

SB

227

ALASKA STATE LEGISLATURE

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DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Sponsor Statement

Senate Bill 227 Proposed Committee Substitute

Public Facilities Financing Corporation and Advisory Vote

The Deferred Maintenance Task Force was charged to develop a financing mechanism for the funding of deferred maintenance for public facilities. The Task Force recommends that the Legislature establish a public corporation similar to the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority.

The Public Facilities Financing Corporation (PFFC) is established in the Department of Revenue. It is authorized to sell bonds to finance projects authorized by legislative action. The legislature will annually appropriate to the Corporation funds to pay the debt service on the bonds. Thus, the legislature maintains the control of identifying projects and the amount of funding. Thus it will also control the amount of annual debt service it will be exposed to.

The PFFC will function in the Department of Revenue similar to the state bond committee. It will have an executive director. The remainder of the staff work will be done by hiring consultants and including their fees in the bond package. This will minimize the need for new employees and is the normal practice.

Section 1. Legislative findings that there is a need for deferred maintenance to existing public facilities and for new public facilities and a Corporation to finance those needs.

Section 2. Adds Chapter 45 to AS 35 titled the Public Facilities Financing Corporation

35.45.010 Establishes the Public Facilities Financing Corporation in the Department of Revenue. The Corporation is independent, but subject to the Executive Budget Act.

35.45.020 Sets the board of directors as the commissioners of Revenue, Education, and Transportation and Public Facilities, the executive directors of AHFC and AIDEA.

35.45.030 Deals with officers, quorums, and employment of staff.

35.45.040 Sets out the powers and duties of the corporation. The Corporation is given routine operating powers, is allowed to acquire and hold property, issue revenue bonds, collect rents and fees, and accept gifts and grants.

The Proposed CS changes subsection (6) to reflect that property is not limited to personal property.

35.45.050 Allows the Corporation to issue bonds for projects approved by the legislature, and payment of the bonds is made by funds appropriated by the legislature. Authorizes state departments to enter into agreements with the Corporation. Agencies receiving funds from these bonds must have preventive maintenance programs in place and must be energy efficient. Bonds sold by the corporation may be "moral obligation bonds", they will not be secured by the full faith and credit of the state.

The Proposed CS changes subsection (a) to allow the Corporation to finance the entire project rather than just the state portion. This will allow the use of federal funds or other funding for projects.

It changes subsection (g) to include various forms of financing arrangements that will be used by the Corporation. The process is that the Corporation will issue bonds based on a lease. The legislature will appropriate lease payments that will then be used to fund the bonds.

35.45.060 Provides the details of the bonds that may be issued by the Corporation. It requires that the Corporation notify the legislature prior to bond sales and inform the legislature amounts necessary of appropriation to maintain the necessary reserves and to service debt.

35.45.070 Limits the bonding allowed to \$2 million. This is a level unlikely to be reached in the foreseeable future, but allows the

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Corporation to be useful in future capital funding activities, as directed by future legislatures.

The proposed CS changes the word security to securities, correction of a typing error.

35.45.080 Limits personal liability of directors and employees.

35.45.090 Exempts these bonds from state taxation.

35.45.100 States that the state will not alter the terms under which the bonds are issued or impair the rights of the bond holders. This is not a guarantee or promise of repayment or performance of the Corporation.

35.45.110 Establishes the Build Alaska Fund. Funding and amount is considered in HB 314.

The proposed CS changes the word secures to secure, correction of a typing error.

35.45.120 Requires an annual audit.

35.45.130 requires an annual report to the governor and legislature.

35.45.140 provides for adoption of regulations by the Corporation.

35.45.900 Defines terms for Chapter 45

Section 3 Makes the state procurement applicable to the Corporation.

Section 4 Makes the executive director exempt from classified service.

Section 5. Makes the Corporation a state board or commission for purposes of the administrative Conflict of Interest statutes.

Section 6 This provides for an advisory vote on moving funds from the Constitutional Budget Reserve to the Build Alaska Fund. The amount will be amended to follow the amount the Finance committees recommend in HB 314. The likely recommendation will be less than the current number, as the anticipated draw on the CBRF will be greater than estimated when this proposal was drafted in the December 1997.

Section 7 Provides an immediate effective date.