payment of rent under the lease to the state agency for the facility would be contingent on the enactment of annual appropriations. If the lease is terminated by the failure to appropriate, the lessor would be the successor to the state agency's right to possess the building until reversion or exercise of the option to purchase.

3. Does existing law prevent a state agency from obtaining financing from a municipality to design and construct a state-occupied facility on state-owned property and then enter into an agreement with the municipality for payback without competitive bidding?

DOT/PF is proposing to finance the construction of the legislative hall by lease agreement. The City and Borough of Juneau (city) would sell tax exempt municipal revenue bonds, secured by the lease payments to be paid by the state. The state would then supervise the design and construction of the facilities and be the contracting authority.

As a general proposition, DOT/PF has the authority to make contracts with municipalities for public works. AS 35.05.-040(7). The purpose of this form of contract is further defined by AS 35.15.080(c), which provides in relevant part, "[a] municipality may request joint assumption of responsibilities with the department relating to the planning, design, and construction of a public works project." The term "public works" is very broad and includes public buildings. A public building is one which is "owned or controlled and held by the state for government or public use." AS 35.25.020(5) and (6).

We believe that DOT/PF may contract with the city for the planning, design and construction of the legislative hall. We reach this conclusion because under the provisions of the lease agreement, the state will have control over the building which it will hold for government or public use. Additionally, the state will have significant ownership interests in the facility because it holds fee title to the land upon which the build-

ing will be constructed and at the expiration of the lease agreement, will own the building free of the interest of the city. However, a contract may not alter the city's responsibility for repaying the long term debt established to finance the cost of construction of the facility.

Our memorandum of May 9, 1983 indicated that AS 37.05.-230 generally required competitive bidding to award a lease agreement which provides for the construction of a public facility. However, competitive bidding is not required in all instances of public contracting. McKinnon v. Alpetco, 633 P.2d 281 (Alaska 1981). The lease transaction under consideration may present an instance where it is in the best interests of the state to negotiate directly with a municipality rather than offer the contract to the lowest bidder. See AS 37.05.230(2). A decision to negotiate directly requires a detailed finding of fact in writing by DOA. In the finding of fact, the commissioner must justify the conclusion that negotiation is in the best interests of the state. A municipality enjoys a preferred status when dealing with the state. Intergovernmental contracts are not governed by the same considerations applicable to the state when it is participating in the open market place. It is probable that a facility can be financed cheaper with municipal revenue bonds than by private means. It may be futile to obtain any advantage from the competitive bid process. If DOA sets out ultimate facts in the finding which supports the conclusion that negotiation furthers the public's interest, then competitive bidding is not required. Libby v. City of Dillingham, 612 P.2d 33, 45 (Alaska 1980)(Rabinowitz, J. concurring). However, the award without competitive bidding would be subject to judicial review to determine whether the decision was arbitrary, capricious or an abuse of discretion. McKinnon, 633 P.2d at 287; Hertz Drive-Ur-Self Systems, Inc. v. Tucson Airport Authority, 299 P.2d 1071 (Ariz. 1956); Volume Services Division or Interstate United Corp. v. Canteen Corp., 369 So. 2d 391 (Fla. App. 1979).

4. Does the appropriation to finance the site acquisition and planning for a legislative hall contain defects which prevent DOT/PF from proceeding with the project?

Section 95, ch. 106, SLA 1983 appropriates $4,500,000 to DOT/PF plus other money received for land acquisition and facilities planning in Juneau. The land acquisition, planning, and preliminary design efforts for the legislative hall will be paid from this appropriation.

This section makes an appropriation from two sources: $4,500,000 from the general fund and an unspecified amount from

an unspecified source. 5/ This appropriation is for land acquisition and facility planning in Juneau.

The appropriation contains a unambiguous statement of purpose that DOT/PF is appropriated at least $4,500,000 for land acquisition and facilities planning in Juneau. There is no specification of the public facility upon which the appropriation may be expended. The use of the $4,500,000 appropriated for site acquisition, planning, and preliminary design for the legislative hall is within the purpose set out in the appropriation. However, the appropriation of money which may be received from other sources presents a serious legal issue. Because no amount is stated for the appropriation, sufficient authorization may not exist to expend the money beyond the $4,500,000. 6/ Nonetheless, the unspecified source of the appropriation is presumably severable from the general fund part of the appropriation which is stated with specificity in the amount of $4,500,000. AS 01.10.-030. Consequently, until you begin receiving amounts from "other sources," whatever they may be, the expenditure of general fund money authorized by the appropriation is not a problem.

CONCLUSION

We believe there is sufficient authority under existing law to finance the construction of a public facility by lease. However, because this financing technique is not specifically authorized by law, we cannot with absolute certainty advise you that a court would agree with our opinion. You should make allowance for this risk when you plan further development of each project to be financed by the lease purchase method.

WFC:ebc:prm/JLB:pjg

cc: Hon. Harold J. Raynolds, Jr.
Commissioner
Department of Education

5/ We presume "the other money received" was intended to include money to be provided under a lease agreement with the city as discussed in section 3, supra.

6/ Each appropriation must state an amount. AS 24.30.030. It is not necessary for the appropriation Act to set out the amount in dollars and cents if the appropriation contains provisions which make the amount capable of mathematical calculation. Orbison v. Welsh, 179 N.E.2d 727 (Ind. 1962).

MILT

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RECEIVED
ALASKA DEPARTMENT OF REVENUE
JAN 30 1984
OFFICE OF THE COMMISSIONER

January 17, 1984

MEMORANDUM

Constitutional Debt Limitation/State and Municipal Leaseback Transactions

This memorandum reviews cases relating to state and municipal leaseback transactions, focusing on the viability of such transactions under constitutional debt limitations. For purposes of clarity, it may help to begin by defining some of the terms used in this paragraph.

Our concept of "leaseback transaction" generally includes the following basic elements:

(1) one party is a state or local government which cannot or will not directly finance a capital project (with "capital project" here generally limited to those capital projects which do not generate user income other than in the form of rent from the state or local government users);

(2) a second party to the transaction is the financing entity, which may be either a public or private corporation;

(3) the financing mechanism generally involves the issuance of bonds; and

(4) the relationship between the state or local government and the corporation is established by a lease agreement under which the state or local government agrees to lease from the corporation the capital project financed with the corporation's bonds; there may also be a preceding lease or sale of land from the state or local government to the corporation for use as the site of the capital project.

By "consitutional debt limitations" we refer to those provisions in the various state constitutions which inhibit the ability of a state or local government to incur debt. These limitations generally fall into one of two categories: (1) those which prohibit debt absent voter approval except for certain

enumerated purposes; and (2) those which limit permissible debt to a particular amount, usually expressed as a percentage of revenues. Alaska's debt limitation falls into the former category, and, because of their relevance to proposed leaseback transactions in Alaska, we present here in full the four pertinent sections from the Constitution of the State of Alaska, Article IX:

> SECTION 8. STATE DEBT. No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question.The State may, as provided by law ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.
>
> SECTION 9. LOCAL DEBTS. No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvement by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.
>
> SECTION 10. INTERIM BORROWING. The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.
>
> SECTION 11. EXCEPTIONS. The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

We note also the presence of Article IX, Section 16, of the Alaska Constitution, which establishes a ceiling on permissible annual appropriations by the State. While this section is not per se a limitation on debt (the section expressly exempts from its provisions appropriations of bond proceeds), it may have some effect on the feasibility of a proposed leaseback transaction to the extent that it limits the state's ability to make appropriations.

Finally, among our list of defined terms is "lease participation certificate." By this, we refer to the financing instrument used in a lease participation transaction. A "lease participation transaction" has the same basic elements described for a "leaseback transaction" with one exception: instead of or in addition to issuing bonds to finance the capital project, the corporation, as lessor of the project, issues lease participation certificateswhich entitle their holders to a share of the lease revenues generated by the project.

With these preliminary matters established, we proceed now to an overview of the research we have completed with regard to leaseback transactions and constitutional debt limitations.

OVERVIEW

In preparing this memorandum, we have reviewed some 47 cases decided in 26 states. The earliest case was decided in 1939, the most recent in 1982. There are earlier cases which we declined to include in this survey, primarily because of the existence of more recent cases in their jurisdictions. For ease of reference, we will refer to those cases which have invalidated leaseback transactions as invalidating cases and to those cases which have upheld leaseback transactions as validating cases.

While legal research can seldom, if ever, be satisfactorily reduced to figures and statistics, some of the numbers revealed by our research may be of interest. Of the 47 cases we reviewed, 21 were invalidating cases and 26 validating. Among the 26 states in which these 47 cases were decided, 16 states can be considered validating states in the sense that the most recent decisions in those states are validating decisions. The remaining 10 states have only invalidating decisions, but only two of those states -- Ohio and New Mexico -- have considered the question more than once. Of the 16 validating states, 10 have considered the question more than once. Six of the validating states had early invalidating decisions followed later by validating decisions. In no state has an invalidating decision followed a validating decision.

On the following pages of this memorandum, we will generally follow a chronological order in presenting the cases reviewed; however, three states -- New Jersey, Wisconsin, and Missouri -- have had such extensive judicial review of leaseback transactions that their cases are most instructive if viewed apart from the others. Therefore, the following pages will begin with cases decided in New Jersey, Wisconsin, and Missouri and will then proceed with a chronological review of the cases from the other states.

NEW JERSEY

New Jersey's supreme court has decided four leaseback transaction cases. Its first decision, McCutcheon v. State Building Authority, 97 A.2d 663 (N.J. 1953), became the most cited of the leaseback transaction cases of all the states. McCutcheon has been cited approvingly or for support in the invalidating cases of Arizona, Iowa, Massachusetts, Ohio, Oregon, Washington, West Virginia, and Wisconsin. It has also been cited and then ignored, distinguished, or dismissed by many of the validating cases.

In 1968, the New Jersey court expressed some clear misgivings about its McCutcheon decision, though it did not expressly overrule the decision at that time. In 1973, the court fortified the impression created in the 1968 case that it no longer endorsed McCutcheon. Again, however, the court did not expressly overrule the decision at that time. A New Jersey Appellate Court summed up the status of McCutcheon in 1981 with the following comment: "it is apparent that as precedent the case is dead; it simply has not as yet been interred." Enourato v. New Jersey Building Authority, 440 A.2d 42, 48 (N.J. Appel. 1981). Final interment arrived in 1982 when Enourato was appealed to the New Jersey Supreme Court, which expressly overruled McCutcheon.

The effect of McCutcheon on other state courts which have reached invalidating decisions should be noted. We listed above eight states whose courts have reached such invalidating decisions. Three of these states -- Arizona, West Virginia, and Wisconsin -- have since had validating cases decided in their supreme courts. The remaining five states have not had any other post-McCutcheon cases. It will be interesting to note the effect, if any, which the overruling of McCutcheon has on those states as future cases come before their courts.

McCutcheon involved a statutorily created public corporation known as the State Building Authority. The sole business of the Authority was to provide for the construction and acquisition of buildings through the issuance of its bonds. The source of income to the Authority from which the bonds were to be

repaid was the leasing of the buildings to the state and its various departments and agencies. Under the Authority's enabling statutes, the lease contracts would be "valid and binding upon the department, agency, or instrumentality of the State, notwithstanding that no appropriation was made or provided to cover the cost or estimated cost of the contract." 97 A.2d at 665.

Neither the statutory nor the lease provisions set forth by the court in its opinion indicate whether or under what circumstances title to the property would be transferred to the State; however, the statute did authorize the Authority to convey property it acquired. In any event, the most significant concern to the court, as reflected in the following passage from the opinion, was whether the lease contracts were actually purchase contracts:

> While in form a way of providing the State with leasehold interests in building facilities for public use, in reality the design of the act is to enable the State by contracts of purchase to acquire for state use buildings possessed and constructed by the Authority by means of bond issues sustained by the State's promise to supply in the guise of rentals sufficient money to liquidate the bonds, available only through the medium of annual appropriations. And this in disregard of the constitutional debt limitation and the restraints laid by the organic law upon the appropriations process. There is no pretense of conformance with the debt limitation provision; there was no submission of the project to the electorate .... The legislation proceeds upon the hypothesis that the fulfillment of the project will not burden the State with a debt or liability within the constitutional sense. But in this the accent is on the external appearance rather than the substance. The label is unimportant; it is the essence that controls. It is an obvious truism that constitutional limitations may not be set at naught by indirection.

97 A.2d at 668. It was this piercing of the lease contract to unveil an underlying purchase agreement which primarily led the court to conclude that the transaction was governed by, and invalid under, the State's constitutional debt limitations.

Another important factor to the court was the nature of the Authority. Regarding this factor, the court stated:

> There is for the reasons stated, a radical difference in the relationship between the State and the Authority and the State and a private corporate lessor....The Authority is not an independent autonomous public corporation. It may lease its building faciltities only to the State, its departments, agencies, and instrumentalities....And, quite apart from the other considerations heretofore adverted to, the State's taxing power is the sole source of its revenue.

97.A.2d at 671. The court's apparent perception of the Authority as, in essence, the alter ego of the State involved in a transaction which the court viewed as, in essence, a purchase agreement created the situation necessary for the court to reach its conclusion. From the court's perspective, it was reviewing, in essence, a capital construction contract entered into by the State without the required voter approval. The result was inevitable.

As noted above, the statute made the lease payments valid and binding against the state agencies entering into the lease contracts even if the legislature failed to make appropriations for such payments. While the meaning of the statute is not clear, one might have expected the court to use the statute to conclude that any lease entered into under it would be prohibited debt by virtue of its apparent attempt to avoid the appropriation process. Instead, the court virtually ignored the statute. In fact, the following passage, which should most likely be considered as dicta, reflects the opposite situation -- one in which there is no obligation to make payments except to the extent that appropriations so provide:

> The constitutional debt-limitation provision is not limited in quality and scope to debts enforceable by action. It has in view the temptation or inducement and incentive to make appropriations for "debts" beyond the prescribed amount, unless approved by the people in the manner ordained. Moral and ethical compulsions are not to be allowed to override the constitutional safeguard against improvidence and the integrity of the State's economy.

97 A.2d at 671

By the court's own account, McCutcheon stood as a rigid enforcement of the state's debt limitation provisions. Any leaseback transaction plan which reflected any indicia of a purchase -- whether by transfer of title at termination of the lease, or by the holding of title by a public corporation, or by lease payments fashioned to pay for debt service on the bonds -- would likely have failed before that court, at least to the extent that one party to the plan was a public corporation whose only customer was the State.

Fifteen years after McCutcheon, the New Jersey Supreme Court again considered a leaseback transaction case, this time with a markedly different result. The second of the New Jersey cases was Clayton v. Kervick, 244 A.2d 281 (N.J. 1968). The opinion was written by Justice Jacobs, the only remaining member of the McCutcheon court and a dissenter in that case (along with Justice, later to become Mr. Justice, Brennan).

The statute in Clayton established the New Jersey Educational Facilities Authority. The Authority was empowered to borrow money and issue bonds to construct projects to be leased to public and private colleges. The projects were anticipated to be revenue producing projects (such as dormitories), and the revenues they produced were primarily the source from which lease payments were to be derived. To this extent the transaction in Clayton was not a "leaseback transaction" as we have defined the term for purposes of this memorandum, and, indeed, it was the revenue-producing character of the projects upon which the court ultimately distinguished the Clayton situation from the McCutcheon situation.

Nevertheless, before distinguishing McCutcheon, the court referred approvingly for nearly two full pages in its opinion to the dissent in McCutcheon and to cases from other states which had rejected the majority opinion in McCutcheon. As to the McCutcheon dissent and the cases from the other states, the court stated:

> these decisions, along with the dissent in McCutcheon, appear to us to be clearly the more persuasive....

244 A.2d at 281. Although the court was able to find a way to distinguish, rather than expressly overrule, McCutcheon its disenchantment with the earlier case was apparent.

Thus, while Clayton, is not, strictly speaking, a leaseback transaction case under our definition, its use by the court as the vehicle to undercut McCutcheon, to warmly embrace

the McCutcheon dissent, and to cite approvingly the leaseback transaction cases from other states rejecting the McCutcheon thesis makes the case important for our purposes. Fifteen years after writing his dissent in McCutcheon, Justice Jacobs was finally able to incorporate into a majority opinion his thoughts about the McCutcheon case. Taking full advantage of the opportunity, he recorded the following pertinent comments, among others:

> In their separate opinion, the dissenting justices [in McCutcheon] referred to the fact that the generally accepted accounting practice thoughout the country does not encompass future rents as debts or liabilities and that corporate balance sheets would be examined in vain for references to lease rentals payable in future years....
>
> The majority in McCutcheon apparently viewed the rental plan as a purchase rather than a lease and as evasion rather than avoidance of the debt limitation....But, as the dissent pointed out, leases between affiliated governmental bodies are common and unquestioned in our society and there was no plausible basis for dishonoring the carefully formulated leasing arrangement between the independent Building Authority and the non-autonomous agencies of the State.

244 A.2d at 288.

Although the Clayton court chose to distinguish rather than overrule McCutcheon, and though much of what the Clayton opinion had to say about McCutcheon was, therefore, simply dicta, it should have been reasonably clear that Clayton marked the deathknell for the earlier case. Still, five years later, a New Jersey Superior Court apparently had not yet clearly received the message.

Bulman v. McCrane, 302 A.2d 163 (N.J. Super. 1973), involved the following issue as explained by the court:

> Put concisely, the problem presented is whether a lease-purchase arrangement whereby a state agency contracts with a builder to erect a facility on state-owned land and lease the same to the State for a term of

> years at stipulated annual rentals, with an option to purchase at intervals during the term, title to revert to the State at the expiration thereof, violates the debt limitation clause of the State Constitution.

302 A.2d at 164. After reviewing McCutcheon and Clayton, the Superior Court concluded that neither provided guidance for a situation involving a lease to the State of a non-income producing facility by a private corporation. While it avoided using either case as authority for its decision, the court nevertheless reached the McCutcheonesque conclusion that, while the arrangement was cast in the form of a lease, it was, in essence, a purchase agreement. As such, the court determined that the arrangement created prohibited debt. The reason for the court's perception of the arrangement as a purchase agreement basically rested upon the fact that the lease provided for reversion of the building (which was built on state-owned land) to the State at the expiration of the lease.

Nine months later, the New Jersey Supreme Court reversed. Bulman v. McCrane, 312 A.2d 857 (N.J. 1973). The court stated:

> The fact that the State may be advantaged by ultimately acquiring title to a potentially useful building as the residue of a transaction otherwise faithful to the theory of a lease...represents no good reason for judicial assiduity in laying hold of that circumstance to destroy the transaction as an unconstitutional debt. The sole obligation of the State here is for future installments of rent. They will presumably be paid out of current revenues as annually appropriated for the purpose. Under settled principles, there is no present debt in the constitutional sense.

312 A.2d at 863--864 (footnote omitted).

The most recent of the New Jersey leaseback transaction cases is Enourato v. New Jersey Building Authority, 448 A.2d 449 (N.J. 1982). The statute in this case, very much like that in McCutcheon, created a state building authority the sole function of which was to construct buildings for lease to the State. Rental payments, made subject to annual appropriations, were the sole source of repayment of the bonds issued by the Authority to finance the construction of the buildings. The bonds, of course,

expressly stated on their face that they were the obligations of the Authority and not the State. In a relatively brief review of the question, the court rejected the claim that the Authority's bonds would create a state debt. The court noted:

> The Authority's creditors have notice that their only remedy lies against the Authority.
>
> Nor does the liability of the State on its lease agreements with the Authority create any debt of the State. Both the statute and the lease make clear that all rent payments from the State are subject to legislative appropriations....
>
> Since the Building Authority Act does not authorize the creation of any debts by the State, the debt limitations clause...does not apply to the Authority's debts or any obligations of the State on its lease agreements with the Authority. We have already disapproved the contrary result reached by a sharply divided Court in McCutcheon...and now expressly overrule that case.

448 A.2d at 456.

These New Jersey cases, from McCutcheon to Enourato, demonstrate an evolution in judicial thinking with regard to leaseback financing. Several of the early cases took the view expressed in McCutcheon of rigid adherence to debt limitation provisions. Under that view, the enforceability of an obligation claimed to exist against a state was not determinative. Any arrangement which appeared to be or could plausibly be said to be a purchase agreement was equated with debt. If there were any moral obligation to make payments or even if the court surmised that, because of practical considerations, the legislature would most likely make the appropriation for the payments regardless of the existence of any moral or legal compulsion, that, too, could be equated with debt. We believe the modern trend and certainly the majority position is more closely attuned to the Enourato view. As long as the obligation of the state under the lease agreement is clearly subject to annual appropriation by the legislature, as long as the bonds issued to finance the project clearly identify the foregoing and clearly indicate that they are not the obligations of the state, as long as state property is not encumbered (a factor extensively discussed in the Wisconsin cases reviewed below), and as long as the enabling statutes

authorizing the transaction reflect all of the foregoing, the likelihood is that the transaction will be upheld.

WISCONSIN

Like New Jersey, Wisconsin's supreme court has reviewed four cases concerning leaseback transactions. Unlike New Jersey, however, all of Wisconsin's cases were decided in a two-year period (1953 -- 1954), and, in its four decisions, the Wisconsin court has not experienced the dramatic change in attitude reflected in New Jersey's cases.

The first Wisconsin case was State v. Giessel, 65 N.W.2d 529 (Wisc. 1954) (herein "Giessel I"). The plan in Giessel I called for the incorporation of a non-profit corporation by the State Building Commisssion. The Commission would lease state land to the corporation. The corporation would construct a building on the land and lease both land and building back to the Commission for the use of state agencies. As security for its loans, the corporation would have the ability to mortgage its lease of the land and of any buildings on the land. One project of the corporation was to construct an addition to an existing state office building. To secure financing for the project, the corporation intended to mortgage the lease to the corporation of the land and existing building.

The court found no fault with the financing plan except with regard to the mortgaging of an interest in state property. As to such mortgaging, the court declared the plan unconstitutional and void, stating:

> Logically there would seem to be just as much coercion on the part of the state to pay an indebtedness, for the payment of which existing state property, or an interest therein, had been pledged as security but the state had not otherwise agreed to pay the debt, as
>
> the state had made itself directly liable for the payment thereof.

65 N.W.2d at 540.

Three months later, the court decided State ex rel. Rogers v. Milligan, 66 N.W.2d 325 (Wisc. 1954) (herein "Milligan I"). This case involved virtually the same facts as in Giessel I and was decided in accordance with that case.

Early in 1955, the court had before it State ex rel. Rogers v. Milligan, 69 N.W.2d 485 (Wisc. 1955) (herein Milligan II"). Once again, the facts were virtually identical to Giessel I and Milligan I except that here the building company as lessor of the land (which was owned by the city and leased to the building company) and building, instead of mortgaging its leasehold interest in the land, would be able to re-enter and take possession of the land and building if the city failed to pay its rent. The court saw no distinction in this feature of the lease and ruled the plan unconstitutional, noting, however, that if the building company were also the owner of the land "this objection to the lease would be eliminated." 69 N.W.2d at 487.

Finally, toward the end of 1955, the Wisconsin court considered State ex rel. Thomson v. Giessel, 72 N.W.2d 577 (Wisc. 1955) (herein "Giessel II"). Decided only two years after McCutcheon, Giessel II became the second most prominent case on leaseback transactions (after McCutcheon). In a lengthy analysis of the leaseback transaction before it, the court considered McCutcheon and rejected the conclusions of that case, stating:

> That case is distinguishable from the present situation in that it rests on legal premises which this court has not adopted....This court....has heretofore held that no debt is created unless the state itself is under a legally enforceable obligation.

72 N.W.2d at 589. The Wisconsin court indicated various distinguishing factors between the two cases and between the constitutions of the two states. Whether it was a result of those distinguising factors or, more likely, a result of a plain disagreement between the two courts, the Winsconsin court reached conclusions opposite to those of the New Jersey court with respect to two significant legal issues: first, as noted above, the Wisconsin court found no constitutional debt in the absence of a legally enforceable obligation; and second, the Wisconsin court, though it did not find an installment purchase contract to exist in the plan before it, indicated that even if such contract did exist it would not necessarily create state debt (this second conclusion being no more than a corollary to the first in that a purchase contract, to the same extent as a lease, creates no debt in the absence of a legally enforceable obligation).

The plan before the court in Giessel II was a typical leaseback transaction involving a private, nonprofit corporation as the financing entity. The corporation was empowered to either purchase or lease land from the state for the purpose of constructing buildings on the land and either leasing or subleasing,

depending upon the interest initially conveyed to the corporation, the land and building to the state. There were three causes of action presented to the court in Giessel II.

The first cause of action related to a lease and sublease. Rent on the sublease was calculated to enable the corporation to retire the indebtedness to be created in the construction of the building. The sublease provided that "it is mutually agreed by the parties hereto that the corporation, its successors or assigns, hereby waive, relinquish and release any and all rights of re-entry, or to re-take possession of the herein demised premises, and hereby agree not to exercise any such rights, in the event of nonpayment of rent or of other defaults hereunder by the University, its successors or assigns." 72 N.W.2d at 580. The second cause of action involved the same type of arrangement with the same re-entry waiver.

The third cause of action related to a sale of land by the state to the corporation. The corporation was to build an office building on the land and lease it to the state building commission. The loan by the corporation to finance the construction was to be secured by a mortgage on the land. The lease provided that if the legislature failed to appropriate money for rental or for any other breach of the lease, the corporation would be entitled to "enter on, and expel, the commission from said premises forthwith, and without notice, and the corporation may from time to time apply all monies held by the corporation as security for faithful performance by the commission of its covenants and undertakings hereunder, to the payment of all damages sustained by the corporation by reason of any such default, which damages shall include, without limiting the generality of the foregoing thereby, the cost of decorating, altering and improving the premises and brokers' commission incurred in reletting the same, and also the difference between the net income actually received by the corporation from said demised premises upon reletting and the rent limited herein." 72 N.W.2d at 581. The lease further provided that it was made subject to a mortgage made by the corporation to its lender. Under the mortgage, rents to be paid by the commission were pledged to the lender.

With regard to these causes of action it should further be noted that (1) the state consented to a pledge or assignment of the state's obligation to pay rent by the corporation to its lender; (2) the state purchased equity in the building projects described in the first two causes of action in amounts greater than fifty percent of the cost of the projects; and (3) the state was authorized to use income derived from existing state buildings to pay the rent on the building described in the first cause of action.

The court first considered whether the state's consent to the assignment of its rental payments to the corporation's lender created debt. The court ruled that it did not and referred to the principle enunciated in Giessel I that the payment of future rent is not a presently existing debt. 72 N.W.2d at 584. The court noted that the assignment of the rents simply changed the party entitled to receive the rents if paid and did not obligate the state to pay the corporation's obligations.

The court next considered whether the state's investment in the projects led to prohibited debt. The court rejected the contention, stating that the investment did not obligate the state to pay all or any portion of the sums borrowed by the corporation to construct the buildings "even though good judgment may dictate that it do so voluntarily". 72 N.W.2d at 586.

The court next encountered the old McCutcheon argument that the leases and subleases were, in effect, contracts of purchase which created impermissible state debt. As noted above, the court chose not to follow McCutcheon and adhered to its general principle that where there is no obligation against the state to make payments, whether under a lease or under a purchase contract, there can be no debt.

Finally, the court considered whether the state's agreement to use income from existing state buildings to pay the rent on the building leased from the corporation created a state debt. The court noted that the nature of the fund from which the rental payments were to come had no bearing on the nonenforceable and contingent nature of the state's obligation and, therefore, did not affect the court's determination that no debt had been created.

To the degree that McCutcheon was rigid, Giessel II can be said to be flexible in considering its constitution's debt limitation provisions. Giessel II represents the position that as long as the state's obligation is nonenforceable and contingent and as long as there can be no loss of state-owned property there is no state debt.

MISSOURI

The first of the Missouri cases is Board of Public Buildings v. Crowe, 363 S.W.2d 598 (Mo. 1962). The financing entity in that case was a public corporation which had authority, once it constructed a building in a city, to require any state agency which occupied rental quarters in such city to rent space from the corporation's building and to contribute from funds

appropriated for such agency's support a proportion of the rentals of the building. It was argued in the case that the payment of rentals from funds appropriated to the state agencies and taken from revenue raised by taxation would create a "liability" of the state. The court noted that no rents could be paid by any agency unless the legislature appropriated money to that agency. Once such an appropriation was made, the money lost its character as general state revenue. The court rejected the contention and sustained the transaction.

Crowe was followed in 1971 by New Liberty Medical and Hospital Corporation v. E. F. Hutton and Company, 474 S.W.2d 1 (Mo. 1971). In this case the Missouri court did find constitutionally prohibited indebtedness arising from the provisions of the lease agreement used in the leaseback transaction. Under the agreement, the hospital district (which was subject to the state's constitutional debt limitations) was obligated unconditionally to pay rentals "without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstances whatsoever." 474 S.W.2d at 6. The court noted that

> This is more than the usual obligation of lessee to pay rent for premises furnished. It is an unconditional undertaking to pay a sum total which will equal the principal and interest on the debentures plus taxes, costs and certain other items over a 30-year period, even if for some reason the premises become unavailable for use of lessee. This is assuming indebtedness which must be paid in all events.

474 S.W.2d at 6. Not surprisingly, the court invalidated this leaseback transaction. A similar lease agreement was used in the third Missouri case, Scroggs v. Kansas City, 499 S.W.2d 500 (Mo. 1973), and it, too, was invalidated by the court.

The last of the Missouri cases was St. Charles City-County Library District v. St. Charles Library Building Corporation, 627 S.W.2d 64 (Mo. 1981). Like the lease agreement in the Colorado Gude decision, discussed later in this memorandum, the district here was able to avail itself of annual options to renew. Because of this feature, the court distinguished Scroggs and held that there were no long-term repayment obligations created on the part of the district and, hence, no violation of the constitutional debt limitations of Missouri.

OTHER STATES

Having reviewed the cases of three of the most active courts in the leaseback transaction area, we proceed in this part to review the remaining cases from the other states. As noted earlier, this review will proceed in chronological order.

The earliest case in our survey is State v. Griffith, 22 N.E.2d 200 (Ohio 1939). The leaseback transaction in this case involved a public corporation which constructed additions to state mental hospitals and subleased the buildings back to the state Department of Public Welfare. Under their contract, the department pledged "all and every part of its available source of income" to pay the rent on and to maintain the buildings. There were a number of elements to the transaction to which the court took exception in invalidating the arrangement.

While the court accepted the concept that pure revenue bonds (that is, those payable solely from the revenues generated from the project financed with the bonds) were acceptable under constitutional debt limitations, the court could not accept a general obligation bond of a public corporation. This was particularly so in a situation, as in this case, where the public corporation was joined in its obligation by the Department of Public Welfare

The court noted that

> the obligation of the Department of Public Welfare of the state of Ohio under its contract with the authority to pay as rental for the state property turned over to the authority the sum of $421,500 per annum for twenty-five years, plus other expenses of the authity is an absolute and outright obligation of the department, an arm of the state, on account of such bonds. In addition the department obligates itself to liquidate the indebtedness to the authority by pledging "all and every part of its available sources of income" and "to fix the amount or amounts to be charged and collected for the support of patients and inmates of the hospitals under [its] control...so as to be sufficient in the aggregate to provide available funds to pay the maintenance costs of said buildings-...and to pay the Public Institutional Building Authority the sums" promised....

22 N.E.2d at 205. The court additionally disapproved of the pledging of income derived from existing buildings in addition to the income to be derived from the buildings financed with the bonds. The court reasoned that "to the extent that the income from the use of these buildings is diverted to the payment of rental to the authority for the purpose of servicing these bonds, the general revenues from taxation to support these institutions must necessarily be increased to the same extent. The income from the institutions ought to be increased, by reason of the new structures, but there will also be greater expense in administration and upkeep." 22 N.E.2d at 205.

Plainly, the most serious problem in the Griffith situation was the outright pledge by a department of the state to pay a sum certain annually under contract with the corporation. Because of the number of concerns expressed by the court, it is difficult to surmise how a provision making all payments subject to annual appropriation by the legislature might have changed the court's conclusion, but such provision could only have helped the situation.

In 1941, New Mexico's supreme court rendered the first of its two leaseback transaction cases, State Office Building Commission v. Trujillo, 120 P.2d 434 (N.M. 1941). Trujillo presented a lengthy and considered analysis of leaseback transactions in the light of constitutional debt limitations and became another oft-cited and significant case in the area.

As much as any other case in the field, Trujillo clearly pointed out the dual considerations inherent in any leaseback transaction involving a public corporation. The court carefully considered the relationship of the public corporation in Trujillo to the state and then considered the nature of the obligation entered into by the state itself.

The statute creating the corporation in Trujillo designated it "a public body corporate as an agency of the State." The court immediately seized upon this language and noted that "it is through such agency that the State is to act, and being an agency, its acts are the acts of the State." 120 P.2d at 440. The conclusion that the bonds of the corporation are then debts of the State itself could hardly be avoided from that point. It may not be likely that the same difficulty would be encountered in Alaska considering the Alaska Consitution's express reference to obligations of public corporations as exceptions to this state's debt limitation provisions. (Constitution of the State of Alaska, Article IX, Section 11); however, it is certainly advisable in any event to give the courts a clearer indication that a separate and independent legal entity is intended to be

created as has generally been done in the statutes creating Alaska's present public corporations.

From the perspective of the obligation created by the other state agencies in entering into the lease contracts, it was urged upon the court that the rental payments should not be considered debt for the reason that they amounted to current administrative expenses. This, of course, was the argument accepted by the Wisconsin court in Giessel II; however, the facts in this case did not permit such a conclusion. There was no provision in the agreement or in the statute making the payment of rent by the state agencies contingent upon appropriation for the purpose; in fact, once the agencies entered into the lease agreement, both the statute and the agreement prevented them from terminating the lease except under narrowly specified circumstances. As the court noted:

> Subject only to the one condition set out in said section, the state would be obligated to continue payment of rentals until the indebtedness of the Commission was satisfied. This would mean, so long as the agencies did not recede from the lease agreements under the one specified condition, that future legislatures would be bound to provide appropriations for payment of rentals.

120 P.2d at 448 (emphasis in original). The lesson from this aspect of the case is the now familiar refrain: the obligation of the state agency to pay rent must be contingent upon the legislature's decision to appropriate for that purpose. Such a provision might not have saved the case before a court such as that in McCutcheon, but it could have made a difference in many of the cases.

The next leaseback transaction case was Opinion of the Justices, 79 A.2d 753 (Maine 1951). In this lone entry into the leaseback transaction arena by the Supreme Court of Maine, the state senate presented to the Justices a proposed leaseback transaction the only significant feature of which was a statutory provision which appeared to make it mandatory upon the state and the public corporation to enter into a lease agreement upon completion of construction of the building by the corporation. The lease agreement was to provide rents sufficient to retire the corporation's bonds. There is no provision indicating that rental payments by the state were subject to appropriations.

The court foreshadowed the McCutcheon analysis by finding the "so-called" lease to be a contract of purchase.

> The so-called rental is not true rent, to wit, payment for the use of property. The total amount of so-called rental is the purchase price the State is to pay for the property....Being a contract of purchase, obligating the State to pay the purchase price, unless the entire amount thereof is to be paid pursuant to appropriation presently made from funds or revenues currently available therefor, such contract of purchase would in the consitutional sense be a liability created by the Legislature on behalf of the State.

79 A.2d at 756 (emphasis in original).

In 1955, two leaseback cases from two states emerged. In McArthur v. Smallwood, 281 S.W.2d 428 (Ark. 1955), the rental payments from the state to the public corporation were to come first from legislative appropriations and, if such appropriations were not forthcoming, then from a special levy to be assessed by various county treasurers. Noting particularly that there was no obligation on the legislature to make the appropriations, the court upheld the transaction. The special levy was upheld on the basis of the "special fund doctrine", which was also a significant consideration in the Trujillo case. The "special fund doctrine" provides, in essence, that the repayment of bonds from a special tax or levy does not violate state debt limitations because the general taxing power of the state is not involved. Any reliance upon such a doctrine in Alaska, of course, would require serious consideration of the dedicated fund prohibition in the Alaska Constitution (Article IX, Section 7).

The other 1955 case was State v. Yelle, 289 P.2d 355 (Wash. 1955). Yelle relied extensively on McCutcheon, employed the same analysis, determined that the lease was actually a purchase, and invalidated the arrangement. The opinion does not clearly indicate whether there was any compunction on the legislature to make the appropriations to pay for the rents, nor is it clear that the rental payments were contingent upon such appropriations. In any event, such considerations probably do not make much difference with regard to the McCutcheon progeny. We have discovered no Washington case subsequent to the crumble or demise of McCutcheon.

Illinois' court considered a municipal leaseback transaction in People v. Public Building Commission of Chicago, 142 N.E.2d 67 (Ill. 1957). Of particular importance to that case was a provision in the statute which required municipalities entering into leases with the public corporation to "enact an ordinance or

resolution providing for the levy or a direct annual tax sufficient to pay the annual rental under the lease when it becomes due and payable." 142 N.E.2d at 72. The Illinois court noted that its definition of "indebtedness" was "not as liberal as that indulged in by a majority of jurisdictions." 142 N.E.2d at 75. Nevertheles, even in the more liberal jurisdictions, a provision such as that embodied in the statute quoted above would have been likely to lead to a finding of debt. The Illinois court had no trouble reaching such conclusion.

In 1958, the Indiana Supreme Court was presented with a leaseback transaction involving a public corporation. In Book v. State Office Building Commission, 149 N.E.2d 273 (Ind. 1958), the lease agreement between the public corporation and its state agency lessees contained a provision, much like that in Trujillo, which permitted the lessees to terminate their agreement only under specified conditions. Nevertheless, the court upheld the agreement.

In Book, the court was presented with a series of assertions reflecting a McCutcheon-like analysis of the situation. The court repudiated each assertion as it was presented. Thus, the court, looking to the statute creating the public corporation and to previous Indiana cases, denied that the public corporation was "in reality" the State of Indiana. It followed that since the corporation was a corporate body separate from the state, the holders of its bonds would have to rely upon the corporation's revenues derived from rental income and would not have any recourse against the state. For these reasons, the court concluded that the bonds of the corporation were not debt of the state. In response to the assertion that the lease agreements were "in reality" contracts to pay the corporation's bonds, the court stated the general rule that

> a municipal corporation may lawfully contract for necessary services over a period of years and agree to pay therefor in periodic installments as the services are furnished. In such cases the aggregate of the amounts to be paid as the services are rendered under such contracts are not considered as an indebtedness of the corporation, and such contracts are not rendered invalid by the fact that the aggregate of the installments exceeds the debt limitation.

149 N.E.2d at 284 -- 285. In any event, the fact that the state agencies might obtain title to the buildings they rented at the expiration of their lease would not be sufficient to convert the

lease into a purchase agreement. The court further stated, reminiscent of Giessel II, that the Indiana debt limitation provisions applied only to legally enforceable obligations. Since the court found no language binding any future legislature to make appropriations for the rent under the lease agreement and since the rentals could be paid only by appropriations made by the legislature, the court concluded that the lease agreement created no constitutionally prohibited debt.

Giessel II and Book are located on the more liberal end of the leaseback transaction spectrum, with Book perhaps a bit more liberal because of the court's willingness to overlook the lease provision apparently limiting the state agencies' ability to terminate the lease.

It is worthwhile at this point to temporarily abandon our chronological order to briefly review a later Indiana case -- Teperich v. North Judson-San Pierre High School Building Corporation, 275, N.E.2d 814 (Ind. 1971). We note the case only for its reaffirmation of the Book principle that rent payments "cannot be considered debt until the payments become due." 275 N.E.2d at 817.

In 1960, the Massachusetts court issued its solitary opinion relating to leaseback transactions. Ayer v. Commissioner of Administration, 165 N.E.2d 885 (Mass. 1960), involved, as the financing entity, a nonprofit corporation created by statute. The sole purpose of the corporation was to construct a building to be leased, and ultimately transferred, to the state. Citing McCutcheon, Trujillo, and Yelle, among others, the court embarked upon its analysis by "looking through form to substance". 165 N.E.2d at 892. The court first considered the nature of the corporation and then considered the nature of the lease agreement.

Although the court agreed that the corporation was an entity separate from the state, it nevertheless concluded that the corporation was "nothing more than a mere intermediary to carry out only one purpose." The following factors were pertinent to the court's analysis: (1) the corporation's sole purpose was to construct and lease to the state a building to be used only by the state; (2) the corporation was given powers of eminent domain; (3) the building, at the expiration of the lease, would become the absolute property of the state and the corporation would fade from existence; and (4) the corporation had virtually no power to deal with its property except as provided in the lease agreement. Reflecting upon these factors, the court then considered the statutory provision that the bonds of the corporation would not constitute a debt of the state or a pledge

of its faith and credit. The court's opinion as to this was as follows:

> This disclaimer is ineffective if, contrary to the disclaimer, such be the natural and reasonable effect of the statute.

165 N.E.2d at 889.

With regard to the lease agreement, the court noted:

> Viewing realities, we consider that the so-called "rentals" are not really rentals at all, but in practical effect are installment payments on account of a purchase by the Commonwealth of an office building, with full title to be acquired at an indefinite future date.

165 N.E.2d at 890. One of the important characteristics of the lease agreement leading the court to this conclusion was the requirement in the agreement that the state continue to make rental payments even if the building was not completed on time or was damaged or destroyed.

This 1960 case, which to the best of our knowledge has not been followed by any other Massachusetts leaseback transaction case, employed the McCutcheon-like analysis of piercing through form to arrive at the court's impression of substance. In this regard, the presence of a provision making the state's rental payments contingent upon legislative appropriations may not have changed the result, particularly if the Massachusetts court adopted the McCutcheon view that a mere moral imperative or even a practical likelihood for making the appropriations would suffice to create debt. However, the absence of such a provision allowed the court to reach its conclusion without the necessity of taking that position, and the presence of the affirmative duty of the state to make the rental payments even in the absence of a completed or inhabitable building for the state to occupy doubtless provided a strong incentive to the court to find a prohibited debt.

Another 1960 case, which was also the only decision on the subject we have found for its jurisdiction, was Application of the Oklahoma Capitol Improvement Authority, 355 P.2d 1028 (Ok. 1960). While Ayer emulated McCutcheon and Yelle, the Oklahoma court closely followed the pattern of Giessel II and Book.

There were two significant features of the statute under review in the Oklahoma case. First, a provision of the statute required the state treasurer to purchase the public corporation's bonds issued to provide financing for the building to be leased to the state. Second, the public corporation was authorized to require state agencies and departments to occupy space in the building and pay rent. A third feature also merits consideration, that feature being the intended rental of a portion of the building to federal government agencies.

Despite the first two of the foregoing features of the statute, the court reasoned that housing for state agencies was essential to state government. If the state did not own the housing, a proper method of providing it was through leases.

The court then noted:

> We see no real distinction between a state department entering into a lease agreement and paying rent to a private party and having the same transaction with the Authority. In either event the state department receives a service in the form of housing which the state itself does not own. In addition the state will obtain two office buildings paid for in part from rentals from federal agencies.

355 P.2d at 1032. Given the second of the statutory provisions described above, we must allow that other courts might have seen a difference.

Two lower court California cases were decided in 1962 and 1963. In McClain v. County of Alameda, 25 Ca.R. 660 (Dist.-Ct. of App., First Dist., Calif. 1962), and City of La Habra v. Pellerin, 30 Ca. R. 752 (Dist. Ct. of App., Fourth Dist., Calif. 1963), the California courts upheld leaseback transactions on two bases:

(1) the leases did not create an immediate indebtedness for the aggregate amount of the installment rent due; and

(2) under previous California cases, an obligation imposed by law on a city (such as, in these cases, to provide facilities for city functions) is not an indebtedness or liability within the meaning of the California debt limitation provisions. At least with respect to the first of the foregoing bases, the California courts, without citing Giessel II or Book, reflected a judicial attitude similar to that expressed in those other cases.

The following year, 1964, brought forth Montana's only entry in the leaseback transaction area, State v. City of Missoula, 395 P.2d 249 (Mont. 1964). The transaction there was somewhat unique to the extent that the financing entity involved was an individual -- Theodore Jacobs. In a succinct opinion, the Montana court expressed its belief that

> A debt payable in the future is obviously no less a debt than if payable presently; and a debt payable upon a contingency, as upon the happening of some event, such as the rendering of service or the delivery of property, etc., is some kind of debt, and therefore within the prohibition.

395 P.2d at 251 (quoting from State ex rel. Helena Water Works v. City of Helena, 63 P. 99 (Mont. 1900)). Thus, with virtually no discussion of the elements of the lease from Jacobs to the city, the court reached the opinion that the lease would constitute prohibited debt. It is worth noting another difference in outlook, if not legal analysis, between this case and the California and Oklahoma cases described above: that is, in both California and Oklahoma the need for governmental facilities was viewed as rising to the level of a legal duty, while the Montana court expressed the following opinion as to the need of Missoula for the building in question:

> No one, we believe, would seriously contend that the acquisition of a building valued at approximately $46,000 would be a reasonable and necessary expense requisite to maintain the corporate existence of the City of Missoula.

395 P.2d at 251.

It took the Arizona court five years -- from 1965 through 1969 -- to ultimately conclude its leaseback transaction case. The case began as City of Phoenix v. Phoenix Civic Auditorium & Convention Center Association, Inc., 408 P.2d 818 (Ariz. 1965). Quoting extensively from McCutcheon, Trujillo, and Yelle, the court adopted the principles and reasoning of those cases and invalidated the leaseback transaction because (1) it was, in reality, a purchase agreement; and (2) the source of payment of rents by the city under the lease was to come from the general revenues of the city and not from a special fund derived other than from general taxes.

The next year, the court was asked to clarify its opinion as to whether the debt limitation would be violated if the lease agreement expressly provided that rental payments would come only from excise and ad valorem taxes and not from the city's general taxes and general fund. City of Phoenix v. Phoenix Civic Auditorium & Convention Center Association, Inc., 412 P.2d 43 (Ariz. 1966). Under such circumstances, the court indicated it would find no debt limitation violation.

After fully complying with the clarifications presented in the court's 1966 supplementary opinion, the City of Phoenix found itself once more challenged over the lease agreement. The City sought a peremptory writ of prohibition from the Supreme Court to prevent the City's challengers from proceeding with their case in the superior court. The Supreme Court issued the writ, thus finally concluding the case. City of Phoenix v. Superior Court, 455 P.2d 257 (Ariz. 1969).

In Hall v. Baltimore, 250 A.2d 233 (Md. 1969), the Maryland Supreme Court upheld a leaseback transaction relying on the prevalent common law rule that rent to fall due beyond the current period is not a present debt. The court specifically noted that there was no pledge of municipal assets as the leases involved were subordinate to the city's interest in the property. The court cited with approval Giessel II to the same effect.

Another 1969 case, McFarland v. Barron, 164 N.W.2d 607 (S. Dak. 1969) presented a leaseback transaction which should probably be the model for future endeavors in the area. The court provided the following summary of the plan which reflects a careful and thoughtful preparation for the avoidance of debt limitation problems:

> The leases must contain a provision that rents shall be payable solely from appropriations to be made by the legislature and any revenues derived from the operation of the leased premises. In the event of nonpayment of rents by the State, the building or facility may be leased to others for suitable purposes. A lease may be made for a term of one year from the time a building is completed and ready for occupancy, with an option to the lessee to extend the term for one year from the expiration of the original term and for one year from the expiration of each extended term until the original term of the lease has been extended for a total number of years to be agreed upon at a rental which, if

> paid for the original term and for each of the full number of years for which the term of the lease may be extended, will amortize the total cost of the erection of the building and appurtenances.

164 N.W.2d at 609. Referring to the common law concept that future rents do not create present indebtedness, the court upheld the arrangement. To the suggestion that the state would have a moral obligation to discharge the bonds, the court reponded:

> While the legislature in making appropriations may not be confined to legal obligations, but may recognize moral or equitable obligations...there would exist under the proposed leases no binding legal obligation to authorize expenditures for rent ....In the event of nonpayment of rent or failure of the legislature to appropriate funds the Building Authority is empowered to lease the building or facility to others for suitable purposes to meet accruing payments.

164 N.W.2d at 609 -- 610. And the court finally concluded:

> Since the stipulation of the State to pay rents to the Building Authority will be subject to available appropriations and current revenues, the inhibition of the debt limitation provisions of the Constitution will not apply.

164 N.W.2d at 611.

We temporarily abandon our chronological order once more to note here the subsequent South Dakota case, Millar v. Barnett, 221 N.W.2d 8 (S. Dak. 1974). Citing McFarland, the court again upheld a leaseback transaction similar to the transaction under review in the preceding case.

In 1970, three cases from three states were decided. New Mexico produced its second leaseback transaction case (following the 1941 Trujillo decision) in McKinley v. Alamogordo Municipal School District Authority, 465 P.2d 79 (N.W. 1970). The leaseback arrangement in Alamogordo stands in stark contrast to that crafted in the McFarland case. The financing entity in this arrangement was to be a nonprofit corporation whose membership was identical to the membership of the municipal agency which would be the corporation's lessee. As part of the lease

agreement the municipal corporation was to agree to budget and appropriate sufficient funds to pay the rent under the lease and, moreover, the municipal corporation agreed to the placement of a lien on all of its income from all sources, except ad valorem taxes, to cover the rental payments. There was at least one mitigating factor; that is, the lease was for only one year with successive one year extensions and was terminable at the request of either party. This mitigating factor was insufficient to prevent the court from invalidating the agreement.

In the Trujillo tradition, the court recognized the corporation as "nothing more nor less" than the municipal agency. Thus, the bonds of the corporation would necessarily be debts of the municipal agency. Although the court averred that the pledge of the municipal agency's income and the lien on funds to be received by the municipal agency were not critical factors in its decision (465 P.2d at 81), the court nevertheless referred to these factors in its concluding paragraphs:

> Here the only source of money to pay rent to accrue is state tax proceeds and amounts received from federal sources. As a matter of fact, these moneys are specifically pledged by the terms of the lease. It is quite apparent that the funds to be used are those realized from "general taxation" held unconstitutional in Trujillo.

465 P.2d at 84.

While McFarland reflects careful consideration in the preparation of a leaseback transaction to avoid the constitutional concerns expressed by the various courts, Alamogordo seems to represent a studied indifference to those concerns. The result is that New Mexico has two invalidating cases and none validating. It would be enlightening to see how the New Mexico court would handle a case involving a leaseback transaction which reflects some concern for judicial precedent.

The Nevada case of State v. Hancock, 468 P.2d 333 (Nev. 1970), approaches, but does not achieve, such an effort. The leaseback transaction in that case, invalidated by the Nevada court, provided on the one hand that rentals from the state would derive from biennial appropriations from the legislature; on the other hand, the drafters of the plan curiously chose to also provide that the legislature could choose to pledge itself to make future appropriations as necessary to pay the rents.

The Nevada court followed the McCutcheon, Trujillo, Yelle, and Ayer approach of looking to "the essence" of the plan to reveal the true nature of the public corporation as the alter ego of the state and, thus, concluded that the corporation's debt was the state's debt. The argument was presented to the court that biennial legislative appropriations for the rent would not present a debt problem, with regard to the lease, because the constitutional concern does not extend to expenses payable out of current revenues. The court conceded that the argument carried "some persuasive force" but, in reviewing the transaction as a whole, was convinced that

> successive biennial appropriations for rent until the bonds issued by the Authority are fully retired must be considered in the same light as a legislative pledge to make future appropriations for the same purpose. It is inconceivable that the legislature would default in either instance since the good faith of Nevada would not allow it.

468 P.2d at 338.

The third 1970 case was from West Virginia; it was followed in 1971 by a second West Virginia case. The 1970 case invalidated a leaseback transaction, while the 1971 case upheld such a transaction.

The 1970 case is State ex rel. Hall v. Taylor, 178 S.E.2d 48 (W. Va. 1970). Although the legislation authorizing the transaction in Taylor indicated that the rents to be paid by the state would come from annual appropriations, the court found an obligation, as a practical matter, for the state to make the appropriations. In the court's words:

> It is an exercise in fiction, semantics, sophistry or circumlocution, devoid of substance, to assert that the statute in question does not create a state debt. It is a debt which, in the contemplation of the statute, must necessarily be paid in annual installments over a period of years and by successive legislatures from fiscal year to fiscal year. The state is legally obligated to furnish office space and to pay other expenses incidental to the continued existence and functioning of the various state agencies and departments which rented office space in the building in question. The legislature is le-

> gally obligated to make appropriations from time to time to defray the costs of such essential governmental operations.
>
> It is no answer to the invalidity of this statute and of the action of the Building Commission in issuing these bonds to say that some future legislature is not required to make an appropriation to one of these agencies or departments in order that the agency or department might make its payment of rent. The failure to make such an appropriation could result in the holders of the bonds taking over the buildings involved, and it is incomprehensible that any legislature would permit any such thing to happen. However, the test is not whether a future legislature is required to make such appropriations. The test is the authority to do so. Clearly the only source of income by which the bonds may be liquidated is the rent to be paid by the occupants of the buildings. Therefore, the reason for the invalidity of the statute lies in the authority of the legislature to make such future appropriations. It is not necessary for this Court to wait until some future legislature refuses to make an appropriation to make a determination of the legality of this procedure.

178 S.E.2d at 57 and 58 -- 59 (emphasis in original). The reasoning employed by this court is singular among all the leaseback transaction cases.

In the following year, the West Virginia court reviewed another leaseback transaction which cured the problem apparently perceived by the court in the Taylor case. In State ex rel. State Building Commission v. Moore, 184 S.E.2d 94 (W. VA. 1971), the rental payments from the state were to be made from a special fund into which flowed proceeds from the state's sale of alcohol. Since the state's general revenues would not be considered for payment of the rents, the court was not offended by the plan. Curiously, however, a provision in the lease agreement which required the state agency occupants of the building to provide for the maintenance and operation of the buiding from their general revenue funds appropriated by the legislature survived the court's review notwithstanding Taylor. Without any explanation, the court simply ruled that payments under the provision by

the state agencies would conform with the provisions of the Act under review.

Ohio decided its second leaseback transaction case in 1972. The court's opinion in State ex rel. Kitchen v. Christman, 285 N.E.2d 362 (Ohio 1972), began with the court's recitation that

> At the outset, it should be emphasized that this court examines this transaction, not for what it purports to be, but for what, in essence, it is. In short, the court looks through the form to the substance of the proposed transaction.

285 N.E.2d at 365. The court's conclusion should come as no surprise. True to the McCutcheon, et al., tradition, the court pierced the lease agreement veil to find the hidden purchase agreement. The court concluded that

> the entire contract price is a present indebtedness of the city. The city has presently obligated itself to make future payments, and the Company has a present right to compel each succeeding administration to make those payments. The city's obligation under the contract is a continuing one, and no succeeding city council can refuse to appropriate available funds (generated by its taxing power) for payment.

285 N.E.2d at 367 (footnote omitted).

Of particular interest in the opinion is a footnote in which the court states;

> If such an unconditional obligation of payment [by the city] did not exist, but instead, the city were free to periodically choose whether to continue to appropriate monies for the purpose of acquiring eventual complete ownership of the property in question, an entirely different question might have been presented.

285 N.E.2d at 367, n.6.

Another 1972 case, Bachtell v. City of Waterloo, 200 N.W.2d 548 (Iowa 1972), also followed the "piercing" approach to

conclude that a leasing arrangement was merely a subterfuge for an attempted purchase. The court listed many of the cases both pro and con which had preceded it in the leaseback area. The court considered that those which had upheld such transactions were distinguishable from this case, though the court scarcely attempted to explain either the distinguishing features of the other cases or even the particular objectionable features of the plan under review.

In Opinion to the Governor, 308 A.2d 802 (R.I. 1973), the Rhode Island court responded to questions proposed by the governor of that state regarding a contemplated leaseback transaction. The governor asked whether lease payments under the transaction would involve debt of the state. Viewing the position that such payments would not constitute debt as the majority view and as the "sounder and more reasonable" position, the court answered the governor's question in the negative.

The Oregon Supreme Court, in Martin v. Oregon Building Authority, 554 P.2d 126 (Ore. 1976), reviewed a leaseback transaction which, among other things, provided that the state's obligation to make rental payments was unconditional as long as the premises were available for rental and which also provided that the state's full faith and credit supported such obligation. As the court noted regarding the use of a public corporation in such a scheme to attempt to avoid the constitutional debt limitation:

It is a scheme which would fool only a lawyer.

554 P.2d at 131. Although the provisions of the leaseback transaction noted above were relatively outlandish, the court's opinion creates the impression that even a more moderate plan would have reached the same result as long as it involved a public corporation whose only purpose for existence was to issue bonds to provide financing for state projects and whose only source of revenues was rental payments from the state. In this regard, Martin should probably be added to the list of McCutcheon-Trujillo-Ayer-Yelle type cases.

In an unusually flexible approach to debt limitations and leaseback transactions, the court in In re Request for Advisory Opinion Enrolled Senate Bill 558 (Being 1976 PA 240), 254 N.W.2d 554 (Mich. 1977), indicated that a leaseback transaction would be upheld even though it acknowledged that, under the plan, future legislatures would be bound to appropriate the necessary public funds to meet the state's rental obligation. The court took the following pragmatic approach to the question:

> However, in that its power to invoke sovereign immunity can particularly or even totally obstruct enforcement, the state differs essentially from non-governmental contractors....Although in granting limited jurisdiction over all contract claims against the state to the Court of Claims...the State of Michigan has waived its sovereign immunity, even that waiver is subject to legislative revocation.

254 N.W.2d at 547. This case probably should not be considered likely precedent for most other states.

In Laramie Citizens for Good Government v. City of Laramie, 617 P.2d 474 (Wyo. 1980), the leaseback transaction was not unusual except to the extent that it involved the purchase of a ranch by a public corporation with the intent that the corporation would lease the ranch to the city so that the city would have the benefit of water rights on the ranch. The public corporation was created solely for that purpose. Nine of the eleven members of the corporation's board of directors were elected city officials. The corporation had no financial base except for the rents it would receive from its lease of the ranch to the city. All of this led the court to the conclusion that the corporation was the alter ego of the city and that the corporation's debt was prohibited.

The court also considered the nature of the lease agreement and concluded that it was a mere subterfuge for a purchase of the ranch. In its opinion, the court listed the following factors which reflect a lease rather than a purchase:

> provision for cancellation of the lease by the lessee at its option at yearly intervals, or the converse provision that the term is for one year with yearly renewal options; provision for payment of a fixed and substantial amount at the end of the term, or the converse that there is no provision for transfer of title at the end of the term without payment at that time of a fixed and substantial amount in addition to rental payments; provision that the lessor pay the cost of upkeep, repair, taxes, etc., the amount of the rental payments being equal to the debt service amount.

617 P.2d at 479.

Eberhart v. Mayor & City Council of Baltimore, 433 A.2d 1118 (Md. 1981), was Maryland's second leaseback transaction case and was by far the most ornate of the plans we have reviewed. The subject of the plan was a parcel of land with improvements owned by the City. The City rented the land and building on a rent free at will basis to a culinary arts institute. The City desired to extract its capital out of the property while still enabling the institute to rent the property at no cost. Under the plan, the City would sell the building to a limited partnership and lease the land to the partnership for thirty-five years. The partnership would lease the land and building back to the City under a thirty year lease. The partnership, in order to obtain financing, would seek the issuance of industrial development bonds by the Industrial Development Authority of the Mayor and City Council of Baltimore, a public corporation. The authority would issue its bonds, and the proceeds of the sale of the bonds would be loaned to the partnership to finance the partnership's purchase of the building from the City. As security for the bonds, the partnership would grant a mortgage on the building and its leasehold interest in the land, which would be assigned to the trustee for the bonds. The mortgage would be subordinate to the City's interests as tenant under the ground and building lease and as fee simple owner of the land.

The partnership would also assign to the trustee the right to receive rent payments from the City.

This plan was challenged on the same grounds enunciated in the McCutcheon line of cases; that is, that the authority was simply the alter ego of the City so that the authority's bonds constituted debt of the City and that the use of the general funds of the City to pay rent under the lease amounted to an obligation on the part of the City to repay the authority's bonds. Although the court noted and the City conceded that the obligation to pay rental under the lease was a full faith and credit obligation of the City, the court rejected the challenge and upheld the arrangement.

With regard to the contention that the authority was the alter ego of the City, the court listed an interesting collection of statutory provisions rebutting the position.

> The provisions of Art. 41, secs. 266A--I indicate that an industrial development authority is not simply the alter ego or instrumentality of the county or municipality which creates it. An authority is a body politic and corporate and "a political subdivision of the State." Section 266A-3 mandates that none

> of the five members of the board of directors that govern an authority and exercise its powers by resolution may be officials or employees of the incorporating county or municipality. A director, although appointed by the incorporating county or municipality, may be removed only for misfeasance, neglect of duty, or other good cause. Sec. 266A-3(b)-(7). Section 266A-3(a) provides that the incorporating county or municipality may exercise its own powers under secs. 266A--I even though it has chosen to incorporate an authority with similar powers. These various statutory provisions suggest that an authority is a distinct entity from its incorporating county or municipality.

433 A.2d at 1127.

With regard to the notion that the City's rental payments will be used to pay the authority's bonds and therefore constitute debt, the court noted that the determinative factor was the payment of bona fide rent by the City. The court stated:

> Uncontradicted evidence was presented to the circuit court that the City's estimated annual rental payments under the Ground and Building Lease would represent the fair rental value of the Property. The correlation of the City's rental payments to Culinary Associates' debt service obligation does not, therefore, destroy the essential character of the Ground and Building Lease as a lease. Because the rent reserved under the Ground and Building Lease represents the fair rental value of the Property, and there are no factors that suggest a contrary result, the Ground and Building Lease is a bona fide lease. Thus, the City's obligation to make rental payments will not create debt even though the obligation to pay rent is an enforceable, full faith and credit obligation of the City.

433 A.2d at 1125.

Another 1981 case, Gude v. City of Lakewood, 636 P.2d 691 (Colo. 1931), also upheld a leaseback transaction against

similar contentions. The transaction took the form of a lease-back to the City of land by a nonprofit corporation, which lease provided for 25 consecutive one-year renewals which were automatic unless the City elected against the renewal. The rental payments from the City under the lease would be used to repay the bonds issued by the corporation, and the security for the bonds would include a lien on the corporation's building and on the corporation's lease of the land. Upon payment of the bonds, the corporation would transfer title to the building to the City.

The court first considered the contention that the corporation was the alter ego of the City, noting that, where the alter ego doctrine applies, the court will disregard a corporate entity, or pierce the corporate veil, and consider the actions ostensibly taken by the corporation to be those of its shareholders. The court noted that "the record fails to establish the essential element that the building authority is to be used to promote injustice or protect fraud." 636 P.2d at 697. The court found no fraud upon the taxpayers of the City, though the taxpayers had earlier voted on and rejected a general obligation bond issue to finance the facility now being financed through the issuance of the corporation's bonds, because it is not the construction of a facility that requires voter approval but rather, the creation of general obligation debt. The plan before the court did not create any general obligation debt. As to any potential fraud on purchasers of the bonds, the court noted:

> The record reflects that the financing plan has been carefully structured to assure that the city has no obligation on the anticipation notes or the revenue bonds and that purchasers of those instruments will be made fully aware of that fact by the terms of the notes and bonds. The purchasers also will be advised that the city's lease and attendant obligations can be terminated at the end of any year and that, should the city elect to terminate its lease, the security for the building authority's obligations is limited to the municipal office building itself and the building authority's 25-year lease on the building site.

636 P.2d at 698.

The court then considered whether the City's rental obligation for future years under the lease agreement constituted proscribed debt and concluded that it did not.

> Of particular importance to our conclusion that the city's rental obligations for future years do not constitute debt in contravention of Colo. Const. Art. XI, Sec. 6 is the lease provision that those obligations are contingent upon exercise of the city's renewal options. We have held that discretionary or
>
> contingent obligations are not constitutional debt. "To constitute a debt in the constitutional sense, one legislature, in effect, must obligate a future legislature to appropriate funds to discharge the debt created by the future legislature."

636 P.2d at 699.

Finally, the plaintiffs in the case urged the court to take the McCutcheon "total picture" approach to determine that the plan as a whole amounted, in essence, to a subterfuge and an evasion of the constitutional debt limitations. Taking such an approach, the court reached the opposite conclusion. Recognizing that the corporation was created solely for the purpose of providing financing for the project after the voter's had disapproved general obligation indebtedness for the project, the court found "no evil in seeking an alternate means of achieving a result so long as the alternate is itself consistent with the law." 636 P.2d at 699 -- 700.

> As noted earlier, there is a real difference between the city's proposed plan and the plan which was rejected by the voters. That difference is the absence of any obligation of the city on the anticipation notes or revenue bonds under the new plan. We are aware of the argument that, although the city's lease is terminable in form, practicalities dictate that the likelihood of termination is remote because the city hall will be specially designed to city specifications and because of the prospect, gaining substance with each rental payment, that the city will become the owner of the building when the bonds have been retired....The ability to terminate its lease gives the city flexibilty which is real, not illusory. We cannot say that the city will never avail itself of its termination rights.

636 P.2d at 700.

The final case in our review is Baliles v. Mazur, 297 S.E.2d 695 (Va. 1982), involving the financing of state capital projects through the issuance of revenue bonds by a public corporation of the state. To the question of whether the revenue bonds constituted debt of the state, the court answered they did not, noting that the enabling legislation specifically denied such assertion. To the assertion that the issuance of the revenue bonds was a transparent attempt to evade the constitutional debt limitations, the court summarily disagreed.

CONCLUSION

The foregoing review of cases demonstrates that the majority of jurisdictions which have considered the issue accept leaseback transactions as consitutionally permissible methods for financing public facilities. It is our opinion that the majority view upholding such transactions would be followed in Alaska. Moreoever, we are also of the opinion that the categorization of the agreement between the state and a financing entity as either a "lease" or an "installment purchase contract" is insignificant as long as the state's obligation to make payents is contingent upon annual appropriations by the legislature for that purpose. Thus, whether the arrangement is for a lease or for an installment sale, we believe the courts in Alaska will uphold it.

We noted in the "Overview" to this memorandum that 16 of the states whose cases we have reviewed can be considered as "validating states" in the sense that the most recent cases in those states are cases which uphold leaseback transactions. Ten of the states can be considered invalidating states. This does not necessarily mean that leaseback transactions are prohibited in the other ten states.

The only significance to the categorization of the 16 states as validating states is that we can be sure that in a clear majority of the states a constitutionally valid leaseback transaction can be created. It may be equally true that constitutionally valid leaseback transactions could be created in some or all of the invalidating states, with some changes in the features of the transactions presented to the courts in those states as a result of recent cases.

The following list describes features of a leaseback transaction which may be considered significant in analyzing the transaction under constitutional debt limitations. We emphasize that these should not be considered as "musts" (with the exception of item "3" below) but are provided only as suggestions. If all other considerations allow and if the concensus is to take

the most conservative approach, the preparation of a leaseback transaction containing all of the suggestions listed below would come as close as possible to satisfying the most conservative of the invalidating state courts. It should be recognized, however, that other considerations are likely to call for different or even conflicting features. We do not mean to imply that those other considerations cannot or should not be accomodated. Again, the following list is intended only to provide suggestions for contemplation in fashioning a leaseback (or installment purchase) agreement.

1. The financing entity, whether a public corporation or a private corporation, should have some business to perform other than and in addition to the financing of the particular project to be leased to the state. One of the common themes of the invalidating cases is the "alter ego" argument. If the financing entity has some other purpose for existence it will help to refute that argument.

2. For the reason stated in "1", the financing entity should have some source of revenue other than rents to be paid by the state.

3. In any lease agreement with the state, the state's obligation to pay rent must be contingent upon annual appropriations by the legislature.

4. The amount of rent to be paid by the state should bear some resemblance to "fair rental value" for the property rather than simply being based on debt service requirements for the bonds.

5. If possible, title to the property should remain in the financing entity (if a public corporation) at the expiration of the lease; alternatively, the state should be required to pay a significant amount to exercise an option to purchase at the term of the lease.

6. The lease should be terminable by the state at any time without any further obligation.

7. The financing entity should have the ability to lease the facility to users other than or in addition to the state during the period of the lease.

8. Should the state terminate the lease, the financing entity should have control over the use or disposition of the facility.

9. No existing state property should be encumbered except for the leaseholder interest granted to the financing entity.

10. If title to the property on which the facility is to be built remains in the state, provision should be made in the lease agreement for the disposition of the facility at the termination or expiration of the lease if the state does not exercise its purchase option.

11. The statute, the bonds, and any other pertinent documents should clearly indicate that the bonds are not obligations of the state and are payable solely from the revenues derived from the project.

12. Should the legislature fail to appropriate money for rental payments or the state fail for any reason to make rental payments, it should be clear that neither the financing entity nor the bondholders have any recourse against the state, though the financing entity may endeavor to enter into other lease agreements, and, if the financing entity holds title to the land and building, it may re-enter and take possession thereof.

13. If a financing entity is to be specially created for the purpose (which we advise against; see "1" above), membership in the entity should not include officers of the state.

14. There should be no possibility of loss by the state of any of its pre-existing property.

15. There should be a provision reducing or eliminating the state's rent to the extent that the facility is not timely completed or, upon completion, becomes unusable.

16. Any long-term lease should be prepared as a one-year lease with the proper number of annual options to renew.

17. Revenues from other state facilities should not be pledged as security for tne bonds. This is particularly so in Alaska given our state's dedicated fund prohibition.

18. The statute creating the financing entity, if any, should carefully describe the financing entity as having a separate and independent legal existence.

19. The financing entity, if a public corporation, should not be given powers of eminent domain.

20. The financing entity, as lessor to the state, should agree to pay the cost of upkeep, repairs, taxes, etc. with regard to the facility.

21. If the financing entity is created by statute, its directors should be removable from office only for malfeasance, neglect of duty, or other good cause.

Finally, with respecy to the applicability of this memorandum to lease participation certificates, we perceive no reason why such certificates should be considered differently from revenue bonds or why lease participation transactions should be considered differently from leaseback transactions.

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April 4, 1984

State Bond Committee
Department of Revenue
State of Alaska
Pouch SB
Juneau, Alaska 99811

Attention: Mr. Milt Barker

Ladies and Gentlemen:

You have requested that we review various issues raised by the proposed lease-purchase financing by the State of Alaska ("State") of various State facilities.

Under the proposed financing structure, the Alaska State Housing Authority ("ASHA") would issue bonds or notes in order to provide funds to pay the costs of construction of the State facilities. Pursuant to a lease agreement ("Lease") between ASHA, as lessor ("Lessor"), and the State, as lessee, the Lessor would lease the State facilities and lease or sublease1/ the underlying land (collectively, the "Facilities") to the State. The State would be obligated to make rental payments2/ on a fixed basis throughout the term of the Lease in amounts sufficient to pay when due the principal and interest on the Lessor's outstanding bonds or notes. The State's rental payment obligation would be subject to annual appropriations; failure by the State legislature to appropriate sufficient funds to make rental payments would result in the termination of the Lease. Upon the expiration of the term of the Lease, the State would pay a predetermined purchase price in order to acquire title to the Facilities.

1/ If Lessor does not own, but rather leases from the owner thereof, the underlying land, the Lessor would sublease the land to the State.

2/ The interest component of the State's rental payments would be exempt from federal income taxation, assuming compliance with all applicable federal tax law requirements.

The question we have considered is whether this proposed financing of the Facilities would be in violation of the debt limitations set forth in the State Constitution. Analysis of this general issue requires consideration of two component issues: (1) whether debt issued by ASHA would be found to constitute prohibited State debt under the State Constitution and (2) whether the State's rental payment obligation under the Lease would be found to constitute prohibited State debt under the State Constitution.3/

Article IX, § 8 ("Section 8") of the State Constitution provides in pertinent part:

> No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question.

Article IX, § 11 ("Section 11") of the State Constitution, however, excepts from the Section 8 debt limitations revenue bonds of a public corporation of the State, as follows:

> The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation.

3/ We note that between 1966 and 1974 ASHA issued eleven separate series of bonds in the aggregate principal amount of $106,150,000 to finance construction of a variety of capital projects for lease to the State. The bonds were secured by lease rentals from the State. Over $60 million of the bonds remain outstanding. 1984 Moody's Municipal & Government Manual 244-246.

Thus, Section 8 restrictions on incurring State debt apply only to obligations against the general credit of the State. 1959 Op. Att'y Gen., No. 39.

If the debt to be issued by ASHA to finance the Facilities will fit within the Section 11 exception, the Section 8 debt limitations will not be applicable. In National Bank of Alaska v. State of Alaska, Department of Revenue, Sup. Ct. Op. No. 2480 (File No. 5482), 642 P.2d 811 (1982), the Supreme Court of Alaska ("Court") found that bonds issued by ASHA do not constitute debt of the State subject to the Section 8 debt limitations.4/ The Court based its conclusion on § 18.55.160 of the Alaska State Housing Authority Act ("Act"), which provides in pertinent part as follows:

> The bonds of the authority are not a debt of the state or a political or municipal corporation or other subdivision of the state and each bond shall so state on its face. Neither the state nor a political or municipal corporation or other subdivision of the state other than the authority is liable on the bonds, nor are the bonds payable out of funds or properties other than those of the authority. The authority may not pledge the faith of the people of the state for a loan or obligation. Bonds of the authority are not a debt, indebtedness or the borrowing of money within the meaning of any limitation or restriction on the issuance of bonds contained in the constitution or laws of the state.

4/ In National Bank of Alaska, the Court held, inter alia, that ASHA bonds (and bonds of the Alaska Housing Finance Corporation) are not "state obligations" for purposes of the Alaska Business License Act. Bonds at issue in the case appear to have included lease revenue bonds referred to in footnote 3/ above.

Without expressly referencing the Section 11 exception the Court found that § 18.55.160 of the Act placed ASHA bonds outside of the scope of the Section 8 debt limitations: "the ASHA . . . bonds in the instant case are not, by the very terms of AS 18.55.160 . . . state debts backed by general treasury funds." Id. at 817.

The Court cited as controlling two of its earlier decisions on the issue of whether bonds of public corporations are subject to the Section 8 debt limitations: DeArmond v. Alaska State Development Corporation, Sup. Ct. Op. No. 116 (File No. 285), 376 P.2d 717 (1962) (enabling act provisions determined finding that bonds of Alaska State Development Corporation are not debts of the State) and Walker v. Alaska State Mortgage Association, Sup. Ct. Op. No. 353 (File No. 669), 416 P.2d 245 (1966) (enabling act provisions determined finding that bonds of Alaska State Mortgage Association are not debts of the State within the scope of Section 8).

Thus, we conclude that ASHA bonds issued in conformance with the Act in order to finance the Facilities on the terms outlined above would not constitute prohibited debt of the State.

Arguably, the provisions of Section 11 as applied to a revenue bond financing secured by rental payments made by ASHA pursuant to the Lease are dispositive of the entire issue and render irrelevant the question of whether the Lease, in itself, constitutes State debt. Nonetheless, the majority of jurisdictions which have considered this issue have upheld the validity of lease financings of public facilities under state constitutional debt limitations. The generally accepted view is that a lease arrangement between a state and an independent state agency constitutes state debt only if the state presently has an unconditional, legally enforceable obligation binding future legislatures to make future annual rental payments under the terms of a multi-year lease. See, e.g., Gude v. City of Lakewood, 636 P.2d 691 (Colo. 1981); State ex rel. Kitchen v. Christman, 285 N.E.2d 362 (Ohio 1972); Book v. State Office Building Commission, 149 N.E.2d 273 (Ind. 1958); State ex rel. Thomson v. Giessel, 72 N.W.2d 577 (Wisc. 1955). If, however, under the terms of a multi-year lease the state has a present obligation to pay current rental payments out of current revenues and only a contingent, legally

nonenforceable obligation at the discretion of future legislatures to make future annual rental payments, no prohibited debt is created. Thus, the essence of the majority rule is that no constitutionally prohibited debt results from a state's obligation to make future annual rental payments under a multi-year lease if the obligation is conditioned upon legislative appropriations. See e.g., Enourato v. New Jersey Building Authority, 448 A.2d 449 (N.J. 1982); Bulman v. McCrane, 312 A.2d 857 (N.J. 1973); McFarland v. Barron, 164 N.W.2d 607 (S. Dak. 1969).5/

We are of the view that a lease-purchase financing of the Facilities on the terms outlined above is valid under Section 8 debt limitations. Support for our view comes from several sources.

In the Walker opinion, supra, at 253 and 254, the Court cited approvingly in footnotes two of the landmark decisions holding that lease-purchase financings do not violate state constitutional debt limitations. Although it cited the Book and Giessel opinions specifically in connection with its resolution of the issue of whether the debt of a public corporation constitutes state debt, it is reasonable to assume that the Court would similarly embrace the holdings in those decisions validating lease-purchase financings.

In the October 14, 1983 Informal Opinion of the Attorney General (File No. 366-101-84),6/ the Alaska

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5/ In this connection we have also reviewed the following authorities, inter alia: Ayer v. Commissioner of Administration, 165 N.E.2d 885 (Mass. 1960); State v. Yelle, 289 P.2d 355 (Wash. 1955); McCutcheon v. State Building Authority, 97 A.2d 663 (N.J. 1953).

6/ Although opinions of the Attorney General are not controlling on a court, his opinions are entitled to great weight. See Allison v. State, 583 P.2d 813, 817 (Alaska, 1978) in which the Court adopted the following statement from a California appellate court decision:

> While opinions of the attorney general are not controlling as to the meaning of the statute the fact that his opinions

(Cont'd)

Attorney General opined in accordance with the majority position that a lease financing of a public facility by means of a lease agreement between the State and the developer of a public facility would not violate Section 8 if future legislatures of the State are not bound to appropriate funds for rental payments. As the Attorney General explained in interpreting Section 8:

> [It is] imperative that the state's right to possess and use the facility is contingent on annual appropriations from revenue anticipated for the fiscal year in which the lease obligation is incurred. Traditionally, appropriations for lease payments are considered operating appropriations which lapse on June 30 of the fiscal year. A lease agreement which provides for termination of the leasehold if sufficient appropriations to pay rent are not enacted will negate the conclusion that a debt is created. A one-year lease with automatic annual renewal for a maximum number of years upon enactment of an appropriation to finance the annual rent has been approved as a term which negates any possibility that a debt is created. Gude v. City of Lakewood, 636 P.2d 691 (Colo. 1981). See also Glennon Heights, Inc. v. Central Bank and Trust, 658 P.2d 872 (Colo. 1983).

Further support for our conclusion can be found in Proceedings of the Alaska Constitutional Convention, pages

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> have not been challenged and that he is the officer charged by law with advising the officers charged with the enforcement of the law as to the meaning of it, entitl[illegible] his opinions to great weight. (citations omitted)

2435 - 2437.7/ Although the delegates to the Convention do not appear to have addressed directly the precise issue of the consitutional validity of lease financings of public facilities by the State, the following excerpts from an exchange between Delegate V. Fischer and Delegate White regarding the committee proposal form of Section 11 8/ suggest that the delegates viewed lease-purchase financings as being within the scope of the Section 11 exception:

V. FISCHER The committee proposal in Section 10 authorizes the floating of bonds by public corporation when the only security from such indebtedness is the revenue of the enterprise or public corporation. The Committee, in putting that in, has specifically told us in the commentary9/ that they're condoning

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7/ Warren v. Boucher, 543 P. 2d 731, 735 (Alaska 1975) (In interpreting a constitutional provision, the Court "must infer the purposes and intentions of the framers from the language of the constitution itself, with careful regard for the apparent aims which the framers had in mind.")

8/ Referred to therein as Section 10.

9/ As noted in a Memorandum to the Constitutional Convention Committee on Finance and Taxation summarizing the comments of various finance specialists on proposal forms of Sections 8 and 11:

> The prohibition against incurring debt except by referendum in Section 9 [Section 8] and the exceptions in Section 11 as pertains to revenue bonds of public corporations would appear to be an open invitation to create 'authorities,' in the Pennsylvania pattern, for the financing of public improvements.

(Cont'd)

a practice which is used in every state as a means of getting around this kind of bonding restriction as we currently have in Section 8. In other words, we put the provision in Section 8, it is a cumbersome provision. We are telling the state that that of course is of too much bother. Therefore, go ahead and create a separate corporation; if you want to build highways, set up a toll road, set up a separate corporation. If you want to put up public buildings, set up a separate corporation and many states have done that, float bonds and then the state purchases those buildings from that corporation. What happens in those cases? In those cases the credit of the state is not pledged . . .

. . . .

WHITE: Mr. President, just in closing, briefly, in answer to Mr. Fischer I think he has brought a side issue in here by mentioning Section 10. If Mr. Fischer can draft language that would eliminate the necessity for Section 10, I'm sure the Committee would go for it. The reason Section 10 is in there is because it has been found that no matter what you do, as far as the Committee can find, that way can be found to get around debt limitations, and, therefore,

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See Kelley v. Earle, 190 A. 140 (Pa. 1937), in which the Supreme Court of Pennsylvania upheld the validity under state constitutional debt limitations of lease financings between the State of Pennsylvania and the General State Authority for the construction of public projects.

> if in order to avoid suits in court you might just as well make the authority clear. . . . [I]f the legislature wants to take this end way around of getting at it and going to special authorities they are subject to check by the people, the people will know what's being done and they will react accordingly if they are not in favor of it. . . . Id. (Emphasis added)

In addition to reflecting the liberal, modern approach of the framers of the State Constitution, these comments suggest that the delegates did not consider as prohibited debt an obligation of the State to make payments to acquire a public facility financed with debt of a public corporation. It appears that the delegates contemplated and condoned reading Section 11 as authorizing an outright purchase by the State of a public building from the financing public corporation, a more extreme debt limitation circumvention device than the proposed lease-purchase financing.

Other statements of delegates to the Convention demonstrate that the fundamental impetus behind the Section 8 debt restrictions was the framers' desire to restrict the State's ability to contract debt prospectively. Since the proposed lease-purchase financing of the Facilities would not entail the creation of a rental payment obligation binding future legistlatures of the State, it is not likely that the Court would find that such a financing contravenes the Section 8 debt limitations.

Thus, in view of the apparent aim of the framers of the State Constitution in imposing the Section 8 debt limitations and in granting the Section 11 exception therefrom, and in light of the approach taken by the Court in this general area, we are of the opinion that the Lease would not constitute debt of the State.

After you have had an opportunity to review our views, we would be happy to discuss them, and any related concerns which you may have, with you at your convenience.

Very truly yours,

BIRCH, MORTON, BITTNER,
PESTINGER AND ANDERSON

MAYER, BROWN & PLATT

James

A M E N D M E N T

Offered in the House Special Committee or State Loans By Sund

TO: HB 519

Page 2, line 2, after "payment":

Delete "and" and insert ","

Page 2, line 4, following "Authority":

Insert ", and the anticipated total construction or acquisition cost of the project"

Page 2, lines 5 - 7:

Delete "until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770."

Insert "unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section"

Page 3, line 24, following "payment":

Delete "and" and insert ","

Page 3, line 26, following "Authority":

Insert ", and the anticipated total construction or acquisition cost of the project"

Page 3, lines 27 - 28:

Delete "until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770."

Insert "unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section."

Page 4, line 19, following "payment":

Delete "and" and insert ","

Page 4, line 21, following "Authority":

Insert ", and the anticipated total construction or acquisition cost of the project"

Page 4, lines 22 - 23:

Delete "until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770."

Insert "unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section."

Page 4, line 25, delete "(a)"

Page 5, lines 8 - 19, delete all material

Page 5, line 8, insert a new bill section to read:

"* Sec. 9. AS 37.05 is amended by adding a new section to read:

Sec. 37.05.285. LEASE FINANCING. The department may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the department intends to enter into an agreement under this subsection, the department shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The department may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section."

Renumber remaining bill sections accordingly.

Page 7, line 28, through page 8, line 6, delete all material and insert:

"(a) The bonds shall be sold in the manner, price or prices, [SUCH] amounts or series, and at the [SUCH] time or times [AS] determined by the committee, at either public or private sale. [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,"

Page 8, following line 12, insert new bill sections to read:

"* Sec. 16. AS 37.15.460 is amended to read:

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 where a [WHETHER THE] notice of sale, if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.450].

* Sec. 17. AS 37.15.650(a) is amended to read:

(a) The toll facilities bonds are sold in the manner, price or prices, amounts or series, and at the time as determined by the committee, at either public or private sale. [BEFORE SELLING A SERIES OF BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS. IF SATISFACTORY BIDS ARE RECEIVED, THE BONDS OFFERED FOR SALE ARE AWARDED TO THE HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT A BID RECEIVED IS NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE BIDDER, THE COMMITTEE MAY REJECT THE BID RECEIVED.] Bonds, or a series of bonds, may not be sold if the effective interest rate over

the life of the bonds exceeds 11 percent per year or that rate of interest that 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 is payable annually or semiannually.

* Sec. 18. AS 37.15.660 is amended to read:

Sec. 37.15.660. 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 <u>where a</u> [WHETHER THE] notice of sale<u>, if any,</u> is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.650]."

Renumber remaining bill sections accordingly.

James

AMENDMENT

Offered in the House Special Committee on State Loans By Sund

TO: HB 519

Page 2, line 2, after "payment":

Delete "and" and insert ","

Page 2, line 4, following "Authority":

Insert ", and the anticipated total construction or acquisition cost of the project"

Page 2, lines 5 - 7:

Delete "until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770."

Insert "unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section"

Page 3, line 24, following "payment":

Delete "and" and insert ","

Page 3, line 26, following "Authority":

Insert ", and the anticipated total construction or acquisition cost of the project"

Page 3, lines 27 - 28:

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y · STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM March 3, 1986

SUBJECT: Notice of Bond Sale - CSHB 519
(House Special Committee on State Loans)

TO: Representative John Sund
Attention: John Hartle

FROM: Joyce James
Legislative Counsel

The new text deletes the requirement of notice for international airport revenue bond sales in AS 37.15.450 and toll facility revenue bond sales in AS 37.15.650. Please be advised that AS 37.15.040 still requires notice inviting sealed bids before selling an issue or series of bonds. Because it is not clear that AS 37.15.040 applies only to general obligation bonds, or, if your intent is to allow flexibility in the sale of all bonds, you may want to amend this section also.

If I can be of further assistance please advise.

JJ:csh
c6/020

Briefing Materials

Debt Management Plan

February, 1986

State of Alaska
Office of the Governor

February 1986

DEBT MANAGEMENT PLAN

Governor Bill Sheffield

Through careful management, the State of Alaska has maintained the best credit rating we've ever had. That AA rating, in turn, has allowed local governments across Alaska to keep their investment grade ratings as well. This good credit rating translates into lower property taxes for Alaskans.

With dropping world oil prices, however, Alaska's annual debt payments automatically become a larger part of our expenses.

So, I have asked the 14th Alaska Legislature to approve a package of new laws which, viewed as a whole, will give our young state a plan for comprehensive debt management for the first time. None of these proposed improvements in our laws is flashy or exciting, but as a package they are vital to the continued financial health of Alaska. I encourage you to read the enclosed information.

In short, the debt management plan I have placed before the Alaska Legislature will keep the commitments voters have made to our future, particularly in regards to local school construction. The plan also will guarantee we can continue to incur a reasonable amount of debt for school construction and other improvements in the future, while we preserve our good credit rating.

Debt Management Plan

"We've borrowed a considerable amount of money to help build Alaska. We can manage that debt, but it takes planning...lest that debt manage us in the future."

Governor Bill Sheffield
January 14, 1986

DEBT MANAGEMENT PLAN

An Overview

Without firm control of public debt the credit rating of all debt issuers in Alaska could be in jeopardy. Right now the State has an AA rating, the highest it's ever had, and all issuers within the State are rated as investment grade. But as oil prices decline, the share of revenues devoted to debt service will become an increasingly heavier burden. The State of Alaska cannot control the price of oil. What we can and must control is the amount of public debt.

Proper stewardship of public debt in Alaska can be accomplished through enactment of legislation covering four distinct needs. Taken separately, each of the four bills brings reasonableness to a different aspect of public debt. But viewed as a whole, this legislation provides a plan for comprehensive debt management for the first time. It assures that all State-supported debt, which is any debt paid from the State general fund, is subject to the control of the State Bond Committee. It is this total of State supported debt which the rating agencies look to in establishing the State's credit rating.

The first bill, House Bill 293, provides for orderly financial management in the event of a default by a municipality of its debt obligations. This legislation protects both issuers of public debt in Alaska and creditors.

House Bill 519 provides for the lease financing of public buildings through the Alaska State Housing Authority, acting as

the Alaska State Building Authority. The bill gives the State Bond Committee control over issuance of this debt as well as debt of the University of Alaska.

House Bill 520 gives the State Bond Committee control over the total amount and maturity of municipal school debt to be reimbursed by the State. The investment community needs to see some control on this fast-growing part of State supported debt.

The fourth bill, House Bill 521 places a limit on the issuance of general obligation debt by municipalities. Even with this limit some municipalities in Alaska will have some of the highest debt ratios in the United States. This legislation does not limit the ability to issue revenue bonds.

As background, Alaska's combined debt (State, municipal and school district) through the issuance of general obligation bonds was $2.9 billion as of June 30, 1985. That amounts to about $5,500 per Alaskan. When the amount of G.O. Bond debt for veterans' housing is included in the total, Alaska's per capita debt load is $7,000.

That debt is manageable, but it takes planning. The State of Alaska has not had a bond authorization since 1980. Yet, the per capita interest on the State's general obligation bond debt is 20 times the national average. State policy limits debt service to five percent of unrestricted revenues, but that ratio is about 10 percent now and could climb to 16 percent by fiscal year 1989.

Again, this is a result of a combination of factors. World oil markets have seriously eroded the revenue Alaska receives from oil and gas production. At the same time, Alaska voters have authorized new debts, including $325.0 million in school construction bonds so far in fiscal year 1985 alone. That translates into a possible 30 percent increase in State

reimbursement for local school debt--added costs which show up in the State operating budget.

These and other construction commitments are viewed by the nation's financial markets in different ways. On one hand, Alaska's rating agencies know this is a unique state, with enormous potential for generating public revenues and a young, dynamic workforce; on the other hand, the rating agencies look at all of Alaska's debt together, and while they are concerned about how much we borrow, they are more concerned that Alaska have controls on the growth of debt statewide.

To tackle that issue, Governor Sheffield is asking the Legislature to take the following initiatives:

- For school construction, honor all existing debt (as of March 31, 1986) under the current 80 percent reimbursement law, and limit the growth of future State reimbursement to $10 million per year for school construction in the future.

- Set standards for school construction to guarantee more schools can be built with the funds available.

- Reimburse 100 percent of principal only for bonds authorized after April 1, 1986. This will encourage local districts to shop for the lowest interest rates.

- For local governments, limit debt to seven percent of assessed property values.

- Designate the Alaska State Housing Authority, acting as the Alaska State Building Authority, as the issuer of lease revenue bonds to finance public buildings. This

change was recommended by a citizens task force appointed by the Governor to study the issue in 1985.

- Designate the State Bond Committee as overseer of lease revenue bond issues and the total of State reimbursement for school debt (after March 31, 1986).

DEBT MANAGEMENT PLAN

Questions and Answers

QUESTION: Why do we need a debt management package?

ANSWER: The State has achieved a AA rating for its general obligation debt. However, the burden of paying the State's debt becomes heavier as revenues shrink. Now, with oil prices falling, the State must demonstrate to the rating agencies that it has the procedures, checks, and balances necessary to manage its debt obligations, if the State is to retain its high credit rating.

QUESTION: Why does the State have to be concerned about lease-purchase financing, University of Alaska, and municipal school debt? (HB 519, HB 520)

ANSWER: All or a major portion of the payments on this debt come from the State's general fund. These types of debt obligations are referred to as State supported debt. The total of State supported debt and State general obligation debt is the figure that Moody's and Standard and Poor's uses as the measure of the State's debt burden. As of June 30, 1985, this total was $1,610.3 million, of which less than half, $752.7 million, was State general obligation debt. Even the State's share of school debt alone, $753.6 million, exceeded State general obligation debt.

QUESTION: Why should the State seek to limit municipal debt generally? (HB 521)

ANSWER: Because of high levels of State support to municipalities, they may be tempted to issue more debt than they could reasonably expect tax payers to support without the State aid. With State revenues declining, State support for municipalities eventually may suffer budget cuts along with other programs. The State needs to insure that such developments do not create avoidable financial difficulties for municipalities.

QUESTION: Is one reason for the State's concern with municipal debt levels that municipal credit ratings affect the State's ratings? (HB 521)

ANSWER: No. The State's rating is not affected by the rating of any or all municipalities. Even a municipal financial emergency or default would not ordinarily affect the State's rating. However, an emergency or default would be likely to tarnish all Alaska issuers somewhat, much as the New York City default affected all municipal debt issuers and the WPPSS (Whoops) default affected Northwestern U.S. and public power supply issues. This could significantly raise, for some period of time, the interest rates the State and other municipalities have to pay on bonds.

QUESTION: Is the WPPSS (Whoops) syndrome the reason for the introduction of the Municipal Financial Emergency Commission legislation? (HB 293)

ANSWER: It's one reason. However, a more important reason is to establish a mechanism that ensures satisfactory and early resolution of a municipal financial crisis so that provision of public services is impeded. Unlike nuclear power plants, municipalities cannot be mothballed. A mechanism for

satisfactory and early resolution also provides a valuable assurance to bond buyers.

QUESTION: What is the State's debt capacity and how is it determined?

ANSWER: In recent years, the State's debt policy has been that the State had capacity to issue additional general obligation debt if the debt service on the new bonds, combined with the debt service on outstanding bonds, would not exceed 5 percent of the State's unrestricted revenues. 5 percent is a level which few states with a AA credit rating exceed.

QUESTION: What is the current level of debt service relative to unrestricted revenues?

ANSWER: Considering only State general obligation bonds, the level for fiscal year 1987 is 5.7%. However, inclusion of all State supported debt which the rating agencies look at boosts the percentage to 11.5%. Falling State revenues will push the debt service to a level of 16.4% of revenues in fiscal year 1989.

QUESTION: Does this mean the State can't issue any more debt in the near future?

ANSWER: No. In the first place, the State could issue additional debt if it were willing to sacrifice its credit rating and that of State agencies and municipalities, whose ratings generally are tied to the State's. More to the point, additional issuance in modest amounts with a AA rating might be possible if the rating agencies were assured total debt obligations will remain limited. The limits and controls in Governor Sheffield's debt management package are an essential step in providing these assurances.

QUESTION: What happens to the State's reimbursement of municipal school debt that was authorized last fall? (HB 520)

ANSWER: That debt and all municipal school debt authorized before April 1, 1986, will be grandfathered under current law. This means State reimbursement for that debt will be under the current formula of 80% of principal and interest.

QUESTION: Does the Governor's budget contain the funds necessary for the State to reimburse the grandfathered bonds? (HB 520)

ANSWER: The amount required is contained in the Department of Education's fiscal note for HB 520. The estimated amount required for fiscal year 1987 is $43 million. The Governor plans to support the $43 million appropriation if the legislation is passed.

QUESTION: How much additional school debt could be reimbursed by the State under HB 520?

ANSWER: HB 520 would permit State reimbursement of $10 million per year for debt authorized after March 31, 1986. Since the legislation establishes reimbursement at 100% of principal and requires the debt to have a 10 year term and constant principal payments, the $10 million State reimbursement could support as much as $100 million initially.

QUESTION: How does 100% of principal compare to 80% of principal and interest? (HB 520)

ANSWER: It depends on how much the interest is in relation to principal, which depends on the interest rates at the time the bonds are sold. At current interest rates, 100% of principal is approximately 89% of the current formula for reimbursement (80% of principal and interest). Thus, the new formula would provide

reimbursement at a level about 11% less than current reimbursement. 100% of principal would represent approximately 71% of total principal and interest.

QUESTION: How will it be decided what municipal school debt receives reimbursement if the $10 million limit otherwise would be exceeded? (HB 520)

ANSWER: The Department of Education will establish a priority list based on criteria specified by law. Portions of school construction project costs also may be deemed ineligible for reimbursement based on design standards and regional cost differentials determined by the Department of Transportation and Public Facilities. Financing costs will not be eligible for reimbursement. State reimbursement will be reduced further by the interest earned on bond proceeds, except arbitrage which would have to be paid to the federal government under pending congressional legislation. These limitations will spread increasingly scarce State dollars further and enable the State to support more schools under the $10 million limit.

QUESTION: Why is the limit set at only $10 million? (HB 520)

ANSWER: There has been an explosion of authorization of municipal school debt. Between October 1, 1985, and March 31, 1986, total municipal school debt receiving voter approval is expected to exceed $350 million. This would represent an increase of almost 50% in six months over the $739 million school debt outstanding as of June 30, 1985. It is this explosion which will propel State payments for debt service to over 16% of State revenues by fiscal year 1989.

QUESTION: Can the limit be revised? (HB 520)

ANSWER: Certainly the limit could be amended by law in future legislative sessions. A report to the 1988 session of the legislature by the Department of Education on school construction needs is required in section 17 of HB 520. This would be an appropriate time to consider a revision. As an alternative, the State bond committee may revise the limit at any time in light of State credit conditions, school requirements, or any other reason.

QUESTION: Will the State Bond Committee decide which schools receive funding? (HB 520)

ANSWER: No. This will be determined solely by the Department of Education in establishing the priority list. The State Bond Committee will be concerned only with the credit implications for the State of the total amount of reimbursement to be paid.

QUESTION: What is lease-purchase financing? (HB 519)

ANSWER: Lease-purchase financing consists of debt obligations issued by a private developer or State agency to finance the construction or acquisition of facilities which are leased to the State. The lease payments made by the State are in an amount and duration which is equal to the principal and interest payments on the debt obligation. The debt obligation may take the form of a revenue bond or a certificate of participation in rent (CP or COP as they are sometimes called). At the conclusion of the lease, title to the facility generally passes to the State.

QUESTION: Why is the Alaska State Housing Authority (ASHA) designated as the issuer of all lease-purchase financing for State facilities? (HB 519)

ANSWER: ASHA has previously issued lease revenue bonds for State facilities and is the current lessor of these facilities to the State. The designation of a single agency which has experience

and technical expertise in this area will improve accountability, efficiency, and control of these types of financing.

QUESTION: Why would ASHA be issuing debt under the name of the Alaska State Building Authority? (HB 519)

ANSWER: This name change, applicable only to the financing of public buildings, will improve the marketability of the debt. The alternate name avoids confusion about the issuer and debt since most state housing authorities issue debt only for the provision of low and moderate income housing. The name change helps recognize the higher credit standing accorded debt which is secured by payments from a state government for leases rather than from private individuals for rent.

QUESTION: What became of the State Office Complex Financing Task Force?

ANSWER: The Task Force, a body of executive branch officials, two legislators, and five members of the public with substantial financing experience, held hearings in the fall of 1985 and produced a report to the Governor which is available from the Treasury Division of the Department of Revenue. HB 519 implements the recommendations contained in that report.

QUESTION: Will ASHA be deciding what public buildings will be built or acquired? (HB 519)

ANSWER: No. Each branch of government and the University of Alaska would decide what facilities would be built or acquired. The facilities would have to meet the requirements and specifications of each branch or the University before the branch or University could be expected to execute the lease. No financing can occur without an executed lease.

QUESTION: Does this mean each branch or the University can enter into lease-purchase financings without legislative approval or approval by law? (HB 519)

ANSWER: Yes. However, the annual lease payments are subject to appropriation by the legislature as a matter of constitutional law. HB 519 requires lease-purchase agreements to state this fact so that it is clear to all parties. Because lease payments are subject to appropriation, lease-purchase financing is not debt from the standpoint of the State Constitution.

QUESTION: Could legislative approval or approval by law be required of lease-purchase financing by statute? (HB 519)

ANSWER: Alaska Supreme Court decisions indicate that this probably would violate the separation of powers doctrine and be unconstitutional. Legal questions of this caliber can easily derail debt financings because bond buyers will not purchase debt with such uncertainties about it. To achieve the same purpose, Governor Sheffield has pledged to seek legislative approval of any executive branch lease-purchase financings. The other branches and University might be expected to do the same.

QUESTION: Why does the State Bond Committee need to approve lease-purchase financings? (HB 519)

ANSWER: Lease-purchase financing is paid from the State general fund and, accordingly, is added into the State's debt burden by the credit rating agencies. Because of this, the State Bond Committee needs to control aspects of such financings which can affect the State's credit standing. This can include such things as the maturities of the debt, need for insurance, or the timing of the sale. The State Bond Committee will not be concerned with project justification or specification. This is the same manner

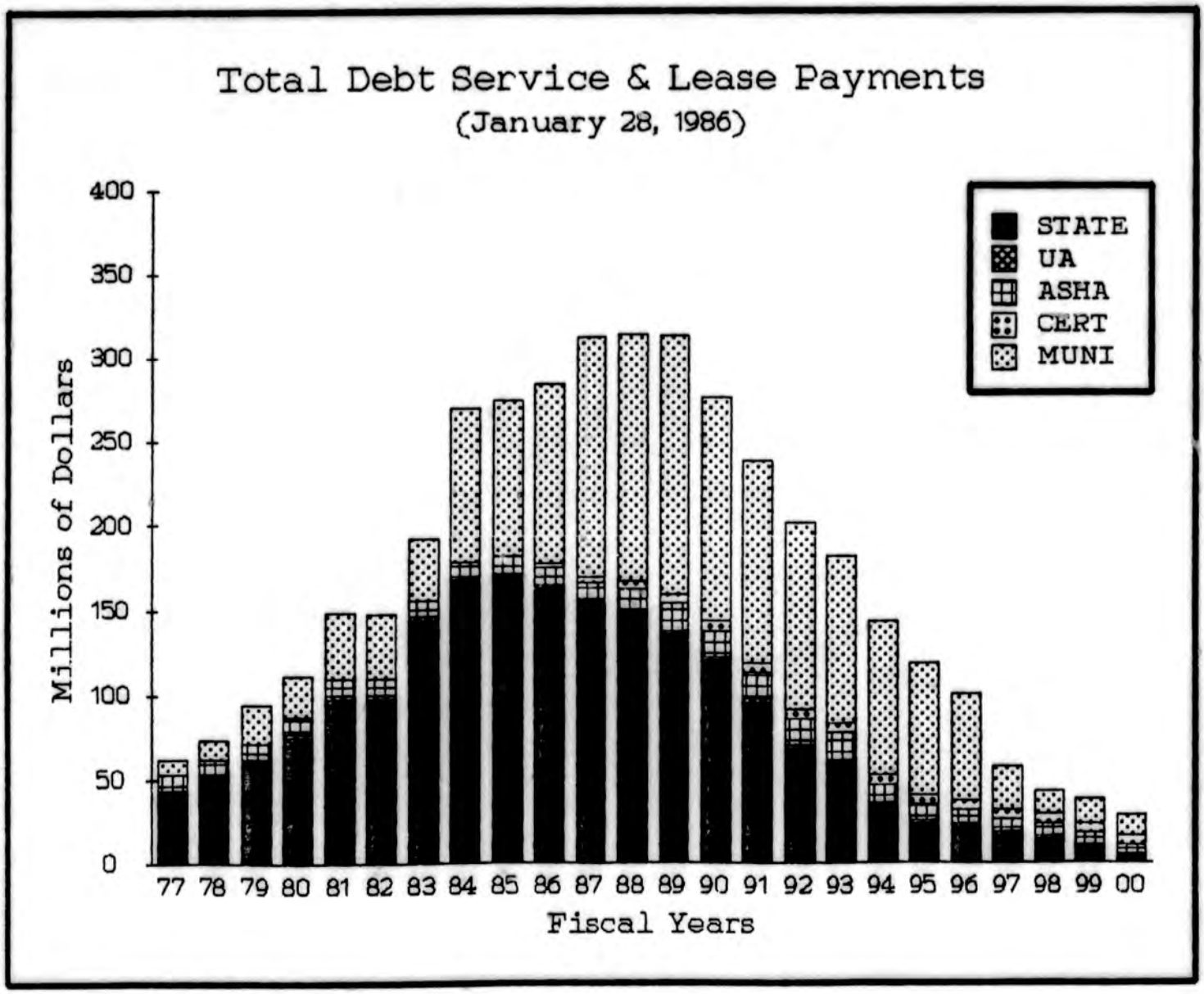
in which the Committee functions with respect to State general obligation debt.

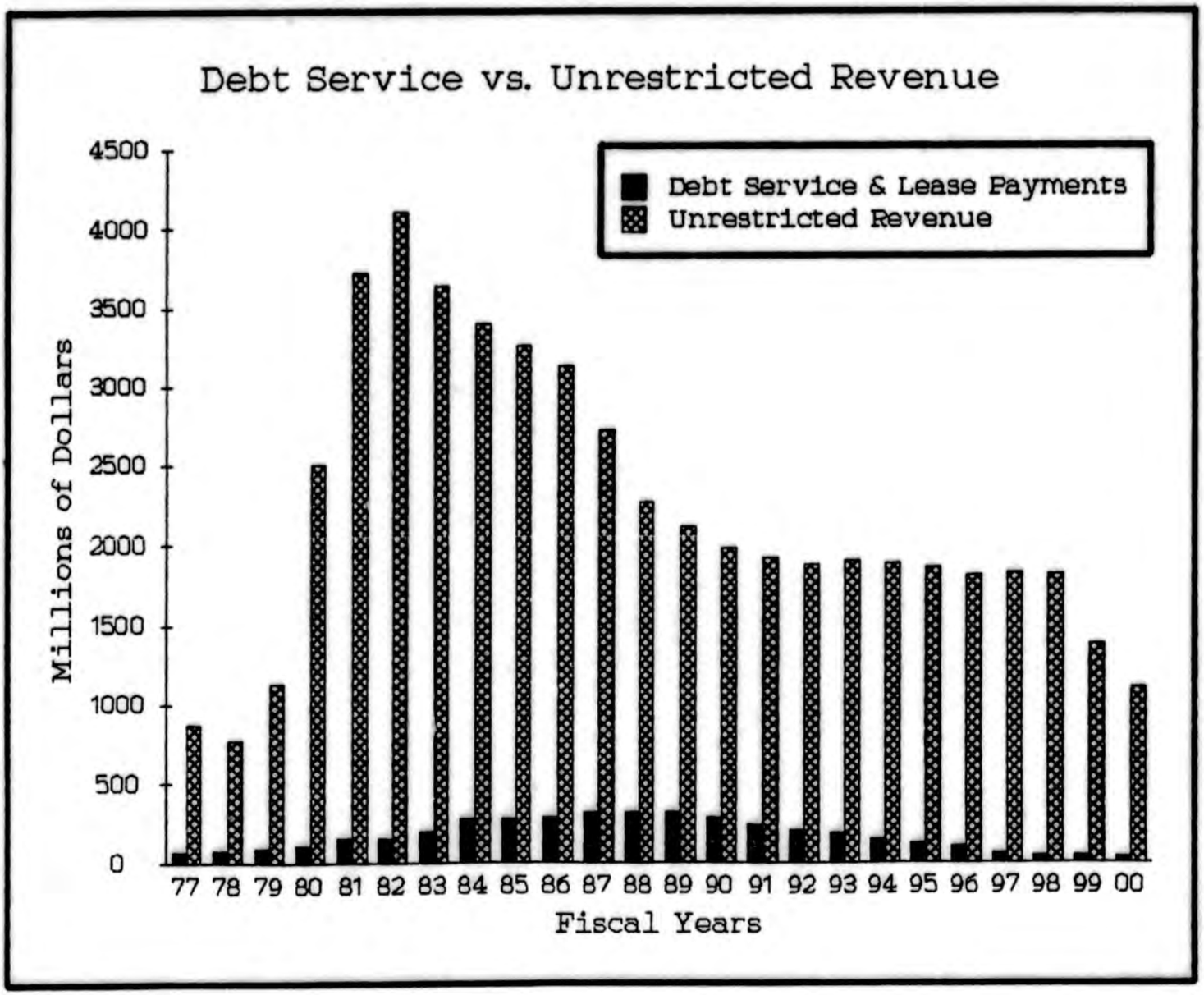
QUESTION: What municipalities would be forestalled from issuing additional debt under HB 521?

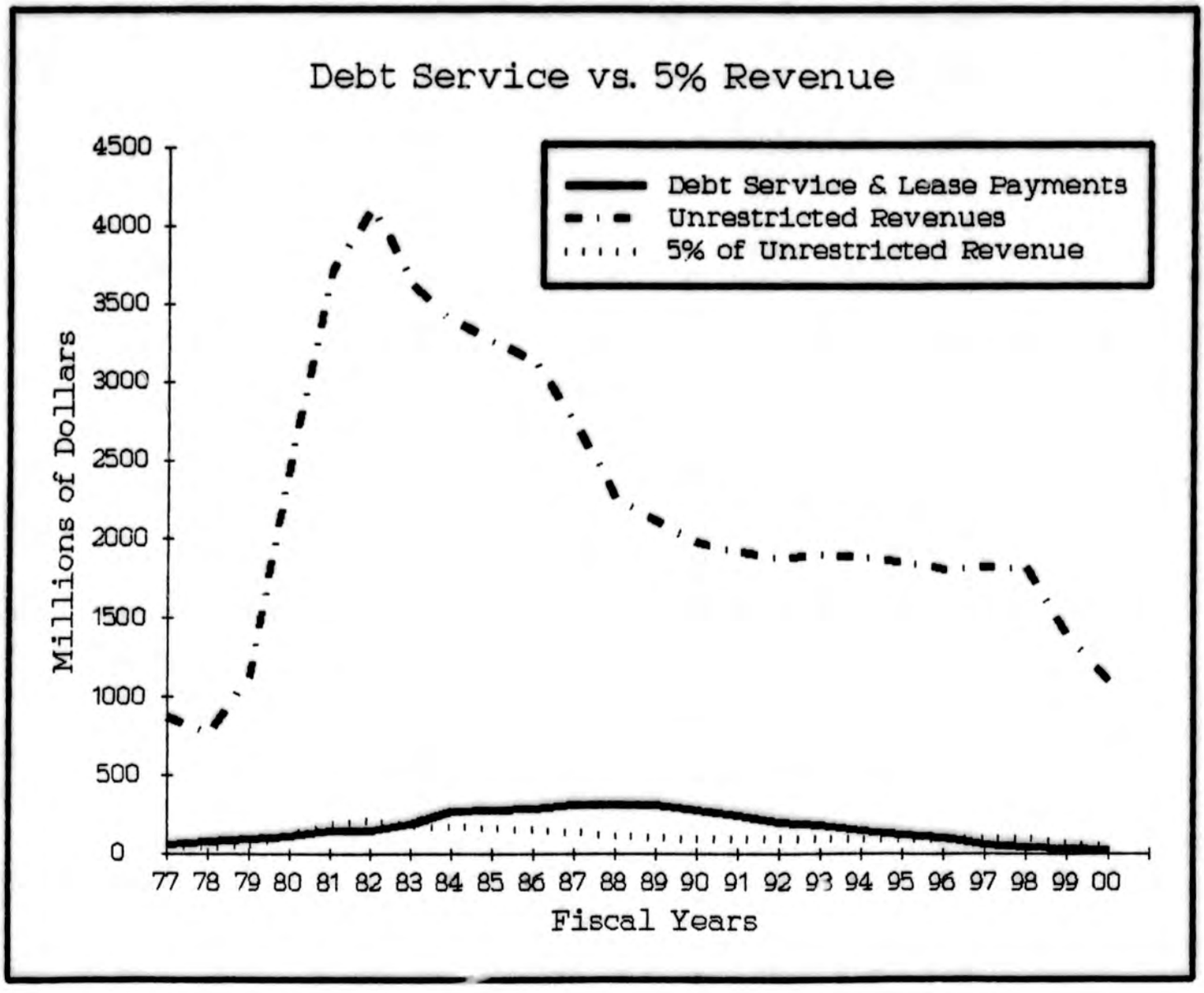
ANSWER: The North Slope Borough and the city of Wrangell currently have general obligation debt exceeding 7% of the full value of their property tax base. They would not be able to issue additional debt until their tax base has increased sufficiently or outstanding debt is paid down. The North Slope Borough should be able to issue additional debt again within two years. The city of Nenana would not be limited by the cap due to the exemption in HB 521 for self-supporting debt which is issued as a general obligation bond. Issuance of revenue bonds and refunding bonds are not limited by HB 521.

QUESTION: Why is the limit set at 7%? (HB 521)

ANSWER: National medians for municipal general obligation debt are in the range of 3% to 4% of full value. A higher level is appropriate for Alaska because the economy is still developing, with spurts of rapid growth in particular localities, if not statewide. However, a level significantly above 7% would not be an effective limit or provide the credit markets any comfort that Alaska is managing its debt.


Total Debt Service & Lease Payments
(January 28, 1986)
Millions of Dollars
400
350
300
250
200
150
100
50
0
STATE
UA
ASHA
CERT
MUNI
77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00
Fiscal Years


Debt Service vs. Unrestricted Revenue
Debt Service & Lease Payments
Unrestricted Revenue
Millions of Dollars
4500
4000
3500
3000
2500
2000
1500
1000
500
0
77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00
Fiscal Years


Debt Service vs. 5% Revenue
Debt Service & Lease Payments
Unrestricted Revenues
5% of Unrestricted Revenue
Millions of Dollars
4500
4000
3500
3000
2500
2000
1500
1000
500
0
77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00
Fiscal Years

Total Debt Service & Lease Payments
($ Millions)

Fiscal Year	State	UA	ASHA	Certificates of Participation (Cert)	School Debt (Muni)
77	41.9	1.5	9.9	0	9.0
78	50.0	1.7	10.1	0	11.4
79	60.0	1.7	10.1	0	22.3
80	75.1	1.8	10.1	0	24.1
81	97.6	2.2	10.0	0	38.4
82	97.5	2.3	10.0	0	38.3
83	143.6	2.3	9.9	0	36.2
84	166.3	2.0	9.9	0	91.2
85	169.5	2.0	9.9	.1	92.8
86	163.2	1.8	9.9	3.0	105.3
87	154.9	1.8	9.5	3.0	143.0
88	147.9	1.7	12.5	5.1	146.0
89	135.5	1.8	16.5	5.1	154.0
90	120.3	1.7	15.5	6.0	132.0
91	95.5	1.7	15.5	6.0	119.0
92	68.2	1.7	15.5	6.0	110.0
93	59.7	1.7	15.5	5.9	99.0
94	33.9	1.5	11.1	5.9	91.0
95	23.1	1.5	9.5	5.9	79.0
96	21.5	1.5	8.0	5.9	63.0
97	16.7	1.5	7.0	5.9	26.0
98	14.4	1.5	7.0	5.9	14.0
99	9.0	1.5	7.0	5.9	14.0
00	2.6	1.5	6.0	5.9	12.0

Debt Service vs. Unrestricted Revenue
($ Millions)

Fiscal Year	Total Debt Service	Unrestricted Revenue	Percentage
77	62.4	874.3	7.1%
78	73.3	764.9	9.6
79	94.1	1133.0	8.3
80	111.0	2501.2	4.4
81	148.2	3718.2	4.0
82	148.1	4108.4	3.6
83	192.0	3631.0	5.3
84	269.5	3390.1	7.9
85	274.3	3260.0	8.4
86	283.2	3124.6	9.1
87	312.0	2718.8	11.5
88	313.0	2257.4	13.9
89	313.0	2109.1	14.8
90	276.0	1980.4	13.9
91	238.0	1915.5	12.4
92	201.0	1874.6	10.7
93	182.0	1903.7	9.6
94	143.0	1881.8	7.6
95	119.0	1854.9	6.4
96	100.0	1808.2	5.5
97	57.0	1820.7	3.1
98	42.0	1812.5	2.3
99	37.0	1378.1	2.7
00	27.0	1106.0	2.4

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

SEVEN PERCENT CAP

Borough	FULL VALUE	G. O. DEBT	7% OF FULL VALUE	PERCENT OF G.O. DEBT/CAP	CURRENT PERCENT DEBT
Anchorage	$15,755,411,000.00	$358,799,900.00	$1,102,878,770.00	32.53%	2.28%
Bristol Bay	$101,798,800.00	$3,535,000.00	$7,125,916.00	49.61%	3.47%
Fairbanks	$4,210,997,700.00	$90,928,500.00	$294,769,839.00	30.85%	2.16%
Haines	$93,945,500.00	$1,300,000.00	$6,576,185.00	19.77%	1.38%
Juneau	$1,613,388,900.00	$47,651,000.00	$112,937,223.00	42.19%	2.95%
Kenai Peninsula	$3,290,219,200.00	$137,929,000.00	$230,315,344.00	59.89%	4.19%
Ketchikan Gateway	$675,985,100.00	$31,930,000.00	$47,318,957.00	67.48%	4.72%
Kodiak	$572,370,700.00	$28,270,000.00	$40,065,949.00	70.56%	4.94%
Mat-Su	$2,367,406,200.00	$112,208,000.00	$165,718,434.00	67.71%	4.74%
North Slope	$12,876,786,900.00	$1,155,680,000.00	$901,375,083.00	128.21%	8.97%
Sitka	$396,227,900.00	$12,400,000.00	$27,735,953.00	44.71%	3.13%
Total Boroughs	$41,954,537,900.00	$1,980,631,400.00	$2,936,817,653.00	67.44%	4.72%
CITIES					
Bethel	$182,296,900.00	$556,500.00	$12,760,783.00	4.36%	0.31%
Cordova	$120,673,000.00	$0.00	$8,447,110.00	0.00%	0.00%
Craig	$34,707,400.00	$0.00	$2,429,518.00	0.00%	0.00%
Delta Junction	$30,870,500	$0	$2,160,935.00	0.00%	0.00%
Dillingham	$94,669,900.00	$0.00	$6,626,893.00	0.00%	0.00%
Eagle	$9,104,500.00	$0.00	$637,315.00	0.00%	0.00%
Galena	$19,149,500.00	$900,000.00	$1,340,465.00	67.14%	4.70%
Hoonah	$27,845,200.00	$0.00	$1,949,164.00	0.00%	0.00%
Hydaburg	$12,688,900.00	$0.00	$888,223.00	0.00%	0.00%
Kake	$11,608,000.00	$0.00	$812,560.00	0.00%	0.00%
King Cove	$23,230,800.00	$0.00	$1,626,156.00	0.00%	0.00%
Klawock	$5,563,000.00	$0.00	$389,410.00	0.00%	0.00%
Kotzebue	$93,245,100.00	$0.00	$6,527,157.00	0.00%	0.00%
Nenana	$12,881,500.00	$2,717,300.00	$901,705.00	301.35%	21.09%
Nome	$116,712,900.00	$2,161,200.00	$8,169,903.00	26.45%	1.85%
Pelican	$10,155,400.00	$0.00	$710,878.00	0.00%	0.00%
Petersburg	$161,219,300.00	$6,195,000.00	$11,285,351.00	54.89%	3.84%
Sand Point	$71,086,800.00	$0.00	$4,976,076.00	0.00%	0.00%
Skagway	$58,447,100.00	$820,000.00	$4,091,297.00	20.04%	1.40%
St. Mary's	$4,239,400.00	$0.00	$296,758.00	0.00%	0.00%
Tanana	$11,195,400.00	$0.00	$783,678.00	0.00%	0.00%
Unalakleet	$19,714,500	$0	$1,380,015.00	0.00%	0.00%
Unalaska	$105,309,400.00	$3,299,000.00	$7,371,658.00	44.75%	3.13%
Valdez	$1,740,431,900.00	$75,833,000.00	$121,830,233.00	62.24%	4.36%
Whittier	$19,419,200.00	$0.00	$1,359,344.00	0.00%	0.00%
Wrangell	$111,757,000.00	$10,750,000.00	$7,822,990.00	137.42%	9.62%
Yakutat	$17,679,400.00	$235,200.00	$1,237,558.00	19.01%	1.33%
TOTAL CITIES	$3,125,901,900.00	$103,467,200.00	$218,813,133.00	47.29%	3.31%
STATE	$48,915,237,900.00	$816,100,000.00	$3,424,066,653.00	23.83%	1.67%
Total Boroughs	$41,954,537,900.00	$1,980,631,400.00	$2,936,817,653.00	67.44%	4.72%

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills that provide for improved state debt management. One relates to control of state-supported school debt, the other to lease-financing transactions by the various branches of government.

These two bills are each cornerstones of a comprehensive proposal designed to monitor and control more effectively the issuance of debt instruments that harbor substantial credit implications for the state. (Some citations in each bill are to provisions in the other bill. The two work together.) Alaska's remarkable wealth has facilitated tremendous economic growth in all areas of the state's economy and at all levels of government. Many of these worthy projects and programs have been funded directly by the state. In other instances, however, funding has been obtained through the issuance of debt instruments, either by the state or by local governments. Where government activities are funded through the issuance of debt, maintenance of a favorable credit rating for the state assumes critical importance. Simply stated, actions detrimental to the state's credit standing are injurious to the Alaska economy.

Unlike past years, we approach an era where the state's vast wealth is not, in and of itself, sufficient to support a favorable credit rating. In my discussions with representatives of the national financial community, the constant theme stated was the need for Alaska to demonstrate its ability to effectively manage its resources. One critical

attribute of responsible state management is an effective debt management program.

Any discussion of maintenance of a favorable credit rating for the state must reflect the broad array of financial obligations encompassed within the term "state-supported debt." It is critical to bear in mind that state general obligation bonds are but one type of debt instrument that affects the state's credit standing. The financial community also looks to other recurring, long-term financial obligations which are paid from the general fund, such as those which arise under a lease-financing agreement. In a similar vein, the state's commitment to support school debt issued by municipalities is a type of long-term financial commitment with substantial credit implications.

Debt management concerns must further reflect the impact of excessive or improvident municipal debt issuance on the state's credit standing. I initially observe that responsible state debt management policies must necessarily include a degree of state supervision of municipal debt issuance. While I am, of course, cognizant and supportive of the prerogatives of local government, problems with municipal debt issuance inevitably burden the state as well. For that reason, I previously introduced a bill that relates directly to the issuance of municipal debt. Last session I proposed the establishment of a Municipal Financial Emergency Commission to assist municipalities that have defaulted in bonded indebtedness (HB 293). I am also proposing legislation that imposes reasonable limitations on a municipality's authority to issue general obligation debt. As noted in the transmittal letters accompanying each of those bills, responsible state management of municipal debt is necessary to assure the continued investment community support of and confidence in municipal and state debt issues.

The two bills attached to this letter today are intended to assure proper state oversight before the state enters into the type of recurring, long-term financial commitments that might have an impact on the state's credit standing. Where the state issues general obligation bonds, the constitutional requirement of voter approval offers an appropriate opportunity for the electorate and for elected officials to gauge any adverse effect that issuance of the debt may have on the state. Under present law, however, neither the statutory reimbursement formula for school debt nor the unrestricted authority to enter lease-financing agreements

offers comparable mechanisms to assure that state credit implications are adequately addressed. As the decline of available revenues further exacerbates the sensitivity of the state's credit standing, it is of critical importance to assure that each project is viewed not only on its own merits but also with consideration of how the issuance of additional state-supported debt will affect broader state interests. I believe that these two bills offer a responsible way of meeting the needs of the state to obtain office facilities and of municipalities to provide necessary educational facilities -- a way that best preserves the state's favorable credit standing.

I.

The shorter bill implements the recommendations of the State Office Complex Financing Task Force, a body whose membership brought together the views of executive-branch officials, two legislators, and several members of the public with substantial financing expertise. The task force conducted extensive hearings to consider the most appropriate method to provide state office facilities in the most cost-efficient manner possible. After review of the available financing alternatives, the task force recommended the enactment of legislation to facilitate the acquisition of state office facilities through lease-financing agreements. The bill designates the Alaska State Housing Authority as the appropriate financing entity, but provides that when the authority issues debt for this purpose, it do so as the Alaska State Building Authority. The name change is intended to prevent confusion in national financing markets.

Sections 1, 6, 7 and 8 provide that the university and each branch of government, respectively, have legal authority to enter into lease-financing agreements with the Alaska State Housing Authority acting as the Alaska State Building Authority. The state has previously executed lease-financing agreements under existing lease authority, and these sections are thus intended to remove any ambiguities regarding the legal authority to enter into lease-financing agreements. The cost of building acquisition or development would be provided by the sale of revenue bonds by the Alaska State Building Authority. In all instances, a lease-financing agreement preserves legislative prerogatives through the requirement that lease payments be subject to annual appropriation.

While the bill recognizes the desirability of the lease-financing technique, the bill also imposes effective debt

management controls. First, lease-financing agreements may only be executed with the Alaska State Building Authority, a limitation that ensures uniformity and continuity in the state's lease-financing programs.

More importantly, secs. 9 -- 16 expand the responsibilities of the state bond committee (AS 37.15) to ensure that the broader credit implications are adequately assessed before the state enters into a lease-financing agreement. Under sec. 15, for example, proposed AS 37.15.770 authorizes the state bond committee to review any proposed lease-financing in detail and to prohibit or condition the sale of the debt instruments if it is in the best interests of the state to do so.

I observe that sec. 8 of this bill is similar to legislation that I proposed last session in the wake of the controversy surrounding the Anchorage Office Complex. The bill proposed last session (HB 392 and the identical SB 293) provided for project-specific legislative approval before execution of a lease-financing agreement. In the transmittal letter accompanying the initial bill, dated April 19, 1985 (1985 H.J., p. 1001, and 1985 S.J., p. 856), I noted that the provision of project-specific legislative approval posed substantial constitutional problems. Both the constitutional doctrine of separation of powers and the constitutional prohibition against special and local legislation place in serious legal doubt any statutory requirement to seek project-specific approval. And public finance is the worst forum to interject such a substantial legal uncertainty. Accordingly, the present bill does not propose project-specific approval. To do so, in my view, would impermissibly intrude upon the constitutional prerogatives of future governors. Although I believe it inappropriate to require project-specific approval as a matter of law, I reaffirm my personal commitment to seek legislative approval before the executive branch enters into any lease-financing agreement.

II.

The longer of these two bills that I am transmitting makes several changes to the state's support of public school construction. Most notable of the significant changes proposed under this bill is a cap is placed upon the amount of municipal debt obligations for which the state will provide reimbursement. Municipalities issuing debt to finance school construction will pay the interest costs, while the state will pay the principal in equal payments up

to an aggregate amount of $10,000,000 in any year for debt approved by local voters after March 31, 1986.

The state presently provides, in addition to its municipal grant program, three forms of aid for school construction. Under AS 14.11.010 all school districts may apply to the Department of Education for an appropriation for school construction projects for which the department may request, in order of priority, appropriations from the legislature. If an appropriation for a school construction project is made, the school district may, under AS 14.11.020, request the assumption of the state's responsibility to plan, design, and construct the particular project. The department provides for the assumption of the responsibility by executing a grant agreement with the school district.

AS 14.11.100 provides two additional forms of state aid for public school construction which are only available to municipal school districts. The state reimburses municipal debt service payments in varying percentages which, because of amendments made in ch. 78, SLA 1985, are at least 80 percent. The state also reimburses a municipality for at least 80 percent of its cash payments used for school construction. To receive reimbursement of either debt service or cash payments, the municipality must first quantify the need for the project and provide a description of the project and an estimate of its cost. The Department of Education reviews the project and its justification, and, when appropriate, grants its approval of the project and its estimated costs. The next step is approval of the municipality's voters to sell the bonds. If the local voters approve the sale of the bonds, the state will reimburse the costs of debt service by requesting money in each year's budget.

There are several weaknesses in the state's present programs of financing school construction.

First, there are inadequate procedures to ensure that the estimates of project costs are reasonable. Before 1982, the administration of the school construction grant program was shared by the Department of Education and the Department of Transportation and Public Facilities. Chapter 92, SLA 1982 transferred all responsibility for the state's construction grant program to the Department of Education. This same weakness exists under AS 14.11.100.

The second major failing is that there is no ceiling for the amount of money which the state will be requested to reim-

burse under AS 14.11.100. In the proposed FY 1987 state budget, approximately $106,000,000 in municipal debt service payments is requested to continue existing level of debt.

During the last session of this legislature, the percentage of reimbursement for debt service costs was increased to 80 percent, although allowable projects were limited to facilities necessary for increased enrollment or to correct health and safety problems. The result of last session's amendments to AS 14.11.100 has been an identification of required projects with approval of the projects closely followed by local bond elections. These recent municipal elections have authorized approximately $312,500,000 of new municipal debt for which local communities will seek reimbursement from the state for debt service costs. I anticipate, if all of this newly authorized debt is incurred in the near term, that the impact on the debt retirement program could be as much as an additional $45,000,000 in requested reimbursements in FY 1987. I intend to support this additional funding as soon as the amount is determined and necessary debt management legislation is passed.

I, of course, recognize that there are municipalities in the state which have experienced significant population increases, and which therefore need the construction of new schools. I believe that these existing needs should be met at the current levels of state support. However, the future of state revenues and the need for new schools are uncertain. Consequently, I believe that different approaches need to be applied to the way the state considers all school construction in the state.

With discipline and altered approaches to the school construction, I believe that the state and its municipalities can contain state-supported debt and still allow for adequate state support of school construction.

This bill changes procedures for reviewing and approving school projects.

Section 1 amends AS 14.08.151. These amendments are desirable to clarify the manner in which the state conveys title for school sites to regional education attendance areas.

Section 2 amends AS 14.11.010(b) by requiring the Department of Education to request cost estimates from the Department of Transportation and Public Facilities and to base its

project approval upon that cost estimate. This same requirement is found in sec. 11 in amendments to AS 14.11.102, which relates to project approval for the debt retirement program. Section 14 contains new authority for DOT/PF to estimate construction costs for all school projects financed by appropriations and debt retirement. Included within that authority is the responsibility to establish design standards.

Section 3 of the bill amends AS 14.11.010(c) by adding new criteria, relating to population trends and the condition of facilities, which the Department of Education will consider when approving projects for appropriation. These amendments are also applicable to the debt retirement program under language found in sec. 11.

Section 4 proposes new language that will require school districts requesting state aid to inventory and inspect the schools in their districts and to revise that inventory on a yearly basis. The provisions of this section also require that school districts provide information relating to maintenance and operation costs. This information regarding existing school facilities will enable the state to better analyze new projects that the state will be asked to finance by appropriation or by debt reimbursement.

Sections 5 and 6 limit the state's reimbursement of school debt to principal only for approved projects financed by new municipal debt authorized by local voters after March 30, 1986. If the debt was authorized by local voters before April 1, 1986, the state's reimbursement continues as before. The state's reimbursement of cash payments by municipalities ends for payments made after June 30, 1986.

Section 7 amends AS 14.11.100(b) by offsetting the amount that the municipality receives for debt reimbursement by the amount of interest earned on the proceeds of bonds sold for a particular project. This amendment parallels existing law found in AS 14.11.100(k), which is repealed in sec. 16.

Sections 8, 9, and 10 contain a number of amendments to AS 14.11.100(h), (i), and (j), respectively, which are necessary to reflect the new class of reimbursement under the language proposed in AS 14.11.100(a)(6) in sec. 6 of the bill. Section 10 has a fiscal impact. It amends AS 14.11.100(j)(2) to allow refunding of bonds only in those situations where there is at least a five percent saving in debt service costs. It also amends AS 14.11.100(j)(3) by requiring that the principal on bonds be reimbursed in equal

annual payments over a period of 10 years or a term set by the state bond committee.

Under sec. 12, the Department of Education will continue to allocate money to reimburse municipal debt. However, a cap on reimbursement is placed upon debt authorized by local voters after April 1, 1986. The department may only allocate money for the reimbursement of principal paid on new debt if the new payments, when combined with all other reimbursements under this class of debt, do not exceed the $10,000,000 or an amount set by the state bond committee. This mechanism will have two results. It puts a cap on state-supported debt, but, with discipline, it will enable municipalities to construct needed school projects in addition to those that are financed by bonds authorized by local voters before April 1, 1986.

Section 13 amends AS 14.11.135(3) by changing the definition of school construction costs. It excludes all financing costs for debt authorized by local voters after March 31, 1986.

Section 14 adds three new sections to AS 35.15. Under the proposed language, the Department of Transportation and Public Facilities will estimate the costs of all school construction projects under common design standards that it will develop.

Section 15 amends AS 37.15 to give the state bond committee the ability to manage state-supported school debt, which is accomplished under two different mechanisms. First, it may establish a higher or lower ceiling for allocations for reimbursement of new authorizations of school debt under AS 14.11.100(a)(6) (found in sec. 6), depending on the state's credit standing as well as on the needs for school construction. Second, it may control the term of the obligations to ensure that their maturity structure does not adversely affect the state's credit standing. While a 10-year term is allowed by the proposed provisions of AS 14.11.100(j)(2) (found in sec. 10), the committee is accorded the ability to set a different term when it is in the state's best interest.

It is our intent with the language in sec. 17 to develop a long range plan for the state's school construction through the end of the century. The necessary components of this plan would include projected enrollments under reasonable population projections, construction costs, design parameters, and financing techniques. It is our hope that,

after the completion of the plan, a rational mechanism can be put in place to provide for the state's public school construction needs which is within the state's ability to pay.

III.

Continued economic prosperity for all sectors of the Alaska economy is in part inextricably tied to more rigorous state debt management. These two bills, as well as legislation relating to responsible limitation on municipal debt, promote more responsible state debt management. Alaska's credit standing is, of course, in part dependent on factors beyond our control. That the state cannot control all relevant factors is no excuse, however, for the inadequate management of those factors within our control. I believe that it is critical that the state become more sensitive to the long-term credit implications of each isolated funding decision. These two bills provide for responsible yet flexible state debt management, and I urge your prompt consideration and approval of these measures.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 15, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to establish a Municipal Financial Emergency Commission that will provide assistance to municipalities that are in default on bonded indebtedness.

Recent controversy surrounding the financial practices of the North Slope Borough has led to a greater sensitivity to the consequences of local financial disorder. While there is absolutely no indication that the present problems of the North Slope Borough will have any effect on the borough's ability to satisfy all debt service obligations, the controversy has led to concern that current law does not provide a role for the state in the event of a municipal default. It bears noting that a municipal default will inevitably affect the state and other municipalities as well. While each municipality's general obligation debt is of course a direct financial burden of only the issuing municipality, the practical fact is that all governmental entities in the state share, to one degree or another, in the consequences of a municipal default. While I reiterate that there is no present prospect of municipal default, it is imperative to establish a procedure to deal with that event before a financial crisis occurs -- not in response to one.

The bill proposes the establishment of the Municipal Financial Emergency Commission which consists of the commissioners of the Departments of Community and Regional Affairs, Revenue, and Administration. Under proposed AS 29.58.420, a municipality must provide notice of a default to the commission, or the municipality may request the assistance of the commission in anticipation of financial distress. Once the commission receives notice of a municipality in financial disarray, the commission must

promptly convene and assess the municipality's financial affairs.

Under proposed AS 29.58.410, the commission enjoys extraordinarily broad powers to assure, to the extent possible, the resolution of the financial crisis. The fundamental objective of the commission is to adopt a plan that satisfies debt service obligations in a manner acceptable to municipal creditors. The commission enjoys the power to issue subpoenas and orders as are necessary to undertake this task.

I certainly anticipate that a municipality will act to implement the plan adopted by the commission. However, the bill provides that, in the unlikely event that a municipality fails to implement the plan, or if the commission determines that the municipality remains in financial disarray, the commission may assume full control of the defaulting municipality's financial affairs. This extraordinary intrusion upon local governmental prerogatives can only be exercised in narrowly prescribed instances and, as do all of the commission's powers, the authority of the commission expires upon the successful satisfaction of the default. While certain of these broad powers may approach the legal limit of the state's authority to impair local government powers, I believe that the overwhelming public concern for the financial stability of all Alaskan communities offers a compelling justification for this possible intrusion.

I again emphasize that this bill does not foretell any municipal default. In the area of municipal finance, however, it is not sufficient to act only in response to events. Instead, it is far preferable to establish a mechanism before any default, so that if a municipality does default on a debt service obligation, the repercussions to the state and to other municipalities are limited to the extent possible. With due respect for the prerogatives of local governments, I believe that this bill provides a needed mechanism for state involvement. I urge your prompt consideration and passage of this bill.

Sincerely,

Bill Sheffield
Governor

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will establish a reasonable limit on the authority of a municipality or borough to issue general obligation bond debt.

At present, there is no limit as to the amount of general obligation debt that municipalities may incur. And, while taxing limits are generally prescribed by statute, current law specifically exempts from the taxing limitation any assessments necessary to satisfy debt service obligations. The potential for excessive municipal debt burdens -- a burden that both directly and indirectly affects the state and other municipalities -- is one which simply must be controlled.

I believe that reasonable general obligation bond debt limitations are essential to preserve the financial stability of Alaska municipalities. We are all aware that the level of per capita municipal debt in Alaska far exceeds the national average. To be sure, the lack of basic public services in many areas of the state contributes to the current level of debt. While I am certainly sensitive to the extreme, and at times costly, needs of rural communities, I am equally concerned that excessive municipal debt will only undermine the substantial economic progress enjoyed by all Alaska communities in the last several years.

The problems associated with excessive debt requirements will increase in the future. As state revenues decline,

municipalities will increasingly be responsible for the cost of governmental services, and this inevitable burden will only be further compounded if municipalities are saddled with excessive debt service obligations.

The bill proposes that a municipality may not incur additional general obligation debt if, upon issuance, the municipality's general obligation debt would exceed seven percent of the market value of property which is taxable under state law. The Department of Community and Regional Affairs is currently required by statute to ascertain annually the property value necessary for this limit. That only three communities -- the North Slope Borough, the cities of Nenana and Wrangell -- exceed the seven percent standard is indicative that the limit is reasonable, and will not unfairly limit the prerogatives of local governments.

It is equally important to note what the bill does not do. The bill does not limit in any manner a municipality's authority to levy taxes in order to satisfy debt service obligations. The bill does not limit a municipality's authority to issue revenue or refunding bonds. And finally, the bill does not penalize those municipalities that have issued debt in excess of the seven percent standard.

I believe that the bill provides a needed assurance that municipalities will not incur an unsupportable debt burden. Establishment of a debt ceiling greatly diminishes the prospect of a municipal default. It also prevents a decline in state revenues as municipal assessments are increased to support an ever-increasing debt burden. I urge your prompt passage of this legislation.

Sincerely,

Bill Sheffield
Governor

James
3/4/86
#2

Original sponsor: Rules/governor

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE ON STATE LOANS

CS FOR HOUSE BILL NO. 519 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to public finance; and providing for an effective date."

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

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

(1) sue and be sued;

(2) receive and hold real and personal property;

(3) contract and be contracted with;

(4) adopt, use and alter a corporate seal;

(5) borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services, which obligations secure, in whole or in part, debt issued by another party, as approved by the state bond committee under AS 37.15.770 and approved by law; an appropriation does not constitute approval by law for purposes of this paragraph;

(6) do and have done all matters necessary for the purpose of any function set out [FORTH] in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to

annual appropriation. If the board intends to enter into an agreement under this subsection, the board shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The board may not enter into an agreement under this section unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 3. AS 18.55.100(a)(15) is amended to read:

(15) acting as the Alaska State Building Authority arrange or contract for the financing or [, DESIGN, CONSTRUCTION AND] acquisition of public buildings designed by, constructed by, or whose acquisition has been approved by the Department of Transportation and Public Facilities for lease to the state in accordance with AS 18.55.-010 - 18.55.290 and AS 37.15.770.

* Sec. 4. AS 18.55.140 is amended to read:

Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS. The authority may issue bonds and notes from time to time in its discretion for any of its corporate purposes and may issue refunding bonds for the purpose of paying or retiring bonds previously issued by it. The authority may not issue bonds for public buildings until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770 and the building has been approved by law. An appropriation for the building does not constitute approval by law for purposes of this section.

* Sec. 5. AS 18.55.140 is amended by adding a new subsection to read:

(b) Bonds issued by the authority for public buildings must be

issued in the name of the Alaska State Building Authority and are subject to AS 18.55.010 - 18.55.290.

* Sec. 6. AS 18.55.288 is amended by adding a new paragraph to read:

(4) "bond" means any bond, note, interim certificate, debenture, or other obligation issued by the authority or the authority acting as the Alaska State Building Authority under AS 18.55.010 - 18.55.290;

* Sec. 7. AS 22.05.025 is amended by adding a new subsection to read:

(c) The supreme court may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the supreme court intends to enter into an agreement under this subsection, the supreme court shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The supreme court may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 8. AS 24.23 is amended by adding new sections to read:

ARTICLE 2. LEASE AGREEMENTS.

Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency may lease necessary office space, and contract for the lease of space, for the use of the Alaska legislature and its employees.

Sec. 24.23.110. The Legislative Affairs Agency may enter into lease-financing agreements only with the Alaska State Housing

Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the agency intends to enter into an agreement under this subsection, the agency shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The agency may not enter into an agreement under this section unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 9. AS 37.05.280 is amended to read:

Sec. 37.05.280. LEASES. The department shall lease necessary space, and contract for the lease of space, for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 - 37.05.-280. A [NO] lease or contract for a lease may not provide for a period of occupancy greater than 40 years. A lease agreement must provide that lease payments are subject to annual appropriation. An agency of the state requiring office, warehouse, or other space shall lease the space through the department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966, WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF $12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE LEGISLATURE BY CONCURRENT RESOLUTION.]

* Sec. 10. AS 37.05 is amended by adding a new section to read:

Sec. 37.05.285. LEASE FINANCING. The department may enter into

lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the department intends to enter into an agreement under this subsection, the department shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The department may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 11. AS 37.15.040 is amended to read:

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 <u>the</u> [SUCH] manner [AS] it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder <u>or bidders</u>. 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.

* Sec. 12. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created <u>within the Department of Revenue</u> 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 <u>IN THE</u>

DEPARTMENT~~E~~ shall act as a member of the committee in the member's place.

* Sec. 13. AS 37.15.130 is amended to read:

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. For the purpose of this chapter and AS 44.62.310, public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 14. AS 37.15.140 is amended to read:

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 state general obligation bonds.

* Sec. 15. AS 37.15.140 is amended by adding new subsections to read:

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before March 31 of each year. The report must show

(1) all outstanding debt of debt-issuing entities of the state;

(2) the anticipated effect on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness, resulting from that debt;

(3) which long-term debt is state supported and which is supported only by revenue attributable to the project being financed

by the debt;

(4) all long-term capital lease obligations of the state;

(5) the volume of short-term debt issued and retired during the year by debt-issuing entities of the state;

(6) specific identification of each issue for which the state has pledged some form of indirect support for the debt, including any moral obligation of the state to support the debt; STATE GUARANTEE BONDS

(7) future bonding and debt capacity implications of legislation enacted in the previous legislative session; and

(8) the recommended debt issuance capacity of the state for the next two years following the year of the report.

(c) The state bond committee may develop written policies concerning debt of the state.

* Sec. 16. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may, with approval of the committee, select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. 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 [OFFICE] of the Governor [GOVERNOR] or otherwise.

* Sec. 17. AS 37.15.450(a) is amended to read:

(a) The bonds shall be sold in the manner, price or prices, [SUCH] amounts or series, and at the [SUCH] time or times [AS]

determined by the committee at either public or private sale. [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.

* Sec. 18. AS 37.15.460 is amended to read:

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 where a [WHETHER THE] notice of sale, if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.450].

* Sec. 19. AS 37.15.650(a) is amended to read:

(a) The toll facilities bonds are sold in the manner, price or prices, amounts or series, and at the time as determined by the committee, at either public or private sale. [BEFORE SELLING A SERIES OF

BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS. IF SATISFACTORY BIDS ARE RECEIVED, THE BONDS OFFERED FOR SALE ARE AWARDED TO THE HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT A BID RECEIVED IS NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE BIDDER, THE COMMITTEE MAY REJECT THE BID RECEIVED.] Bonds, or a series of bonds, may not be sold if the effective interest rate over the life of the bonds exceeds 11 percent per year or that rate of interest that 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 is payable annually or semiannually.

* Sec. 20. AS 37.15.660 is amended to read:

Sec. 37.15.660. 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 <u>where a</u> [WHETHER THE] notice of sale<u>, if any,</u> is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.650].

* Sec. 21. AS 37.15 is amended by adding new sections to read:

ARTICLE 5. STATE-SUPPORTED DEBT.

Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond committee shall review proposals for the issuance of debt by or on behalf of

(1) the Alaska State Housing Authority acting as the Alaska State Building Authority for the purpose of providing public

buildings; and

(2) the University of Alaska.

(b) The committee may review the general programs and financing plans of the agency that proposes to issue the debt as well as the specific aspects of the proposed debt issue, including

(1) amounts;

(2) times;

(3) maturities;

(4) debt structure and security features;

(5) credit enhancements;

(6) use of proceeds;

(7) official documents;

(8) planned rating agency presentations; and

(9) selection, retention, or compensation of financial advisors, bond counsel, trustees, underwriters, and other professionals.

G.O. DEBT

(c) The state bond committee shall consider approval of the amount and time of sale of the debt. The committee shall approve the issuance of the debt if, in its judgment, issuance of the debt is in the best interests of the state. The committee may limit approval of the issuance of debt upon compliance with terms established by the committee.

(d) At the time of sale of the debt, the state bond committee shall review the bids or pricing of the debt, including discounts, underwriting spreads, and interest rates. If the committee determines that the bids or prices are not satisfactory or that the bidders are not responsible, the agency may not sell the debt.

Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the state bond committee, in its judgment, determines that the amount or

retirement of debt issued by municipalities and subject to reimbursement by the state under AS 14.11.100 is not in the best interest of the state, the committee may

(1) establish an amount or amounts, for any or all years before the maturity of all of that municipal debt, that may not be exceeded by the Department of Education in approving requests under AS 14.11.103; or

(2) establish, under AS 14.11.100(j)(3), a term required for the maturities of municipal debt authorized by local voters after March 31, 1986.

* Sec. 22. AS 39.25.120(c) is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 23. This Act takes effect immediately in accordance with AS 01.-10.070(c).

DO NOT PASS

James
3/3/86

Original sponsor: Rules/governor

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE ON STATE LOANS

CS FOR HOUSE BILL NO. 519 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

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(4) adopt, use and alter a corporate seal;

~~(5)~~ borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services, which obligations secure, in whole or in part, debt issued by another party, as approved by the state bond committee under AS 37.15.770;

(6) do and have done all matters necessary for the purpose of any function set out [FORTH] in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the board intends to enter into an agreement under this subsection, the board shall provide notice to the

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* Sec. 3. AS 18.55.100(a)(15) is amended to read:

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(4) "bond" means any bond, note, interim certificate, debenture, or other obligation issued by the authority or the authority acting as the Alaska State Building Authority under AS 18.55.010 - 18.55.290;

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(c) The supreme court may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the supreme court intends to enter into an agreement under this subsection, the supreme court shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to e issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The supreme court may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

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* Sec. 9. AS 37.05.280 is amended to read:

Sec. 37.05.280. LEASES. The department shall lease necessary space, and contract for the lease of space, for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 - 37.05.280. A [NO] lease or contract for a lease may not provide for a period of occupancy greater than 40 years. An agency of the state requiring office, warehouse, or other space shall lease the space through the department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966, WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF $12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE LEGISLATURE BY CONCURRENT RESOLUTION.]

* Sec. 10. AS 37.05 is amended by adding a new section to read:

Sec. 37.05.285. LEASE FINANCING. The department may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the department intends to enter into an agreement

under this subsection, the department shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment, the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority, and the anticipated total construction or acquisition cost of the project. The department may not enter into an agreement under this subsection unless the public building to be provided has been approved by law. An appropriation for the project does not constitute approval by law for purposes of this section.

* Sec. 11. AS 37.15.040 is amended to read:

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 <u>the</u> [SUCH] manner [AS] it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder <u>or bidders</u>. 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.

* Sec. 12. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created <u>within the Department of Revenue</u> 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.

* Sec. 13. AS 37.15.130 is amended to read:

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. For the purpose of this chapter and AS 44.62.310, public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 14. AS 37.15.140 is amended to read:

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 state general obligation bonds.

* Sec. 15. AS 37.15.140 is amended by adding new subsections to read:

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before March 31 of each year. The report must show

(1) all outstanding debt of debt-issuing entities of the state;

(2) the anticipated effect on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness, resulting from that debt;

(3) which long-term debt is state supported and which is supported only by revenue attributable to the project being financed by the debt;

(4) all long-term capital lease obligations of the state;

(5) the volume of short-term debt issued and retired during

the year by debt-issuing entities of the state;

(6) specific identification of each issue for which the state has pledged some form of indirect support for the debt, including any moral obligation of the state to support the debt;

(7) future bonding and debt capacity implications of legislation enacted in the previous legislative session; and

(8) the recommended debt issuance capacity of the state for the next two years following the year of the report.

(c) The state bond committee may develop written policies concerning debt of the state.

* Sec. 16. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may, with approval of the committee, select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. 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 [OFFICE] of the Governor [GOVERNOR] or otherwise.

* Sec. 17. AS 37.15.450(a) is amended to read:

(a) The bonds shall be sold in the manner, price or prices, [SUCH] amounts or series, and at the [SUCH] time or times [AS] determined by the committee at either public or private sale. [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.

* Sec. 18. AS 37.15.460 is amended to read:

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 <u>where a</u> [WHETHER THE] notice of sale<u>, if any,</u> is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.450].

* Sec. 19. AS 37.15.650(a) is amended to read:

(a) The toll facilities bonds are sold in the <u>manner, price or prices,</u> amounts or series<u>,</u> and at the time as determined by the committee<u>, at either public or private sale</u>. [BEFORE SELLING A SERIES OF BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS. IF SATISFACTORY BIDS ARE RECEIVED, THE BONDS OFFERED FOR SALE ARE AWARDED TO THE HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT A

BID RECEIVED IS NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE BIDDER, THE COMMITTEE MAY REJECT THE BID RECEIVED.] Bonds, or a series of bonds, may not be sold if the effective interest rate over the life of the bonds exceeds 11 percent per year or that rate of interest that 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 is payable annually or semiannually.

* Sec. 20. AS 37.15.660 is amended to read:

Sec. 37.15.660. 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 <u>where a</u> [WHETHER THE] notice of sale<u>, if any,</u> is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION REQUIRED BY AS 37.15.650].

* Sec. 21. AS 37.15 is amended by adding new sections to read:

ARTICLE 5. STATE-SUPPORTED DEBT.

Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond committee shall review proposals for the issuance of debt by or on behalf of

(1) the Alaska State Housing Authority acting as the Alaska State Building Authority for the purpose of providing public buildings; and

(2) the University of Alaska.

(b) The committee may review the general programs and financing

plans of the agency that proposes to issue the debt as well as the specific aspects of the proposed debt issue, including

(1) amounts;

(2) times;

(3) maturities;

(4) debt structure and security features;

(5) credit enhancements;

(6) use of proceeds;

(7) official documents;

(8) planned rating agency presentations; and

(9) selection, retention, or compensation of financial advisors, bond counsel, trustees, underwriters, and other professionals.

(c) The state bond committee shall consider approval of the amount and time of sale of the debt. The committee shall approve the issuance of the debt if, in its judgment, issuance of the debt is in the best interests of the state. The committee may limit approval of the issuance of debt upon compliance with terms established by the committee.

(d) At the time of sale of the debt, the state bond committee shall review the bids or pricing of the debt, including discounts, underwriting spreads, and interest rates. If the committee determines that the bids or prices are not satisfactory or that the bidders are not responsible, the agency may not sell the debt.

Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the state bond committee, in its judgment, determines that the amount or retirement of debt issued by municipalities and subject to reimbursement by the state under AS 14.11.100 is not in the best interest of the state, the committee may

(1) establish an amount or amounts, for any or all years before the maturity of all of that municipal debt, that may not be exceeded by the Department of Education in approving requests under AS 14.11.103; or

(2) establish, under AS 14.11.100(j)(3), a term required for the maturities of municipal debt authorized by local voters after March 31, 1986.

* Sec. 22. AS 39.25.120(c) is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 23. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Cook ✓

A M E N D M E N T

Offered in the HOUSE By Sund

TO: CSHB 521(Loans)

Page 2, line 8:

Delete "seven" and insert "five"

Page 3, line 11:

Delete "." and insert ";"

Page 3, after line 11 insert the following new paragraph to read:

"(8) school construction debt for which reimbursement by the state is authorized under AS 14.11.100."

DOR

Introduced: 1/27/86
Referred: House Special Committee on State Loans
Community & Regional Affairs and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 521

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

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

Section 1. AS 29.47.190(b) is amended to read:

(b) Before a general obligation bond issue election, the governing body shall have published a notice of the total existing bond indebtedness at least once a week for three consecutive weeks. The first notice must (SHALL) be published at least 20 days before the date of the election. A notice must (SHALL) include

(1) the current total general obligation bonded indebtedness, including authorized but unsold bonds, of the municipality and the current total general obligation bonded indebtedness, including authorized but unsold bonds, of any other municipalities which may be payable from taxes on taxable property in the municipality;

(2) the cost of the debt service on the current

indebtedness;

(3) the total assessed value of <u>taxable</u> property in the municipality;

<u>(4) the full value of taxable property as determined by the Department of Community and Regional Affairs under AS 14.17.140</u>.

* Sec. 2. AS 29.47 is amended by adding a new section to read:

Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) No general obligation bond authorization shall be finally adopted by a municipality unless the net debt of the municipality at the time of adoption of the bond authorization does not exceed 7 percent of average assessed valuation.

(b) Notwithstanding the provisions in (a) of this section, a bond authorization may be finally adopted if the bond authorization authorizes obligations solely for one of the following:

(1) to meet an expenditure which is the result of a natural disaster;

(2) to meet an expenditure which is necessary to protect the public health;

(3) for a purpose which is self-liquidating; or

(4) to refund existing debt.

(c) For purposes of this section the following terms shall have meanings as follows:

(1) "average assessed valuation" means the average of the full value of taxable property for the last two years as determined by the Department of Community and Regional Affairs under AS 14.17.140.

(2) "bond" or "debt" means bonds, notes, or other obligations.

(3) "bond authorization" means the action completed after the bond election by the governing body of the municipality which authorizes a specific amount of general obligation debt of the municipality for a specified purpose but need not include action to fix the rate or rates of interest on the debt or include action to fix further details of the debt or action to sell the debt.

(4) "self liquidating debt" is debt for which the cash receipts from fees, rents, or other charges (other than taxes) in a fiscal year pledged to pay the debt are sufficient to meet operating and maintenance costs (exclusive of depreciation and obsolescence) and interest and debt redemption charges payable or accruing in such year without recourse to general taxation.

(5) "net debt" means all general obligation debt issued, and all general obligation debt authorized but not issued, after deducting the following general obligation debt issued and authorized but not issued:

(A) bond anticipation notes;

(B) revenue anticipation notes issued

pursuant to Art. IX, Section 10, Alaska Constitution;

(C) self-liquidating debt; and

(D) debt for which there are funds on hand or sinking funds pledged to the payment thereof including the proceeds of any bonds or notes held for that purpose.

* Sec. 3. AS 29.10.200 is amen ed by adding a new subsection to read, and renumbering existing subsections accordingly:

(42) AS 29.47.195 (limitation on municipal debt)

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

DRAFT

EEW/val
2-13-86

Introduced: 1/27/86
Referred: House Special Committee on State Loans, Community & Regional Affairs and Finance

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IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 521

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

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

* Section 1. AS 29.47.190(b) is amended to read:

(b) Before a general obligation bond issue election, the governing body shall have published a notice of the total existing bond indebtedness at least once a week for three consecutive weeks. The first notice must (SHALL) be published at least 20 days before the date of the election. A notice must (SHALL) include

(1) the current total general obligation bonded indebtedness, including authorized but unsold bonds of the municipality;

(2) the cost of the debt service on the current indebtedness;

(3) the total assessed value of taxable property in the municipality;

(4) the full value of taxable property as determined by the Department of Community and Regional Affairs under AS 14.17.140.

* Sec. 2. AS 29.47 is amended by adding a new section to read:

Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) No general obligation bond authorization shall be finally adopted by a municipality unless the net debt of the municipality at the time of adoption of the bond authorization does not exceed seven percent of average assessed valuation.

(b) Notwithstanding the provisions in (a) of this section, a bond authorization may be finally adopted if the bond authorization authorizes obligations solely for one of the following:

(1) to meet an expenditure which is the result of a natural disaster;

(2) to meet an expenditure which is necessary to protect the public health;

(3) for a purpose which is self-liquidating; or

(4) to refund existing debt.

(c) For purposes of this section the following terms shall have meanings as follows:

(1) "average assessed valuation" means the average of the full value of taxable property for the last two years as determined by the Department of Community and Regional Affairs under AS 14.17.140.

(2) "bond" or "debt" means bonds, notes or other obligations.

(3) "bond authorization" means the action completed after the bond election of the governing body of the municipality which authorizes a specified amount of general

obligation debt of the municipality for a specified purpose but need not include action to fix the rate or rates of interest on the debt or include action to fix further details of the debt or action to sell the debt.

(4) "self liquidating Debt" is debt for which the cash receipts from fees, rents or other charges (other then taxes) in a fiscal year pledged to pay the debt are sufficient to meet operating and maintenance costs (exclusive of depreciation and obsolescence) and interest and debt redemption charges payable or accruing in such year without recourse to general taxation.

(5) "net debt" means all general obligation debt issued, and all general obligation debt authorized but not issued, after deducting the following general obligation debt issued, and authorized but not issued:

(a) as bond anticipation notes in anticipation of bonds;

(b) as revenue anticipation notes issued pursuant to Art. IX, Section 10, Alaska Constitution;

c. as self-liquidating debt; and

d. for which there are funds on hand or sinking funds applicable to the payment thereof only including the proceeds of any bonds or notes held for that purpose and any accounts receivable or amounts which may be payable from the United States, the state or any public instrumentality thereof, which funds are applicable only to the payment of any part of the debt not otherwise deductible.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Table
As of 01/22/86

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
Group 1	Aa1	AA	Connecticut	-.10	-.10	-.10	-.10
	Aaa	AA	Georgia	-.10	-.10	-.10	-.10
	Aaa	AAA	Maryland	-.10	-.10	-.10	-.10
	Aaa	AAA	New Jersey	-.10	-.10	-.10	-.10
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	Utah	-.10	-.10	-.10	-.10
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.10
Group 2 (BASE GROUP)	Aa	AA+	California	6.10	7.00	7.50	7.70
	Aaa	AAA	Missouri*	6.10	7.00	7.50	7.70
	Aaa	NR	Oklahoma*	6.10	7.00	7.50	7.70
	Aaa	AA+	Tennessee	6.10	7.00	7.50	7.70
	Aaa	AAA	Texas	6.10	7.00	7.50	7.70
Group 3	Aa	AA	Alabama	+.05	+.05	+.10	+.10
	Aa	AA	Delaware	+.05	+.05	+.10	+.10
	Aa	AA	Montana*	+.05	+.05	+.10	+.10
Group 4	A	A+	New York	6.20	7.20	7.70	7.90
	Aa	AA	Kentucky	+.10	+.10	+.10	+.20
	Aa1	AAA	Maine	+.10	+.10	+.10	+.20
	A1	AA	Massachusetts	+.10	+.10	+.10	+.20
	Aa	AA+	Minnesota	+.10	+.10	+.10	+.20
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.20
	Aa	AA	New Mexico*	+.10	+.10	+.10	+.20
	Aa	AA	Ohio	+.10	+.10	+.10	+.20
Group 5	Aa	AA	Florida	+.15	+.15	+.20	+.25
	Aa	AA	Hawaii	+.15	+.15	+.20	+.25
	Aaa	AA+	Illinois	+.15	+.15	+.20	+.25
	Aa	AA	Nevada	+.15	+.15	+.20	+.25
	Aa	AA-	Rhode Island	+.15	+.15	+.20	+.25
	Aa	AA	Wisconsin	+.15	+.15	+.20	+.25
Group 6	Aa	AA-	Alaska	+.20	+.20	+.40	+.35
	Aa	AA	New Hampshire*	+.20	+.20	+.40	+.35
	A	AA-	Pennsylvania	+.20	+.20	+.40	+.35
	Aa	NR	Vermont	+.20	+.20	+.40	+.35
Group 7	A1	AA-	Louisiana	+.25	+.30	+.50	+.50
	Aa	AA	North Dakota*	+.25	+.30	+.50	+.50
	A1	A+	Oregon	+.25	+.30	+.50	+.50
	A1	AA-	West Virginia	+.25	+.30	+.50	+.50
Group 8	A	AA-	Washington	+.30	+.40	+.60	+.60
Group 9	A	A+	Michigan	+.40	+.60	+.60	+.65
Group 10	Baa1	A	Puerto Rico	+.60	+.80	+.85	+.75

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Idaho, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have little or no outstanding state general obligation debt.

*** NR = not rated.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/2/85

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
Group 1	Aaa	AA	Georgia	-.10	-.10	-.10	-.10
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.10
	Aaa	NR	Oklahoma*	-.10	-.10	-.10	-.10
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	Utah	-.10	-.10	-.10	-.10
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.10
Group 2 (BASE GROUP)	Aa	AA	Connecticut	7.25	8.40	9.10	9.35
	Aaa	AAA	Missouri*	7.25	8.40	9.10	9.35
	Aal	AA	Montana*	7.25	8.40	9.10	9.35
	Aaa	AAA	Maryland	7.25	8.40	9.10	9.35
	Aaa	AAA	New Jersey	7.25	8.40	9.10	9.35
	Aaa	AA+	Tennessee	7.25	8.40	9.10	9.35
	Aaa	AAA	Texas	7.25	8.40	9.10	9.35
Group 3	Aa	AA	Alabama	+.10	+.10	+.20	+.10
	Aa	AA	California	+.10	+.10	+.20	+.10
	Aa	AA	Delaware	+.10	+.10	+.20	+.10
	Aa	AA	Florida	+.10	+.10	+.20	+.10
	Aa	AA	Kentucky	+.10	+.10	+.20	+.10
	Aa	AA-	Mississippi*	+.10	+.10	+.20	+.10
	Aal	AA	New Mexico*	+.10	+.10	+.20	+.10
Group 4	Aa	AA	Louisiana	+.15	+.15	+.30	+.20
	Aal	AAA	Maine	+.15	+.15	+.30	+.20
	Aa	AA	Minnesota	+.15	+.15	+.30	+.20
	Aa	AA	Nevada	+.15	+.15	+.30	+.20
	Aa	AA-	Rhode Island	+.15	+.15	+.30	+.20
	Aa	AA	Ohio	+.15	+.15	+.30	+.20
	Aa	AA	Wisconsin	+.15	+.15	+.30	+.20
Group 5	A	A+	New York	7.50	8.40	9.40	9.60
Group 6	Aa	AA-	Alaska	+.20	+.20	+.40	+.30
	Aa	AA	Hawaii	+.20	+.20	+.40	+.30
	Aaa	AA+	Illinois	+.20	+.20	+.40	+.30
	Al	AA	Massachusetts	+.20	+.20	+.40	+.30
	Al	AA-	New Hampshire*	+.20	+.20	+.40	+.30
	Aa	AA	North Dakota*	+.20	+.20	+.40	+.30
	A	A+	Pennsylvania	+.20	+.20	+.40	+.30
	Aa	NR	Vermont	+.20	+.20	+.40	+.30
	Al	AA+	West Virginia	+.20	+.20	+.40	+.30
Group 7	Al	AA	Oregon	+.25	+.35	+.55	+.50
Group 8	A	AA-	Washington	+.30	+.45	+.65	+.65
Group 9	Baal	A	Puerto Rico	+.75	+.90	+.90	+.90
Group 10	A	A+	Michigan	+.75	+1.00	+1.00	+1.00

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Idaho, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have little or no outstanding state general obligation debt.

*** NR = not rated.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/4/84

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
Group 1	Aaa	AA	Georgia	-.10	-.10	-.10	-.05
	Aaa	AAA	Missouri*	-.10	-.10	-.10	-.05
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.05
	Aaa	NR	Oklahoma*	-.10	-.10	-.10	-.05
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.05
	Aaa	AAA	Texas	-.10	-.10	-.10	-.05
	Aaa	AAA	Utah	-.10	-.10	-.10	-.05
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.05
Group 2	Aa1	AA	Montana*	7.40	8.40	9.10	9.35
(BASE GROUP)	Aaa	AAA	Maryland	7.40	8.40	9.10	9.35
	Aa	AA	North Dakota*	7.40	8.40	9.10	9.35
	Aaa	AA+	Tennessee	7.40	8.40	9.10	9.35
	Aaa	AAA	New Jersey	7.40	8.40	9.10	9.35
Group 3	A	A+	New York	7.50	8.50	9.20	9.40
Group 4	Aa	AA	Alabama	+.10	+.10	+.10	+.15
	Aa	AA	California	+.10	+.10	+.10	+.15
	Aa	AA-	Connecticut	+.10	+.10	+.10	+.15
	Aa	AA	Kentucky	+.10	+.10	+.10	+.15
	Aa	AA	Louisiana	+.10	+.10	+.10	+.15
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.15
	Aa1	AA	New Mexico*	+.10	+.10	+.10	+.15
Group 5	Aa	AA-	Alaska	+.15	+.15	+.15	+.25
	Aa	AA	Delaware	+.15	+.15	+.15	+.25
	Aa	AA	Florida	+.15	+.15	+.15	+.25
	Aaa	AA+	Illinois	+.15	+.15	+.15	+.25
	Aa1	AAA	Maine	+.15	+.15	+.15	+.25
	Aa	AA	Minnesota	+.15	+.15	+.15	+.25
	Aa	AA	Ohio	+.15	+.15	+.15	+.25
	Aa	AA+	Wisconsin	+.15	+.15	+.15	+.25
Group 6	Aa	AA	Hawaii	+.20	+.25	+.25	+.35
	Aa	AA	Nevada	+.20	+.25	+.25	+.35
	Aa	AA-	Rhode Island	+.20	+.25	+.25	+.35
	Aa	NR	Vermont	+.20	+.25	+.25	+.35
	A1	AA+	West Virginia	+.20	+.25	+.25	+.35
Group 7	A1	AA-	Massachusetts	+.30	+.45	+.40	+.50
	A1	AA-	New Hampshire*	+.30	+.45	+.40	+.50
Group 8	A1	AA	Oregon	+.45	+.60	+.70	+.55
	A	A+	Pennsylvania	+.30	+.50	+.50	+.55
Group 9	A	AA-	Washington	+.50	+.75	+.80	+.80
Group 10	Baa1	A+	Michigan	+.75	+1.00	+1.00	+1.10
Group 11	Baa1	A	Puerto Rico	+1.25	+1.40	+1.30	+1.15

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Idaho, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have little or no outstanding state general obligation debt.

*** NR = not rated.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/5/83

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
Group 1	Aaa	AA	Georgia	-.10	-.10	-.15	-.15
	Aa	AA	Idaho*	-.10	-.10	-.15	-.15
	Aaa	AAA	Missouri*	-.10	-.10	-.15	-.15
	Aa1	AA	Montana*	-.10	-.10	-.15	-.15
	Aaa	AAA	North Carolina	-.10	-.10	-.15	-.15
	Aa	AA	North Dakota*	-.10	-.10	-.15	-.15
	Aaa	NR	Oklahoma*	-.10	-.10	-.15	-.15
	Aaa	AAA	South Carolina	-.10	-.10	-.15	-.15
	Aaa	AA+	Tennessee*	-.10	-.10	-.15	-.15
	Aaa	AAA	Texas*	-.10	-.10	-.15	-.15
	Aaa	AAA	Utah*	-.10	-.10	-.15	-.15
	Aaa	AAA	Virginia*	-.10	-.10	-.15	-.15
Group 2 (BASE GROUP)	Aaa	AAA	Maryland	6.30%	7.50%	8.50%	8.75%
	Aaa	AAA	New Jersey	6.30	7.50	8.50	8.75
Group 3	Aa	AA	Alabama*	+.10	+.10	+.10	+.10
	Aa	AA	Kentucky	+.10	+.10	+.10	+.10
	Aa	AA	Louisiana*	+.10	+.10	+.10	+.10
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.10
	Aa1	AA	New Mexico*	+.10	+.10	+.10	+.10
Group 4	Aa	AA-	Alaska	+.20	+.20	+.20	+.20
	Aa	AA+	California	+.20	+.20	+.20	+.20
	Aa	AA	Florida	+.20	+.20	+.20	+.20
	Aaa	AAA	Illinois	+.20	+.20	+.20	+.20
	Aa1	AAA	Maine	+.20	+.20	+.20	+.20
	Aa	AA	Minnesota*	+.20	+.20	+.20	+.20
	Aa	AA	Nevada	+.20	+.20	+.20	+.20
	Aa	AA+	Wisconsin	+.20	+.20	+.20	+.20
Group 5	Aa	AA-	Connecticut	+.25	+.30	+.35	+.35
	Aa	AA	Delaware	+.25	+.30	+.35	+.35
	Aa	AA	Hawaii	+.25	+.30	+.35	+.35
	Aa	AA	Ohio	+.25	+.30	+.35	+.35
	Aa	AA-	Rhode Island	+.25	+.30	+.35	+.35
	Aa	NR	Vermont	+.25	+.30	+.35	+.35
	A1	AA+	West Virginia	+.25	+.30	+.35	+.35
Group 6	A1	NR	New Hampshire*	+.40	+.40	+.50	+.65
	A1	AA	Oregon	+.50	+.50	+.50	+.65
Group 7	A	A+	Pennsylvania	+.40	+.40	+.50	+.75
Group 8	A1	AA-	Massachusetts	+.50	+.50	+.60	+.85
	A	AA-	Washington	+.50	+.50	+.60	+.85
Group 9	A	A+	New York	+1.95	+1.40	+1.00	+1.00
Group 10	Baa1	A+	Michigan	+1.00	+1.10	+1.20	+1.25
Group 11	Baa1	A	Puerto Rico	+2.70	+3.25	+2.50	+2.50

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have no outstanding state general obligation debt.

*** NR = not reviewed.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Marilyn Madden
Sr. Fixed Income Analyst
Fixed Income Research Department

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/6/82

	Moody's	S&P	Merrill Lynch Trading Equivalent		5 Years	10 Years	15 Years	20 Years
Group 1	Aa	Aa	NR	Idaho*	-.10	-.15	-.20	-.20
	Aaa	AAA	High-Range Triple A	Missouri*	-.10	-.15	-.20	-.20
	Aa1	AA	Low-Range Triple A	Montana*	-.10	-.15	-.20	-.20
	Aaa	AAA	Mid-Range Triple A	North Carolina*	-.10	-.15	-.20	-.20
	Aaa	NR	NR	North Dakota*	-.10	-.15	-.20	-.20
	Aaa	NR	NR	Oklahoma*	-.10	-.15	-.20	-.20
	Aaa	AAA	High-Range Triple A	Texas*	-.10	-.15	-.20	-.20
	Aaa	AAA	Mid-Range Triple A	Utah*	-.10	-.15	-.20	-.20
	Aaa	AAA	High-Range Triple A	Virginia*	-.10	-.15	-.20	-.20
Group 2	Aa	AA	NR	Alabama*	-.05	-.05	-.10	-.10
	Aaa	AA	NR	Georgia	-.05	-.05	-.10	-.10
	Aa	AA	NR	Kentucky*	-.05	-.05	-.10	-.10
	Aa	AA	NR	New Mexico*	-.05	-.05	-.10	-.10
	Aaa	AAA	High-Range Double A	South Carolina*	-.05	-.05	-.10	-.10
	Aaa	AA+	NR	Tennessee*	-.05	-.05	-.10	-.10
Group 3 (BASE GROUP)	Aa	AA	Mid-Range Double A	Louisiana*	10.00%	11.10%	11.90%	12.30%
	Aaa	AAA	High-Range Double A	Maryland	10.00	11.10	11.90	12.30
	Aaa	AA+	Mid-Range Double A	Minnesota*	10.00	11.10	11.90	12.30
	Aa	AA-	Mid-Range Double A	Mississippi*	10.00	11.10	11.90	12.30
	Aaa	NR	High-Range Double A	New Hampshire*	10.00	11.10	11.90	12.30
	Aaa	AAA	NR	New Jersey	10.00	11.10	11.90	12.30
	Aaa	AA+	High-Range Double A	Wisconsin	10.00	11.10	11.90	12.30
Group 4	Aaa	AAA	Mid-Range Double A	Illinois	+.10	+.10	+.10	+.10
Group 5	Aa	AA-	Mid-Range Double A	Alaska	+.10	+.10	+.15	+.15
	Aa	AA+	Low-Range Double A	California	+.10	+.10	+.15	+.15
Group 6	Aa	AAA	High-Range Double A	Maine	+.10	+.15	+.20	+.20
	Aa	AA	Mid-Range "Aa/AA"	Nevada	+.10	+.15	+.20	+.20
	Aa	AA+	NR	Ohio	+.15	+.15	+.20	+.20
	Aa	AA	NR	Rhode Island	+.10	+.15	+.20	+.20
	Aa	Nh	Low-Range Double A	Vermont	+.10	+.15	+.20	+.20
Group 7	A1	AA+	Low-Range Double A	West Virginia	+.15	+.15	+.20	+.30
Group 8	Aa	AA-	High-Range "A1/A+"	Connecticut	+.20	+.20	+.30	+.40
	Aa	AA	Low-Range Triple A	Florida	+.10	+.15	+.25	+.40
Group 9	A	AA-	Mid-Range "A1/A+"	New York	+1.50	+1.15	+.60	+.45
	Aa	AA	High-Range Double A	Oregon	+.20	+.30	+.40	+.45
Group 10	A1	AA	High-Range Single A	Delaware	+.40	+.60	+.60	+.70
	Aa	AA	Mid-Range "A1/A+"	Hawaii	+.40	+.60	+.60	+.70
Group 11	A	A+	Low-Range "A1/A+"	Pennsylvania	+.60	+.65	+.65	+.85
	A1	AA	High-Range "A1/A+"	Washington	+.60	+.65	+.65	+.85
Group 12	A1	AA-	Low-Range "A1/A+"	Massachusetts	+.75	+.75	+.75	+1.00
	A	A+	Mid-Range "Baa1/BBB+"	Michigan	+.75	+.75	+.75	+1.00
Group 13	Baa1	A	Mid-Range "Baa1/BBB+"	Puerto Rico	+2.00	+3.15	+2.00	+2.20

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have no outstanding state general obligation debt.

*** NR = not reviewed.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

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Fixed Income Research Department

Alex J. Marcinkiewcz
Asst. Vice President
Municipal Bond Department

Introduced: 1/27/86
Referred: House Special Committee on State Loans, Judiciary and Finance

(LANDLORD) (TENANT) ASHA. MEMORANDUM OF REAL ESTATE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

IN THE HOUSE

HOUSE BILL NO. 519

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to public finance; and providing for an effective date."

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

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

(1) sue and be sued;

(2) receive and hold real and personal property;

(3) contract and be contracted with;

(4) adopt, use and alter a corporate seal;

(5) borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services, which obligations secure, in whole or in part, debt issued by another party, as approved by the state bond committee under AS 37.15.770;

(6) do and have done all matters necessary for the purpose of any functions set forth in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the board intends to enter into an agreement under this subsection, the board shall provide notice to the

legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority The board may not enter into an agreement under this section until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

* Sec. 3. AS 18.55.100(a)(15) is amended to read:

(15) acting as the Alaska State Building Authority arrange or contract for the financing or [, DESIGN, CONSTRUCTION AND] acquisition of public buildings designed by, constructed by, or whose acquisition has been approved by the Department of Transportation and Public Facilities for lease to the state in accordance with AS 18.55.-010 -- 18.55.290 and AS 37.15.770.

* Sec. 4. AS 18.55.140 is amended to read:

Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS. (a) The authority may issue bonds and notes from time to time in its discretion for any of its corporate purposes and may issue refunding bonds for the purpose of paying or retiring bonds previously issued by it. The authority may not issue bonds for public buildings until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

(b) Bonds issued by the authority for public buildings must be issued in the name of the Alaska State Building Authority and are subject to AS 18.55.010 -- 18.55.290.

* Sec. 5. AS 18.55.288 is amended to read:

Sec. 18.55.288. DEFINITIONS. In AS 18.55.010 -- 18.55.290[:]

(1) "authority" means the Alaska State Housing Authority;

(2) "bond" means any bond, note, interim certificate,

debenture, or other obligation issued by the authority or the authority acting as the Alaska State Building Authority under AS 18.55.-010 -- 18.55.290 ["PUBLIC BUILDINGS" MEANS A PUBLICLY OWNED STRUCTURE LEASED TO THE STATE FOR GOVERNMENTAL, PUBLIC OR EDUCATIONAL USE];

(3) "project site" means area devoted for a public housing project;

(4) "public buildings" means a publicly owned structure leased to the state for governmental, public, or educational use.

* Sec. 6. AS 22.05.025 is amended to read:

Sec. 22.05.025. COURT FACILITIES. (a) The supreme court has authority over all matters relating to the planning, design, construction, maintenance, occupancy, leasing, and operation of all court facilities and shall cooperate and coordinate with the Department of Transportation and Public Facilities so that court facility construction projects are carried out in accordance with the statutes and regulations applicable to state public works projects.

(b) The supreme court may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the supreme court intends to enter into an agreement under this subsection, the supreme court shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. The supreme court may not enter into an agreement under this subsection until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

(c) In this section, "court facility" means a state facility in

which 75 percent or more of the net usable space is occupied by the court system and other justice-related agencies.

* Sec. 7. AS 24.23 is amended by adding a new article to read:

ARTICLE 2. LEASE AGREEMENTS.

Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency may lease necessary office space, and contract for the lease of space, for the use of the Alaska legislature and its employees. The Legislative Affairs Agency shall adopt regulations that establish procedures for the lease of space which are substantially comparable to the procedures under AS 37.05.280 governing the lease of space for state agencies.

Sec. 24.23.110. The Legislative Affairs Agency may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the agency intends to enter into an agreement under this subsection, the agency must provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. The agency may not enter into an agreement under this section until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

* Sec. 8. AS 37.05.280 is amended to read:

Sec. 37.05.280. LEASES. (a) The department shall lease necessary space, and contract for the lease of space, for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 -- 37.05.280. No lease or contract for a lease may provide for a period

of occupancy greater than 40 years. An agency of the state requiring office, warehouse, or other space shall lease the space through the department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966, WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF $12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE LEGISLATURE BY CONCURRENT RESOLUTION.]

(b) The department may enter into lease-financing agreements only with the Alaska State Housing Authority acting as the Alaska State Building Authority. A lease-financing agreement must provide that lease payments are subject to annual appropriation. If the department intends to enter into an agreement under this subsection, the department shall provide notice to the legislature and to the state bond committee. The notice must include the anticipated annual lease payment and the anticipated principal amount of the debt to be issued by the Alaska State Housing Authority acting as the Alaska State Building Authority. The department may not enter into an agreement under this subsection until the state bond committee has approved the proposal for the issuance of debt under AS 37.15.770.

* Sec. 9. AS 37.15.040 is amended to read:

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 or bidders. 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.

* Sec. 10. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE.

There is created within the Department of Revenue 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.

* Sec. 11. AS 37.15.130 is amended to read:

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 must [SHALL] be kept in the office of the commissioner of revenue. For the purpose of this chapter and AS 44.62.310, public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 12. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of state general obligation bonds.

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before March 31 of each year. The report must show (1) all outstanding debt of debt-issuing entities of the state; (2) the anticipated effect on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness, resulting from that debt; (3) which long-term

debt is state supported and which is supported only by revenue attributable to the project being financed by the debt; (4) all long-term capital lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt-issuing entities of the state; (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt, including any moral obligation of the state to support the debt; (7) future bonding and debt capacity implications of legislation enacted in the previous legislative session; and (8) the recommended debt issuance capacity of the state for the next two years following the year of the report.

(c) The state bond committee may develop written policies concerning debt of the state.

* Sec. 13. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may, with approval of the committee, select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. 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 [OFFICE] of the Governor [GOVERNOR] or otherwise.

* Sec. 14. AS 37.15.450(a) is amended to read:

(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 must [SHALL] be awarded to the highest responsible bidder or bidders. 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, must [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 must [SHALL] be payable annually or semiannually.

* Sec. 15. AS 37.15 is amended by adding a new article to read:

ARTICLE 5. STATE-SUPPORTED DEBT.

Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond committee shall review proposals for the issuance of debt by or on behalf of

(1) the Alaska State Housing Authority acting as the Alaska State Building Authority for the purpose of providing public buildings; and

(2) the University of Alaska.

(b) The committee may review the general programs and financing plans of the agency that proposes to issue the debt as well as the specific aspects of the proposed debt issue, including

(1) amounts;

(2) times;

(3) maturities;

(4) debt structure and security features;

(5) credit enhancements;

(6) use of proceeds;

(7) official documents;

(8) planned rating agency presentations; and

(9) selection, retention, or compensation of financial advisors, bond counsel, trustees, underwriters, and other professionals.

(c) The state bond committee shall consider approval of the amount and time of sale of the debt. The committee shall approve the issuance of the debt if, in its judgment, issuance of the debt is in the best interests of the state. The committee may limit approval of the issuance of debt upon compliance with terms established by the committee.

(d) At the time of sale of the debt, the state bond committee shall review the bids or pricing of the debt, including discounts, underwriting spreads, and interest rates. If the committee determines that the bids or prices are not satisfactory or that the bidders are not responsible, the agency may not sell the debt.

Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the state bond committee, in its judgment, determines that the amount or retirement of debt issued by municipalities and subject to reimbursement by the state under AS 14.11.100 is not in the best interests of the state, the committee may

(1) establish an amount or amounts, for any or all years before the maturity of all of that municipal debt, which may not be exceeded by the Department of Education in approving requests under AS 14.11.103; or

(2) establish, under AS 14.11.100(j)(3), a term required for the maturities of municipal debt authorized by local voters after March 31, 1986.

* Sec. 16. AS 39.25.120(c) is amended by adding a new paragraph to

read:

(19) employees of the state bond committee.

* Sec. 17. This Act takes effect immediately in accordance with AS 01.-10.070(c).

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276-6401

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AREA CODE 907
276-5093

February 3, 1986

Representative John Sund
Alaska State Legislature
Pouch V (MS3100)
Juneau, Alaska 99811

Re: House Bill No. 521

Dear Representative Sund:

In case I cannot testify at your Loans Committee hearing on House Bill 521, I would like to submit this letter in the record to point out some of the technical deficiencies in this Bill.

The Bill creates a limit on municipal general obligation bonded debt. The limit created is that general obligation bonded debt cannot exceed 7% of the full property value of the municipality as determined by the Department of Community and Regional Affairs under AS 14.17.140. Exceptions are refunding bonds or self-supporting debt even though such debt may also be general obligation debt of the municipality.

For the purposes of this letter and for your hearing record this week, I call to your attention the following shortcomings of House Bill 519:

1. It is generally conceded that "authorization" debt limits are more efficient and effective then the "issuance" debt limit proposed here. An authorization debt limit provides that the authorizing document may not finally be adopted if the debt authorized would cause debt to exceed a certain percentage of assessed valuation. This is desirable to permit effective and efficient planning of municipal improvements so that expenditures may be made with assurances that they will be bond funded.

REFUNDING

2. In common with other States the New Jersey Local Bond Law (NJSA 40:A) provides for an average of assessed valuation over the last three years. Under House Bill 519 the debt limit may change annually and perhaps suddenly when the Department of Community and Regional Affairs makes its AS 14.17.140 determination. An average figure of two or more years is suggested.

3. The attempt to provide for the overlapping indebtedness situation in section 2(b) is defective. This provision will not work as an independent municipality cannot share the debt limit of another municipality. Conceivably each will be pitted in a race against each other to exhaust the authorized indebtedness limitation which applies to both.

#521 (%)

4. Many debt limit provisions have a list of exceptions which would permit indebtedness raised to meet the effects of a natural disaster or to prevent a menace to public health as well as for refund purposes or when the debt is "self-liquidating". Despite the fact that other legislation introduced expands the power of the State Bond Committee, this Bill fails to permit exceptions to the debt limit for cases of public emergency upon the approval of any official body or person.

5. The bill does not define "bond" and we are left to speculate whether or not short-term notes including revenue anticipation notes are included within the overall limit.

6. The Bill does not specify the extent to which it controls home rule municipalities, if at all.

7. Finally the Bill should have an effective date as of July 1 or October 1 so that public bond issuing planning can proceed without being impeded.

PASSAGE - CERTAIN

Very truly yours,

Eric E. Wohlforth

EEW/val

REVENUE - (ADMINISTRATION)
STATE DEBT LIMIT
DRAFTING
HB - 521
DEBT - LIMIT BILL

Debt Outstanding

Years Ended June 30	Alaska G.O. Debt	University of Alaska	ASHA	Certificates of Participation 1/	Total
1977	$530,008,000	$19,246,000	$93,190,000	$	$ 642,444,000
1978	596,213,000	18,605,000	88,575,000		703,393,000
1979	670,503,000	17,893,000	83,730,000		772,126,000
1980	573,186,000	22,251,000	78,550,000		673,987,000
1981	701,178,000	21,363,000	73,015,000		795,556,000
1982	842,413,000	20,305,000	67,125,000		929,843,000
1983	946,183,000	19,191,000	60,985,000		1,026,359,000
1984	924,008,000	18,316,000	54,440,000		996,764,000
1985	846,008,000	17,396,000	47,470,000	6,000,000	916,874,000
1986	738,148,000	16,660,000	40,055,000	51,265,000	846,128,000

1 Seward Student Service Center and Spring Creek Correctional Center.