

HB

538

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/14/88

FURTHER REFERRALS:

DATE: 4-28-88

The Finance Committee has considered HB 538

"An Act relating to the Alaska Municipal Bond Bank Authority; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 538 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note (2-)
- zero with analysis same as previous zero fiscal note published _____

SIGNING DO PASS:

Al Adams

Pat Lawler

Don Larson

Mark Bowen

Steve King

John

Gay Porrum

SIGNING OTHER RECOMMENDATIONS:

Al Adams NO REC

Mike Davis NO REC

Al Adams
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 4/26/86
Title: An Act relating to the Alaska
Municipal Bond Bank Authority...
Sponsor: State Affairs Committee
Requestor: _____

Agency Affected: Revenue
BRU: Alaska Municipal Bond Bank
Authority
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Attached.

Prepared By: Perry Davis, Executive Director
Division: Alaska Municipal Bond Bank Authority

Phone: 274-7366
Date: April 26, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: April 26, 1988

Distribution (by preparer):

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

At this time, we are unable to determine the extent of participation by communities in this new authority. The Board of Directors of the Bond Bank has not approved issuance of any bonds under these guidelines. At the time that the Board reviews issuance of bonds, it will include costs related to the issuance of bonds under these new definitions.

In the event that bonds are issued under this authority, such costs would be paid by program receipts. ;

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 538
PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: "An Act..municipal bonds & other obligations..municipal powers.."
Sponsor: State Affairs Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 4/26/88

Approved by Commissioner: [Signature] Date: 4/26/88
Agency: Community & Regional Affairs

Distribution (by preparer) :

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

Original sponsor: State Affairs Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 538 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank
7 Authority, municipal debt for development and rede-
8 velopment projects; and providing for an effective
9 date."

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

11 * Section 1. AS 29.35.210(a) is amended to read:

12 (a) A second class borough may by ordinance exercise the follow-
13 ing powers on a nonareawide basis:

14 (1) provide transportation systems;

15 (2) regulate the offering for sale, exposure for sale,
16 sale, use, or explosion of fireworks;

17 (3) license, impound, and dispose of animals;

18 (4) provide garbage, solid waste, and septic waste col-
19 lection and disposal;

20 (5) provide air pollution control in accordance with AS
21 46.03.140 - 46.03.230;

22 (6) provide water pollution control;

23 (7) participate in federal or state loan programs for
24 housing rehabilitation and improvement for energy conservation;

25 (8) provide for economic development;

26 (9) provide for the acquisition and construction of local
27 service roads and trails under AS 19.30.111 - 19.30.251;

28 (10) establish an emergency services communication center
29 under AS 29.35.130;

1 (11) subject to AS 28.01.010, regulate the licensing and
2 operation of motor vehicles and operators;

3 (12) engage in activities authorized under AS 29.47.460.

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

5 Sec. 29.47.460. DEBT FOR DEVELOPMENT AND REDEVELOPMENT PROJECTS.

6 (a) In undertaking a development or redevelopment project, a munic-
7 ipality may issue bonds to finance the project, including bonds for
8 development or redevelopment purposes in blighted areas. In this
9 subsection

10 (1) "blighted area" means an area that the municipality
11 determines to be a blighted area on the basis of the substantial
12 presence of factors such as excessive vacant land on which structures
13 were previously located, abandoned or vacant buildings, substandard
14 structures, and delinquencies in payment of real property taxes;

15 (2) "redevelopment purposes" means

16 (A) the acquisition by the municipality of real prop-
17 erty located in a blighted area;

18 (B) the clearing and preparation for redevelopment of
19 land acquired under (A) of this paragraph;

20 (C) the rehabilitation of real property acquired under
21 (A) of this paragraph; in this subparagraph, "rehabilitation"
22 does not include construction, other than rehabilitation, of
23 property or the enlargement of an existing building; and

24 (D) the relocation of occupants of the real property
25 acquired under (A) of this paragraph.

26 (b) A municipality may provide by ordinance that the tax incre-
27 ment from the taxes levied each year by or on behalf of the municipal-
28 ity on the property in an area described in the ordinance shall be
29 used to repay the principal and interest on bonds, notes, or other

1 indebtedness that is incurred for a development or redevelopment
2 project, and may irrevocably pledge the tax increment from the area
3 for that purpose but only if additional security in the form of a
4 letter of credit or equal security is also pledged. The area de-
5 scribed in the ordinance may be a service area. In this subsection
6 "tax increment" means the portion of the tax that is attributable to
7 the difference between the value of the property shown on the taxing
8 agency's assessment roll for the year when the taxes are levied and
9 the value of the property shown on the taxing agency's last assessment
10 roll that was equalized before the project was authorized.

11 * Sec. 3. AS 44.85.170(b) is amended to read:

12 (b) Notwithstanding any provision of law, to the extent that any
13 department or agency of the state is the custodian of money payable to
14 a municipality, at any time after written notice to the department or
15 agency head from the bond bank authority that the municipality is in
16 default on the payment of principal or interest on municipal [GENERAL
17 OBLIGATION] bonds [OF THE MUNICIPALITY] then held or owned by the bond
18 bank authority, the department or agency shall withhold the payment of
19 that money from that municipality and pay over the money to the bond
20 bank authority for the purpose of paying principal of and interest on
21 the bonds [OF THE BOND BANK AUTHORITY].

22 * Sec. 4. AS 44.85.410(3) is amended to read:

23 (3) "municipal bond" means a bond or note or evidence of
24 debt that [WHICH] constitutes

25 (A) a general obligation bond that is a direct and
26 general obligation of a political subdivision of the state, all
27 the taxable property within which is subject to taxation to pay
28 the bond, note or evidence of debt, and the interest without
29 limitation, as to rate or amount generally to the extent

1 permitted by law or to avoid a default as provided for second
2 class cities under AS 29.45.590; [OR]

3 (B) a revenue bond, except a revenue bond for elec-
4 trical generation purposes other than diesel-powered generation,
5 issued by a municipality which pledges the revenue of a revenue-
6 producing capital improvement and which is payable solely from
7 the revenue of the revenue-producing capital improvement; [OR]

8 (C) a general obligation bond or revenue bond combined
9 or additionally secured; [OR]

10 (D) a bond of a borough issued as a general obligation
11 of a service area under AS 29.47.440 or former AS 29.58.340; or

12 (E) an obligation of a municipality secured only by

13 (i) special assessments on benefited property;

14 (ii) tax increments and a letter of credit or

15 equal security; or

16 (iii) a lease;

17 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS for HB 536 (FIN)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 4/26/88
Title: An Act relating to the Alaska
Municipal Bond Bank Authority...
Sponsor: State Affairs Committee
Requestor: _____

Agency Affected: Revenue
BRU: Alaska Municipal Bond Bank
Authority
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Attached.

Prepared By: Perry Davis, Executive Director Phone: 274-7366
Division: Alaska Municipal Bond Bank Authority Date: April 26, 1988

Approved by Commissioner: Hugh Malone Date: April 26, 1988
Agency: Department of Revenue

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED
APR 29 1988

LEGISLATIVE FINANCE

At this time, we are unable to determine the extent of participation by communities in this new authority. The Board of Directors of the Bond Bank has not approved issuance of any bonds under these guidelines. At the time that the Board reviews issuance of bonds, it will include costs related to the issuance of bonds under these new definitions.

In the event that bonds are issued under this authority, such costs would be paid by program receipts. ;

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 538
PUBLISH DATE: _____

210 4/28

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..municipal bonds & other obligations..municipal powers.."
Sponsor: State Affairs Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 4/26/88

Approved by Commissioner: [Signature] Date: 4/26/88
Agency: Community & Regional Affairs

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED

APR 27 1988

FISCAL NOTE

REQUEST:

Revision Date: 3/11/88
 Title: HB538: An Act relating to the Alaska Municipal Bond Bank Authority
 Sponsor: State Affairs Committee
 Requestor: _____

Agency Affected: Revenue
 BRU: Alaska Municipal Bond Bank Authority
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

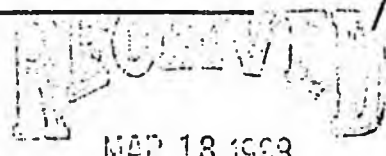
ANALYSIS : (Attach a separate page if necessary)

Attached

Prepared by: Perry Davis Phone: 274-7366
 Division: Alaska Municipal Bond Bank Authority Date: 3/16/88

Approved by Commissioner: [Signature] Date: 3/16/88
 Agency: Department of Revenue

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)



MAR 18 1988

LEGISLATIVE FINANCE

HB 538

At this time, we are unable to determine the extent of participation by communities in this new authority. The Board of Directors of the Bond Bank has not approved issuance of any bonds under these guidelines. At the time that the Board reviews issuance of bonds, it will include costs related to the issuance of bonds under these new definitions.

In the event that bonds are issued under this authority, such costs would be paid by program receipts.

FISCAL NOTE

REQUEST:

Revision Date: 3/11/88
 Title: HB538: An Act relating to the Alaska Municipal Bond Bank Authority
 Sponsor: State Affairs Committee
 Requestor: _____

Agency Affected: Revenue
 BRU: Alaska Municipal Bond Bank Authority
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Attached

Prepared by: Perry Davis Phone: 274-7366
 Division: Alaska Municipal Bond Bank Authority Date: 3/16/88

Approved by Commissioner: [Signature] Date: 3/16/88
 Agency: Department of Revenue

Distribution (by preparer) :
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED
 MAR 18 1988

At this time, we are unable to determine the extent of participation by communities in this new authority. The Board of Directors of the Bond Bank has not approved issuance of any bonds under these guidelines. At the time that the Board reviews issuance of bonds, it will include costs related to the issuance of bonds under these new definitions.

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STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 538 (C&RA)
PUBLISH DATE: HOUSE 3/31/88

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..Alaska Municipal Bond Bank Authority..providing..effective date."
Sponsor: State Affairs Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 3/30/88
Approved by Commissioner: [Signature] Date: 3-30-88
Agency: Community & Regional Affairs

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

☐ 949 E. 36th AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
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☐ P.O. BOX 348
BETHEL, ALASKA 99559-0348
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DILLINGHAM, ALASKA 99578-1041
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☐ 1514 CUSHMAN STREET, ROOM 210
FAIRBANKS, ALASKA 99701-6286
PHONE: (907) 452-7128

☐ P.O. BOX BH
JUNEAU, ALASKA 99811-2110
PHONE: (907) 465-4750

☐ 710 MILL BAY RD.
KODIAK, ALASKA 99615-6340
PHONE: (907) 488-5738

☐ P.O. BOX 350
KOTZEBUE, ALASKA 99752-0350
PHONE: (907) 442-3898

☐ P.O. BOX 41
NOME, ALASKA 99762-0041
PHONE: (907) 443-5457

March 30, 1988

POSITION PAPER

RE: ^{CS} House Bill 538

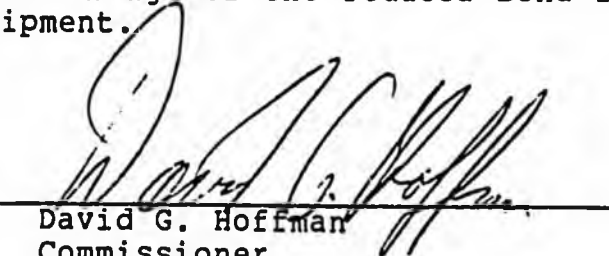
SPONSOR: State Affairs Committee

Program Effects

This bill would expand the list of eligible projects for which Municipal Bond Bank financing would be available. It would include projects secured by leases and projects financed through special assessment districts within a municipality rather than the entire municipality.

Comments

The department strongly supports this bill. The addition of these types of projects would provide additional flexibility to municipalities in this time of reduced state and local government revenues for public projects. Additionally, it will allow municipalities to take advantage of the reduced Bond Bank interest rates to finance equipment.



David G. Hoffman
Commissioner

5-2007X
Cook

New

Language 4/27/88

Original sponsor: State Affairs Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 538 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank
7 Authority, municipal debt for development and rede-
8 velopment projects; and providing for an effective
9 date."

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

11 * Section 1. AS 29.35.210(a) is amended to read:

12 (a) A second class borough may by ordinance exercise the follow-
13 ing powers on a nonareawide basis:

14 (1) provide transportation systems;

15 (2) regulate the offering for sale, exposure for sale,
16 sale, use, or explosion of fireworks;

17 (3) license, impound, and dispose of animals;

18 (4) provide garbage, solid waste, and septic waste col-
19 lection and disposal;

20 (5) provide air pollution control in accordance with AS
21 46.03.140 - 46.03.230;

22 (6) provide water pollution control;

23 (7) participate in federal or state loan programs for
24 housing rehabilitation and improvement for energy conservation;

25 (8) provide for economic development;

26 (9) provide for the acquisition and construction of local
27 service roads and trails under AS 19.30.111 - 19.30.251;

28 (10) establish an emergency services communication center
29 under AS 29.35.130;

1 (11) subject to AS 28.01.010, regulate the licensing and
2 operation of motor vehicles and operators;

3 (12) engage in activities authorized under AS 29.47.460.

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

5 Sec. 29.47.460. DEBT FOR DEVELOPMENT AND REDEVELOPMENT PROJECTS.

6 (a) In undertaking a development or redevelopment project, a munic-
7 ipality may issue bonds to finance the project, including bonds for
8 development or redevelopment purposes in blighted areas. In this
9 subsection

10 (1) "blighted area" means an area that the municipality
11 determines to be a blighted area on the basis of the substantial
12 presence of factors such as excessive vacant land on which structures
13 were previously located, abandoned or vacant buildings, substandard
14 structures, and delinquencies in payment of real property taxes;

15 (2) "redevelopment purposes" means

16 (A) the acquisition by the municipality of real prop-
17 erty located in a blighted area;

18 (B) the clearing and preparation for redevelopment of
19 land acquired under (A) of this paragraph;

20 (C) the rehabilitation of real property acquired under
21 (A) of this paragraph; in this subparagraph, "rehabilitation"
22 does not include construction, other than rehabilitation, of
23 property or the enlargement of an existing building; and

24 (D) the relocation of occupants of the real property
25 acquired under (A) of this paragraph.

26 (b) A municipality may provide by ordinance that the tax incre-
27 ment from the taxes levied each year by or on behalf of the municipal-
28 ity on the property in an area described in the ordinance shall be
29 used to repay the principal and interest on bonds, notes, or other

1 indebtedness that is incurred for a development or redevelopment
2 project, and may irrevocably pledge the tax increment from the area
3 for that purpose but only if additional security in the form of a
4 letter of credit or equal security is also pledged. The area de-
5 scribed in the ordinance may be a service area. In this subsection
6 "tax increment" means the portion of the tax that is attributable to
7 the difference between the value of the property shown on the taxing
8 agency's assessment roll for the year when the taxes are levied and
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10 roll that was equalized before the project was authorized.

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16 default on the payment of principal or interest on municipal [GENERAL
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20 bank authority for the purpose of paying principal of and interest on
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24 debt that [WHICH] constitutes

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26 general obligation of a political subdivision of the state, all
27 the taxable property within which is subject to taxation to pay
28 the bond, note or evidence of debt, and the interest without
29 limitation, as to rate or amount generally to the extent

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2 class cities under AS 29.45.590; [OR]

3 (B) a revenue bond, except a revenue bond for elec-
4 trical generation purposes other than diesel-powered generation,
5 issued by a municipality which pledges the revenue of a revenue-
6 producing capital improvement and which is payable solely from
7 the revenue of the revenue-producing capital improvement; [OR]

8 (C) a general obligation bond or revenue bond combined
9 or additionally secured; [OR]

10 (D) a bond of a borough issued as a general obligation
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12 (E) an obligation of a municipality secured only by

13 (i) special assessments on benefited property;

14 (ii) tax increments and a letter of credit or
15 equal security; or

16 (iii) a lease;

17 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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1 following powers on a nonareawide basis:

2 (1) provide transportation systems;

3 (2) regulate the offering for sale, exposure for sale,
4 sale, use, or explosion of fireworks;

5 (3) license, impound, and dispose of animals;

6 (4) provide garbage, solid waste, and septic waste col-
7 lection and disposal;

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10 (6) provide water pollution control;

11 (7) participate in federal or state loan programs for
12 housing rehabilitation and improvement for energy conservation;

13 (8) provide for economic development, including the activ-
14 ities authorized under AS 29.47.460;

15 (9) provide for the acquisition and construction of local
16 service roads and trails under AS 19.30.111 - 19.30.251;

17 (10) establish an emergency services communication center
18 under AS 29.35.130;

19 (11) subject to AS 28.01.010, regulate the licensing and
20 operation of motor vehicles and operators.

21 * Sec. 3. AS 29.47 is amended by adding a new section to read:

22 Sec. 29.47.460. BONDS FOR DEVELOPMENT AND REDEVELOPMENT PROJ-
23 ECTS. (a) In undertaking a development or redevelopment project, a
24 municipality may issue bonds to finance the project, including, but
25 not limited to, bonds for development or redevelopment purposes in
26 blighted areas. In this subsection

27 (1) "blighted area" means an area that the municipality
28 determines to be a blighted area on the basis of the substantial
29 presence of factors such as excessive vacant land on which structures

1 were previously located, abandoned or vacant buildings, substandard
2 structures, vacancies, and delinquencies in payment of real property
3 taxes;

4 (2) "redevelopment purposes" means

5 (A) the acquisition by the municipality of real prop-
6 erty located in a blighted area;

7 (B) the clearing and preparation for redevelopment of
8 land acquired under (A) of this paragraph;

9 (C) the rehabilitation of real property acquired under
10 (A) of this paragraph; in this subparagraph, "rehabilitation"
11 does not include construction, other than rehabilitation, of
12 property or the enlargement of an existing building; and

13 (D) the relocation of occupants of the real property
14 acquired under (A) of this paragraph.

15 (b) A municipality may provide by ordinance that the tax incre-
16 ment from the taxes levied each year by or on behalf of the municipal-
17 ity on the property in an area described in the ordinance shall be
18 used to repay the principal and interest on bonds, notes, or other
19 indebtedness that is incurred for a development or redevelopment
20 project, and may irrevocably pledge the tax increment from the area
21 for that purpose. The area described in the ordinance may be a ser-
22 vice area. In this subsection "tax increment" means the portion of
23 the tax that is attributable to the difference between the value of
24 the property shown on the taxing agency's assessment roll for the year
25 when the taxes are levied and the value of the property shown on the
26 taxing agency's last assessment roll that was equalized before the
27 project was authorized.

28 * Sec. 4. AS 44.85.170(b) is amended to read:

29 (b) Notwithstanding any provision of law, to the extent that any

1 department or agency of the state is the custodian of money payable to
2 a municipality, at any time after written notice to the department or
3 agency head from the bond bank authority that the municipality is in
4 default on the payment of principal or interest on municipal [GENERAL
5 OBLIGATION] bonds [OF THE MUNICIPALITY] then held or owned by the bond
6 bank authority, the department or agency shall withhold the payment of
7 that money from that municipality and pay over the money to the bond
8 bank authority for the purpose of paying principal of and interest on
9 the bonds [OF THE BOND BANK AUTHORITY].

10 * Sec. 5. AS 44.85.410(3) is amended to read:

11 (3) "municipal bond" means a bond or note or evidence of
12 debt that [WHICH] constitutes

13 (A) a general obligation bond that is a direct and
14 general obligation of a political subdivision of the state, all
15 the taxable property within which is subject to taxation to pay
16 the bond, note or evidence of debt, and the interest without
17 limitation, as to rate or amount generally to the extent permit-
18 ted by law or to avoid a default as provided for second class
19 cities under AS 29.45.590; [OR]

20 (B) a revenue bond, except a revenue bond for elec-
21 trical generation purposes other than diesel-powered generation,
22 issued by a municipality which pledges the revenue of a revenue-
23 producing capital improvement and which is payable solely from
24 the revenue of the revenue-producing capital improvement; [OR]

25 (C) a general obligation bond or revenue bond combined
26 or additionally secured; [OR]

27 (D) a bond of a borough issued as a general obligation
28 of a service area under AS 29.47.440 or former AS 29.58.340; or

29 (E) an obligation of a municipality secured only by

1 special assessments on benefited property, tax increments, or a
2 lease;

3 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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Original sponsor: State Affairs Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 538 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal bonds and other obliga-
7 tions, municipal development and redevelopment, the
8 exercise of municipal powers and functions through
9 other entities; and providing for an effective date."

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

11 * Section 1. AS 29.35 is amended by adding a new section to read:

12 Sec. 29.35.035. EXERCISE OF POWERS THROUGH OTHER ENTITIES. (a)

13 Except as otherwise provided in this title, and subject to (b) of this
14 section, a municipality may exercise its powers and functions through
15 any entity, including a public corporation, authorized by the munic-
16 ipality's governing body. A public corporation authorized to exercise
17 municipal powers and functions under this subsection is an instrumen-
18 tality of the municipality, but has a legal existence independent of
19 and separate from the municipality, and has continuing succession by
20 its corporate name until terminated by the municipality.

21 (b) The powers and functions that a governing body may grant to
22 an entity under (a) of this section include, in the case of a public
23 corporation, the power to issue bonds, notes, or other evidences of
24 the indebtedness of the corporation. The governing body may not grant
25 to an entity the power to acquire property through eminent domain or
26 to levy taxes and special assessments.

27 * Sec. 2. AS 29.35.210(a) is amended to read:

28 (a) A second class borough may by ordinance exercise the follow-
29 ing powers on a nonareawide basis:

- 1 (1) provide transportation systems;
- 2 (2) regulate the offering for sale, exposure for sale,
- 3 sale, use, or explosion of fireworks;
- 4 (3) license, impound, and dispose of animals;
- 5 (4) provide garbage, solid waste, and septic waste col-
- 6 lection and disposal;
- 7 (5) provide air pollution control in accordance with AS
- 8 46.03.140 - 46.03.230;
- 9 (6) provide water pollution control;
- 10 (7) participate in federal or state loan programs for
- 11 housing rehabilitation and improvement for energy conservation;
- 12 (8) provide for economic development, including the activ-
- 13 ities authorized under AS 29.47.460;
- 14 (9) provide for the acquisition and construction of local
- 15 service roads and trails under AS 19.30.111 - 19.30.251;
- 16 (10) establish an emergency services communication center
- 17 under AS 29.35.130;
- 18 (11) subject to AS 28.01.010, regulate the licensing and
- 19 operation of motor vehicles and operators.

20 * Sec. 3. AS 29.47 is amended by adding a new section to read:

21 Sec. 29.47.460. BONDS FOR DEVELOPMENT AND REDEVELOPMENT PROJ-

22 ECTS. (a) In undertaking a development or redevelopment project, a

23 municipality may issue bonds to finance the project, including bonds

24 for development or redevelopment purposes in blighted areas. In this

25 subsection

26 (1) "blighted area" means an area that the municipality

27 determines to be a blighted area on the basis of the substantial

28 presence of factors such as excessive vacant land on which structures

29 were previously located, abandoned or vacant buildings, substandard

1 structures, vacancies, and delinquencies in payment of real property
2 taxes;

3 (2) "redevelopment purposes" means

4 (A) the acquisition by the municipality of real prop-
5 erty located in a blighted area;

6 (B) the clearing and preparation for redevelopment of
7 land acquired under (A) of this paragraph;

8 (C) the rehabilitation of real property acquired under
9 (A) of this paragraph; in this subparagraph, "rehabilitation"
10 does not include construction, other than rehabilitation, of
11 property or the enlargement of an existing building; and

12 (D) the relocation of occupants of the real property
13 acquired under (A) of this paragraph.

14 (b) A municipality may provide by ordinance that the tax incre-
15 ment from the taxes levied each year by or on behalf of the municipal-
16 ity on the property in a development or redevelopment project shall be
17 used to repay the principal and interest on bonds, notes, or other
18 indebtedness that is incurred for the project, and may irrevocably
19 pledge the tax increment from the project for that purpose. In this
20 subsection "tax increment" means the portion of the tax that is
21 attributable to the difference between the value of the property shown
22 on the taxing agency's assessment roll for the year when the taxes are
23 levied and the value of the property shown on the taxing agency's last
24 assessment roll that was equalized before the project was authorized.

25 * Sec. 4. AS 44.85.170(b) is amended to read:

26 (b) Notwithstanding any provision of law, to the extent that any
27 department or agency of the state is the custodian of money payable to
28 a municipality, at any time after written notice to the department or
29 agency head from the bond bank authority that the municipality is in

1 default on the payment of principal or interest on municipal [GENERAL
2 OBLIGATION] bonds [OF THE MUNICIPALITY] then held or owned by the bond
3 bank authority, the department or agency shall withhold the payment of
4 that money from that municipality and pay over the money to the bond
5 bank authority for the purpose of paying principal of and interest on
6 the bonds [OF THE BOND BANK AUTHORITY].

7 * Sec. 5. AS 44.85.410(3) is amended to read:

8 (3) "municipal bond" means a bond or note or evidence of
9 debt that [WHICH] constitutes

10 (A) a general obligation bond that is a direct and
11 general obligation of a political subdivision of the state, all
12 the taxable property within which is subject to taxation to pay
13 the bond, note or evidence of debt, and the interest without
14 limitation, as to rate or amount generally to the extent permit-
15 ted by law or to avoid a default as provided for second class
16 cities under AS 29.45.590; [OR]

17 (B) a revenue bond, except a revenue bond for elec-
18 trical generation purposes other than diesel-powered generation,
19 issued by a municipality which pledges the revenue of a revenue-
20 producing capital improvement and which is payable solely from
21 the revenue of the revenue-producing capital improvement; [OR]

22 (C) a general obligation bond or revenue bond combined
23 or additionally secured; [OR]

24 (D) a bond of a borough issued as a general obligation
25 of a service area under AS 29.47.440 or former AS 29.58.340; or

26 (E) an obligation of a municipality secured only by
27 special assessments on benefited property, tax increments, or a
28 lease;

29 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

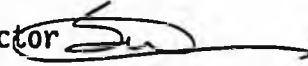
Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

April 26, 1988

TO: Representative Al Adams, Chair
and Members of the House Finance Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: CS HB 538 (Finance) - An Act relating to municipal bonds and other obligations

The Alaska Municipal League strongly supports the proposed Committee Substitute for HB 538 (Finance) because it offers municipalities additional financing options as they strive to serve Alaskan citizens with decreasing financial support from the state and federal governments. The bill effectively combines two related pieces of legislation, HB 434 and HB 538, which the AML has supported this session.

AML has supported the concept of tax increment financing, which would be authorized under Section 3 of the proposed CS HB 538 (Finance), for several years. The AML Policy Statement (X.B.1) directly supports legislation to "encourage local municipalities to adopt and implement incentives for economic development, such as joint public/private sector economic development corporations and tax increment financing authorities."

The proposed CS HB 538 (Finance) would allow municipalities to undertake development or redevelopment projects by setting up public corporations to sell bonds for the improvements, with the bonds paid back by the increment increase in property taxes on the improved property. While such a program may not be appropriate in all development situations or in all municipalities, it would provide another option or tool for municipalities where it is appropriate to encourage economic development. Adequate safeguards are provided through the normal municipal legislative (council/assembly) and financial review processes.

Section 4 of the bill broadens the authority of the Alaska Municipal Bond Bank by allowing it to issue municipal bonds backed by special assessments, tax increments, or leases. This would help municipalities help themselves by providing additional tools to finance local improvement projects, equipment purchases, economic development projects, or other locally identified needs. Because the Bond Bank can obtain more favorable rates than most Alaskan municipalities, this would enable local governments to provide municipal services at the lowest possible cost.

The AML urges your support of the proposed CS HB 538 (Finance) as a no-cost way to give municipalities increased flexibility in providing services at the lowest possible cost. Thank you.


Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

April 20, 1988

TO: Representative Al Adams, Chair
and
Members, House Finance Committee

FROM: Scott A. Burgess, Executive Director, AML 

RE: CS HB 538 (C&RA) - An Act relating to the Alaska Municipal Bond Bank Authority

The Alaska Municipal League strongly supports CS HB 538 (C&RA). The bill broadens the authority of the Bond Bank by allowing it to issue municipal bonds backed by special assessments, tax increments, or leases. Because the Bond Bank can obtain more favorable rates than most Alaskan municipalities, this would enable local governments to provide services at the lowest possible cost.

Under the provisions of CS HB 538 (C&RA) the Bond Bank could help municipalities help themselves by providing additional tools to finance local improvement projects, equipment purchases, economic development projects, or other locally identified needs.

The AML Policy Statement (X.B.1) directly supports legislation to "encourage local municipalities to adopt and implement incentives for economic development, such as joint public/private sector economic development corporations and tax increment financing authorities." The CS for HB 538, which includes adds bonds secured by tax increments to the list of bonds that can be issued, is one such piece of legislation.

The AML urges your support of CS HB 538 as a way to give municipalities increased flexibility in dealing with reduced revenues.

CHAIRMAN:
GLENDA RHODES

BOARD MEMBERS:
DAVID HOFFMAN
WINTHROP T. HOVEY
HUGH MALONE
MICHAEL B. SALAZAR



601 WEST FIFTH AVENUE
SUITE 430
ANCHORAGE, ALASKA 99501
(907) 274-7368

EXECUTIVE DIRECTOR:
PERRY T. DAVIS

ALASKA MUNICIPAL BOND BANK AUTHORITY

March 10, 1988

Dennis J. Burns
House State Affairs Committee
P.O. Box V
State Capitol
Juneau, Alaska 99811

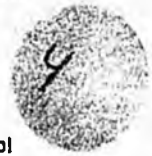
Dear Mr. Burns:

Regarding your question on electrical generation purpose, other than diesel-powered generation. As I understand, the Alaska Power Authority did not want the Bond Bank crossing over into its area of operation, they did not mind our doing small diesel generation projects.

Sincerely,

Perry T. Davis
Executive Director

4112550



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

March 28, 1988

TO: Rep. Henry Springer, Chairman HCRA

FROM: David C. Harrison, P.A., HCRA

Subject: HB 538 "An Act relating to the Alaska Municipal Bond Bank Authority; and providing for an effective date.

Review on HB 538

COMMENTS:

Section 1. AS 44.85.170(b) as amended provides state aid to a municipality which is in default on any bonds held by the bond bank shall be paid directly to the bond bank. The deletion of the following [GENERAL OBLIGATION] & [OF THE MUNICIPALITY] clears the way for amendment in Sec. 2. AS 44.85.410(3) lines 10, 11, page 2, allowing the Alaska Bond Bank to purchase an obligation of a municipality served by a special assessment or lease.

The addition of special assessment and lease opens other opportunities for the Alaska Municipal Bond Bank Authority to provide services to municipalities within Alaska.

Some testimony indicate that financing would also be available for equipment leasing.

Sec. Effective date indicated under AS 01.10.070(c).



Official Business

Alaska State Legislature

House



P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

March 11, 1988

TO: Community and Regional Affairs Committee

FROM: Representative Fran Ulmer, Chair
House State Affairs

RE: HB 538 "An Act relating to the Alaska Municipal
Bond Bank Authority; and providing for an effective
date."

House Bill 538 extends the authority of the Alaska Municipal Bond Bank.

Section 1

State Aid payable to a municipality which is in default on any bonds held by the Bond Bank shall be paid directly to the Bond Bank.

Section 2

AS 44.85.410(3)(E) allows the Alaska Bond Bank to purchase an obligation of a municipality secured by a special assessment or lease.

Background

According to Perry Davis, Executive Director of the Municipal Bond Bank Authority, the proposed amendment is in response to suggestions that the scope of the Bond Bank be broadened to include bonds for special assessments and other governmental purposes. Current law only allows the purchase of general obligation and revenue bonds.

Special assessment bond financing refers to situations where the bonds are paid by the property being benefitted. For example, if a special service district wishes to build a new fire station and does not want to burden all taxpayers with that debt, the Bond Bank could provide financing for this purpose. Special assessment bond issues tend to be small in amount and the Bond Bank would be a means to finance such debt.

Financing would also be available for equipment leasing. For instance, some communities currently finance equipment at interest rates between 9 and 15 percent. The Bond Bank could finance such debt at a lower interest rate.

Revenue Bonds. Revenue bonds are bonds payable from money earned by charging the users of a particular facility or service. Examples of facilities or services financed might include water or sewer service systems, electrical utilities, or public buildings that may be supported from leases or other income.

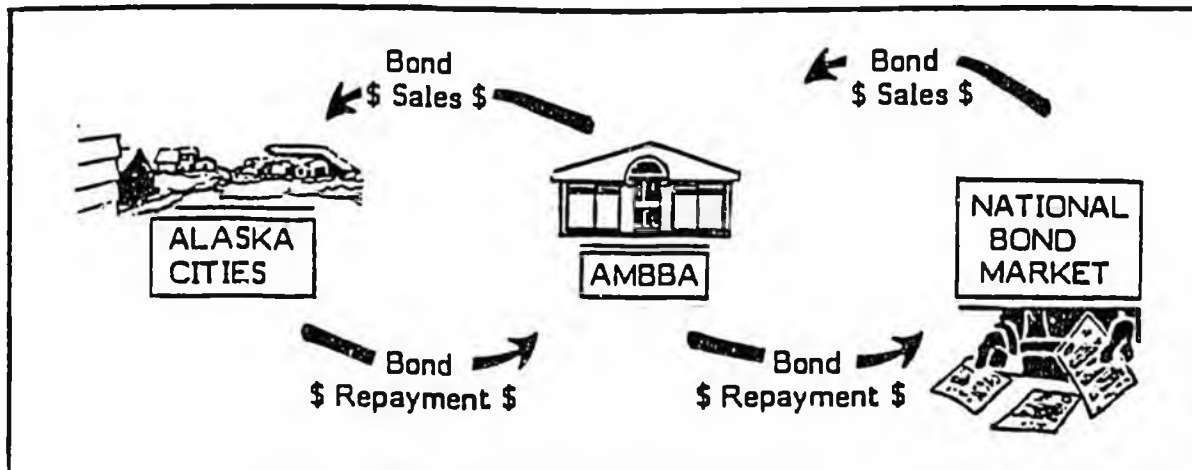
General Obligation Bonds. General obligation bonds are sometimes referred to as G.O. bonds. G.O. bonds are bonds issued by a local government with assurance that they will be repaid by money received from local taxes. The bond is a general obligation of the entire city. The full faith and credit of the city are pledged to pay back the principal and interest. AS 29.47.190 requires voter authorization before G.O. bonds may be issued.

Before entering into the bonding process, the city must employ the professional help of bond council (a bond attorney familiar with bonding practices).

The Alaska Municipal Bond Bank

In addition to the traditional market for municipal bonds, there has been established an Alaska Municipal Bond Bank. The purpose of the bond bank

is to act as a financial backer for smaller Alaskan cities which wish to market bonds. The bond bank sells its own bonds on the national money market and then uses the proceeds of the sale to purchase the bonds of Alaskan cities. Because the bond bank is able to receive a bond rating better than most small municipalities, it can borrow money at a lower interest rate, then pass the savings on to Alaskan cities.



The Bond Bank

General Information

The Bond Bank was established to assist small Alaska communities that would otherwise have difficulty financing capital improvement projects such as schools, sewer systems or public buildings.

It was created because small communities are at a disadvantage in the financial markets. They have low bond ratings; few on Wall Street know anything about their financial condition. Perhaps they never borrowed before and have no bond rating.

The Bond Bank is a public corporation created by State law. It has a legal existence independent of and separate from the State and the full faith and credit of the State is not pledged to secure bonds issued by the Bond Bank; however, the State has pledged its moral obligation to the maintenance of a debt service reserve for the majority of the Bond Bank's bonds.

Operations

Generally the Bank sells its bonds on the national bond market. It uses the proceeds of the sales to purchase the bonds of Alaska cities. The Bond Bank typically collects several bond issues and consolidates them into a single issue which it sells to the national market. This reduces the costs of issuance allocable to each city participating in the bond issue.

Because the Bank has received "A" ratings from the two major bond rating services, it is able to borrow money at lower interest rates than most of Alaska's cities. This low interest rate is passed through to the cities.

As cities pay annual principal and semiannual interest to the Bank to liquidate their debt, the Bank uses these same principal and interest payments to liquidate its debt to its bondholders.

Bonds issued by the Bond Bank are obligations of the Authority and payable only from revenues or funds from the Authority.

Organization

The powers of the Bank are vested in the Directors. The membership of the Bank consists of five Directors: three appointed by the Governor, the Commissioner of Revenue and the Commissioner of Community and Regional Affairs. The three appointees serve four-year terms and must be qualified voting residents of the State.

The Directors elect one of their members as chairman and also elect a secretary and treasurer who need not be Directors. Action may be taken and motions and resolutions adopted by the Bank at any meeting by the affirmative vote of at least three Directors except that no decision to approve an application for a loan shall be made unless at least two of the three public members vote to approve.

The Board of Directors operates in accordance with the Bond Bank Act (AS 44.85), its published regulations and its by-laws.

The Directors appoint an Executive Director to manage the business of the Bank.

The Board of Directors

The Bank's membership is as follows:

Glenda Rhodes—Chairman, Term expires July 15, 1989. Ms. Rhodes is a long-time resident of Alaska, a CPA and Managing Partner of Laventhol & Horwath. She is past president of the Alaska Society of CPAs and served two terms as Alaska's elected member of the Governing Council of the American Institute of CPAs.

Winthrop T. Hovey—Vice Chairman, Term expires July 15, 1990. Mr. Hovey is currently Vice-Chairman of Carr-Gottstein Properties, Inc. and Chief Financial Officer of Carr-Gottstein Co., Inc. He has resided in Alaska since 1974. Prior to arriving in Alaska, Mr. Hovey was employed with Beneficial Standard Corporation in Los Angeles for 25 years.

Michael B. Salazar—Term expired July 15, 1987, however, he continues to serve until he is reappointed or replaced by the Governor. Mr. Salazar is a lifetime resident of Alaska.

an owner of businesses in Ketchikan, and has served on several boards and commissions, including President of the Ketchikan Chamber of Commerce.

Hugh Malone—Commissioner of Revenue, ex-officio Director. Mr. Malone was appointed Commissioner on December 1, 1986. He previously has been the Vice-Chairman of the Alaska Permanent Fund Corporation, the Speaker of the House and Chairman of the Finance Committee in the Alaska State House of Representatives. He has been a resident of the State since 1958.

David G. Hoffman—Commissioner of Community and Regional Affairs, ex-officio Director. Mr. Hoffman has worked as a manager and economic analyst for rural organizations and businesses throughout Alaska and Arctic Canada since 1973. He worked as an Administrative Assistant to the Legislature in 1978 and 1979. He was co-founder and first Executive Director of the Bering Sea Fishermen's Association. From 1983 through 1986 he was co-owner of the management consulting firm D&D Associates Inc.

Management

The Bank has one employee: its Executive Director.

Perry T. Davis—Executive Director. Mr. Davis was appointed by the Directors effective January 5, 1983 and since that date also served as secretary and treasurer of the Bank. Prior to his appointment he was an Investment Consultant. He holds a bachelor's degree in accounting and from 1962-1973 was with Palomar Financial as Executive Financial Vice-President.

Rather than employ staff, the Bank contracts in the private sector for a wide range of professional services. The Executive Director coordinates the activities of these professionals to include bond counsel, financial advisors, underwriters, accountants, auditors, fund trustees and clerical support.

As a matter of policy, bond sale proceeds and municipal debt service payments flow directly between banking institutions. No funds, other than the small operating account, are physically handled by Bank personnel.

Bonds are sold by either competitive bid or negotiated sale depending on market conditions and the objectives of the sale.

The Bond Bank contracts with outside professionals to provide various functions of expertise.

Financial Advisor

Snearson Lehman Brothers Inc.
Foster & Marsnall Division

Provides loan analysis service, including recommendations as to adequacy of loan applications, considering credit worthiness, projected capability to repay, and overall effect a proposed loan will have on the credit of the Bond Bank. Assists in preparation of the Official Statements, recommendations as to type and timing of bond sales, negotiations with underwriters and assistance with investment of various funds.

Bond Counsel

Wohlforth, Flint & Gruening

Provides for the preparation of proceedings for the authorization, sale, issuance and delivery of Bond Bank bonds. Prepares series resolutions, notice of sale, assists in preparation of the Official Statement, renders necessary opinions as required, and provides other general legal services required by the Bond Bank.

Trustee/Paying Agent

Rainier National Bank

Acts as custodian of the bond proceeds and supervises their investment uses for the purpose specified in the bond resolutions. The trustee oversees Debt Service Reserve Funds and maintenance of certain coverage ratios required in the contract with the bondholders. As paying agent, makes all necessary interest and principal payments to the bondholders.

February 18, 1988

Fran Ulmer
Chairman
State Affairs Committee
P.O. Box V, C-102
Juneau, AK 99811

RE: Alaska Municipal Bond Bank legislation

Dear Fran,

Last year the Alaska Municipal Bond Bank decided to be more pro-active and had a survey done among the communities to see what new programs they could offer. Two programs were identified.

One program was to have an equipment leasing program to have communities finance their equipment purchases if they so decided through the Alaska Municipal Bond Bank. We found communities were currently financing equipment at an interest rate of 9 to 15% under current market conditions. The Alaska Municipal Bond Bank could perform this function at approximately 7%.

Another program that was desired by the communities was the ability to finance special service districts or as limited improvement districts. A special service district is one where a district wants to have, let's say, a fire station and do not want to burden all of the taxpayers of a municipality with that responsibility. This would give the municipalities the ability to finance, over a twenty-year period, a new fire station if the voters approved it in the district. A limited improvement district is a financing for a one time improvement such as streets in a subdivision if the taxpayers in the district are willing to pay for it. They vote for the improvements and the LID cost is attached to the property payers and is paid off over time.

Because the legislation was late in arriving in the Governor's office and because this subject is not of high political content the bill was not moved. This bill has the unanimous support of the Alaska Municipal Bond Bank Board and all municipalities. It gives them an additional tool to help meet their obligations. I know of no opposition to this bill. There is no fiscal note to the bill for this calendar year because the Alaska Municipal Bond Bank already has adequate reserves. We expect a \$7 million program of each type if this legislation can be passed.

The legislation has two parts. The first is to allow for the offset of municipal aid for any default on municipal debt through the Alaska Municipal Bond Bank for the new programs. These programs are permissive and if they want the advantage of the Alaska Municipal Bond Bank, there is a small price to pay.

NUVEEN

Section 2 of the bill allows the Alaska Municipal Bond Bank to purchase "any other obligation of a municipality." Current legislation only allows for general obligation bonds and revenue bond. Leases and Limited improvement district bonds do not fit this definition. By passing this language, the Alaska Municipal Bond Bank would be allowed to purchase the new obligations.

I would like your committee to consider sponsoring this legislation.

Yours truly,


Sterling Gallagher



WOHLFORTH, FLINT & GRUENING

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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OF COUNSEL
ROGER G. CONNOR
RICHARD W. GARNETT, II

March 4, 1988

Mr. Perry T. Davis
Executive Director
Municipal Bond Bank Authority

Re: Alaska Municipal Bond Bank Proposed Legislation
(Our File 3742/0001)

Dear Perry:

You have asked for my comments on Proposed Legisla-
tion to expand the purposes of the Bond Bank to purchase any
obligations of a municipality for a governmental or municipal
purpose. The same proposed bill also provides that State Aid
payable to a municipality which is in default on any bonds held
by the Bond Bank be paid directly to the Bond Bank.

The legislative changes proposed are in response to
the suggestion that the purpose of the Bond Bank be broadened
beyond general obligation bonds and revenue bonds to include
bonds for special assessments and other governmental purposes.
Special assessment bond financing where the bonds are paid by
the property benefitted are a customary vehicle for raising
funds for limited area purposes in other states. It seems
appropriate that the Bond Bank's purposes be extended to permit
it to purchase such bonds to assist small municipal financings.
Special assessment bond issues tend to be small in amount and
the Bond Bank would be an efficient vehicle for providing
market access for such debt. Other kinds of financings would
be available through the Bond Bank such as municipal tax incre-
ment and equipment lease financing. Broadening the purposes of
the Bond Bank to permit all governmental or municipal purpose
financing would assist the Bond Bank in meeting its legislative
mandate of providing assistance to Alaska municipalities to
lower interest rates and improve market access.

Very truly yours,

Eric E. Wohlforth
Eric E. Wohlforth

A200300

Original sponsor: State Affairs Committee

1 IN THE HOUSE BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 538 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 44.85.170(b) is amended to read:

10 (b) Notwithstanding any provision of law, to the extent that any
11 department or agency of the state is the custodian of money payable to
12 a municipality, at any time after written notice to the department or
13 agency head from the bond bank authority that the municipality is in
14 default on the payment of principal or interest on municipal [GENERAL
15 OBLIGATION] bonds [OF THE MUNICIPALITY] then held or owned by the bond
16 bank authority, the department or agency shall withhold the payment of
17 that money from that municipality and pay over the money to the bond
18 bank authority for the purpose of paying principal of and interest on
19 the bonds [OF THE BOND BANK AUTHORITY].

20 * Sec. 2. AS 44.85.410(3) is amended to read:

21 (3) "municipal bond" means a bond or note or evidence of
22 debt that [WHICH] constitutes

23 (A) a general obligation bond that is a direct and
24 general obligation of a political subdivision of the state, all
25 the taxable property within which is subject to taxation to pay
26 the bond, note or evidence of debt, and the interest without
27 limitation, as to rate or amount generally to the extent permit-
28 ted by law or to avoid a default as provided for second class
29 cities under AS 29.45.590; [OR]

1 (B) a revenue bond, except a revenue bond for elec-
2 trical generation purposes other than diesel-powered generation,
3 issued by a municipality which pledges the revenue of a revenue-
4 producing capital improvement and which is payable solely from
5 the revenue of the revenue-producing capital improvement; [OR]

6 (C) a general obligation bond or revenue bond combined
7 or additionally secured; [OR]

8 (D) a bond of a borough issued as a general obligation
9 of a service area under AS 29.47.440 or former AS 29.58.340; or

10 (E) an obligation of a municipality secured only by
11 special assessments on benefited property, tax increments, or a
12 lease;

13 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

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BY THE STATE AFFAIRS COMMITTEE

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