

HB

396

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

TONY KNOWLES, GOVERNOR

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February 25, 2000

VIA FACSIMILE TRANSMISSION

The Honorable Ethan Berkowitz
Alaska House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Re: HB 396, an Act transferring the assets, liabilities, and responsibilities...of the Alaska Student Loan Corporation to the Alaska Housing Finance Corporation...

Dear Representative Berkowitz:

I am writing in response to your February 18, 2000 request for information regarding the "value" of the Alaska Student Loan Corporation (ASLC or Corporation) and soliciting comment on House Bill 396.

Subsequent to receiving your request, ASLC Finance Officer Sheila King and I initiated a brief telephone call with your aide Patrick Flynn to gain a better understanding of the objectives of HB 396. In order to provide an appropriate valuation of the ASLC, we inquired about your intent to either continue or terminate operation of the programs currently funded by the ASLC. Patrick advised that while the bill as introduced may not yet accomplish this objective, your intent is for the Alaska Housing Finance Corporation (AHFC) to acquire the assets of the ASLC in return for a payment in some amount to the State. In other words, the State sells the ASLC to AHFC. The assets, liabilities, and responsibilities of the Corporation become those of AHFC. No changes to the operations of the Alaska Commission on Postsecondary Education or its programs are proposed.

As you may be aware, in recent years the Corporation has made dramatic strides in improving its financial stability and credit standing, and in lowering borrowing costs for our customers. In FY99, the Corporation has had net income at a recognizable level for the first time in its history, and loan rates for borrowers are at the lowest level in five years. As a result of all of these improvements, last year the Corporation's bonds received a full ratings upgrade to the double-A level.

While I understand that this bill is not intended to be hostile to the Corporation or its programs, I must advise you that HB 396 poses several negative impacts to the

The Honorable Ethan Berkowitz
February 25, 2000
Page - 2 -

Student Loan Program. We have consulted with the Corporation's financial advisor who indicates that the financial community will, in all likelihood, perceive the proposed transaction negatively in relation to the Corporation's bonds and future bonds required to fund the program. In the event that the Corporation's bond rating is adversely impacted, our borrowers will face increased interest costs, as the cost of bonding would be higher. In addition to raising costs paid by the students and their families who participate in our programs, these higher costs could inhibit future bonding for the program due to bond covenants to which the Corporation's assets are subject, relative to all outstanding bonds.

Additionally, I am convinced that the changes mandated by the bill to eliminate the Corporation board, giving control over funding decisions, strategies, and program development to the AHFC, would put at risk the public policy objectives of our programs. While as two state enterprise organizations there are some similarities in the missions of AIIFC and ASLC, there are also substantive differences. The ASLC is focused on remaining a solvent, financially healthy organization able to provide as low a cost of educational financing for Alaskans as is feasible. The AHFC, on the other hand, has evolved into a revenue producing enterprise of the State. If the Student Loan Program were to be run as a subsidiary enterprise, expected to contribute in any substantial way to an AHFC income stream, it would require program managers to deviate from the priorities currently set by the Corporation Board and the Commission. These priorities currently include continued reduction in lending rates, developing financial incentives for good repayment behavior, and expanding services to include participation as a Federal Family Education Loan Program (FFELP) lender. ASLC's participation in FFELP would provide significant benefits to the State and Alaska students.

In providing an estimated value of the Corporation, the intent of the bill was considered. With the understanding that no changes in the operation of the program are anticipated and given that the assets of each entity are assets of the State, the appropriate valuation method recommended by our financial advisors is the present value of the expected future stream of estimated payments that would be received by AHFC. These payments are described in Governor Knowles' proposed return of contributed capital legislation (HB 373/SB 270). This value, through 2015, is \$14,232,300.

The Honorable Ethan Berkowitz
February 25, 2000
Page - 2 -

Thank you again for this opportunity to provide comment. Any questions regarding this matter can be addressed to either myself or to Ms. King. Our numbers are 465-6740 and 465-6757, respectively.

Sincerely,



Diane Barrans
Executive Director

cc: Members, Alaska Student Loan Corporation
Members, Alaska Commission on Postsecondary Education



FEB 28 2000

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February 25, 2000

The Honorable Ethan Berkowitz
State of Alaska House of Representatives Minority Leader
Alaska State Capital
Juneau, AK 99801-1182

Dear Representative Berkowitz:

Thank you for the opportunity to discuss House Bill 396 last week. The discussion was productive and underscored our common goal of ensuring that cost savings and value the Alaska Municipal Bond Bank Authority brings to the State of Alaska and all the municipalities of the State continue.

You have requested an estimate of the value of the Alaska Municipal Bond Bank Authority. As of June 30, 1999 the "net worth" of the Authority is approximately \$34.8 million, of which approximately \$19 million could be extracted if the program were eliminated, with the remaining \$15.8 million trickling in over the next 20 years as outstanding obligations matured and reserves were released. This net worth is net of the \$914,756 that the Alaska Municipal Bond Bank Authority will remit to the State of Alaska General Fund from its fiscal year 1999 operations.

We discussed, but I would like to re-emphasize, that this one-time injection of capital could cost the Alaska and its municipalities close to \$500,000 per year if capital costs rise by a slight three-tenths of one percent (Many communities would experience much greater increases in the cost of capital).

During FY 1999 the Bond Bank issued general obligation and revenue bonds amounting to \$32.8 million. The Bond Bank currently has \$161.3 million in total bonds outstanding for projects in 23 Alaskan communities, ranging from the Municipality of Anchorage to the City of Unalaska and the Fairbanks North Star Borough to the City of Wrangell. In FY 2000 we anticipate the Alaska Municipal Bond Bank Authority will issue approximately \$28 million for nine underlying borrowers, three of which have never issued bonds.

Sincerely,

Deven Mitchell
Executive Director

Cc: Senator Al Adams

1-LS1394\H
Cook
2/24/00

CS FOR HOUSE BILL NO. 396()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE BERKOWITZ

A BILL

FOR AN ACT ENTITLED

1 "An Act transferring the assets, liabilities, and responsibilities of the Alaska
2 Municipal Bond Bank Authority and of the Alaska Student Loan Corporation to
3 the Alaska Housing Finance Corporation; and relating to the Alaska Housing
4 Finance Corporation."

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

6 * Section 1. AS 09.38.015(c) is amended to read:

7 (c) Property of the state, a municipality, or a [AND OF THE ALASKA
8 MUNICIPAL BOND BANK AUTHORITY OR ANOTHER] state public corporation
9 is exempt.

10 * Sec. 2. AS 14.40.956 is amended to read:

11 Sec. 14.40.956. Cooperation with other authorities. In issuing a bond, the
12 corporation may request the assistance of and work with the Alaska Industrial
13 Development and Export Authority and the Alaska Housing Finance Corporation
14 [MUNICIPAL BOND BANK AUTHORITY]. The Alaska Industrial Development and

1 Export Authority may invest in and issue bonds for space-related projects of the
2 Alaska Aerospace Development Corporation. The Alaska Industrial Development and
3 Export Authority and the Alaska Housing Finance Corporation [MUNICIPAL BOND
4 BANK AUTHORITY] may purchase and market bonds of the Alaska Aerospace
5 Development Corporation.

6 * Sec. 3. AS 14.42.130(b) is amended to read:

7 (b) Public notice of a meeting of the board at which the issuance of
8 corporation bonds under AS 14.42.220 is authorized shall be provided at least 24
9 hours before the meeting.

10 * Sec. 4. AS 14.42.140 is amended to read:

11 **Sec. 14.42.140. Minutes of meetings.** The board shall keep minutes of each
12 meeting held to carry out its responsibilities under AS 14.42.130 - 14.42.390 and
13 send a certified copy to the governor and to the Legislative Budget and Audit
14 Committee.

15 * Sec. 5. AS 14.42.150 is amended to read:

16 **Sec. 14.42.150. Administration of affairs.** The board shall manage the assets
17 and business of the corporation and may adopt bylaws and regulations, in accordance
18 with AS 44.62 (Administrative Procedure Act), governing the manner in which the
19 business of the corporation under AS 14.42.130 - 14.42.390 is conducted and the
20 manner in which its powers under AS 14.42.130 - 14.42.390 are exercised. The board
21 shall delegate supervision of the administration of the corporation to the executive
22 director [OFFICER] of the corporation.

23 * Sec. 6. AS 14.42.170 is amended to read:

24 **Sec. 14.42.170. Staff.** The employees of the Alaska Commission on
25 Postsecondary Education shall serve as staff for the corporation in connection with
26 the exercise of its responsibilities under AS 14.42.130 - 14.42.390.

27 * Sec. 7. AS 14.42.190 is amended to read:

28 **Sec. 14.42.190. Budget.** The portion of the operating budget of the
29 corporation used in connection with the exercise of its responsibilities under
30 AS 14.42.130 - 14.42.390 is subject to AS 37.07 (Executive Budget Act).

31 * Sec. 8. AS 14.42.200 is amended to read:

1 **Sec. 14.42.200. General powers.** In addition to other powers granted under
2 AS 14.42.130 - 14.42.390 [IN THIS CHAPTER], the corporation, in the exercise of
3 its power and functions under AS 14.42.130 - 14.42.390, may

4 (1) sue and be sued in its own name;

5 (2) adopt an official seal;

6 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)
7 to carry out the purposes of this chapter;

8 (4) make and execute agreements, contracts, and other instruments
9 necessary or convenient in the exercise of the powers and functions of the corporation
10 under AS 14.42.130 - 14.42.390, including contracts with a person or governmental
11 entity;

12 (5) receive, administer, and comply with the conditions and
13 requirements respecting any appropriation, gift, grant, or donation of property or
14 money;

15 (6) borrow money as provided in AS 14.42.220 [THIS CHAPTER] to
16 carry out its corporate purposes under AS 14.42.130 - 14.42.390 and issue its
17 obligations as evidence of the borrowing;

18 (7) include in a borrowing under AS 14.42.220 the amounts to pay
19 financing charges, interest on the obligations for a period not exceeding one year after
20 the date on which the corporation estimates funds will otherwise be available to pay
21 the interest, consultant, advisory, and legal fees, and other expenses necessary or
22 incident to the borrowing;

23 (8) invest or reinvest, subject to its contracts with noteholders and
24 bondholders, money held under AS 14.42.130 - 14.42.390 by the corporation as set
25 out in AS 37.10.071;

26 (9) collect from a borrower amounts owed with respect to a student
27 loan the corporation has purchased;

28 (10) gather information on student loans available to residents of
29 Alaska and disseminate the information to reasonably assure that qualified residents
30 are aware of financial resources available to those attending or desiring to attend
31 institutions for which loans may be made under AS 14.43.090 - 14.43.325, 14.43.600 -

1 14.43.700, or 14.43.710 - 14.43.750;

2 (11) service student loans held by the corporation;

3 (12) purchase or participate in the purchase of student loans;

4 (13) contract in advance for the purchase or sale of student loans;

5 (14) sell or participate in the sale, either public or private and on terms
6 authorized by the board, of student loans to the Student Loan Marketing Association
7 or to other purchasers;

8 (15) collect and pay reasonable fees and charges in connection with the
9 purchase, sale, and servicing of student loans;

10 (16) enter into agreements with the federal government, including
11 guaranty agreements and supplemental guaranty agreements as described in the United
12 States Higher Education Act of 1965, as necessary to provide for the receipt by the
13 corporation of administrative allowances and other benefits available under the United
14 States Higher Education Act of 1965;

15 (17) administer federal money allotted to the state involving insured
16 student loans and related administrative costs and other matters;

17 (18) enter into agreements with the Alaska Commission on
18 Postsecondary Education relating to student loans [, THE ADMINISTRATION OF
19 THE STUDENT LOAN FUND CREATED UNDER AS 14.42.210,] and the payment
20 of and security for bonds of the corporation issued under AS 14.42.220;

21 (19) to the extent permitted under contracts with bond holders, consent
22 to the modification of the rate of interest, time of payment of an installment of
23 principal or interest, or other terms of a student loan purchased by the corporation;

24 (20) procure insurance against any loss in connection with the operation
25 of its programs under AS 14.42.130 - 14.42.390;

26 (21) provide advisory services to borrowers and other participants in
27 the corporation's programs under AS 14.42.130 - 14.42.390;

28 (22) enter into credit facility agreements to carry out the purposes of
29 AS 14.42.130 - 14.42.390 and make pledges, covenants, and agreements with respect
30 to the repayment of borrowings under the credit facility agreements;

31 (23) do all acts necessary, convenient, or desirable to carry out the

1 powers expressly granted or necessarily implied in AS 14.42.130 - 14.42.390
2 [AS 14.42.100 - 14.42.390].

3 * **Sec. 9.** AS 14.42.210(a) is amended to read:

4 (a) The student loan fund is established in the corporation. The [STUDENT
5 LOAN] fund is a trust fund to be used to carry out the purposes of AS 14.42.130 -
6 14.42.390 [AS 14.42.100 - 14.42.390], AS 14.43.090 - 14.43.325, 14.43.600 -
7 14.43.700, 14.43.710 - 14.43.750, and AS 14.44.025. The fund consists of money or
8 assets appropriated or transferred to the corporation for the fund and money or assets
9 deposited in it by the corporation. The corporation may establish separate accounts
10 in the fund.

11 * **Sec. 10.** AS 14.42.210(b) is amended to read:

12 (b) Money and other assets of the student loan fund may be used to secure
13 bonds of the corporation issued under AS 14.42.220, invested in student loans and
14 investments under AS 37.10.071, and used to purchase loans approved under
15 AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, or 14.43.710 - 14.43.750.

16 * **Sec. 11.** AS 14.42.210 is amended by adding a new subsection to read:

17 (d) At the end of each fiscal year, the corporation shall determine whether
18 assets of the student loan fund exceed the amount necessary to carry out the purposes
19 of the fund under (a) and (b) of this section. If the corporation determines that there
20 are excess assets in the student loan fund, it shall notify the legislature of the amount
21 of the excess, and the legislature may appropriate that amount to the power cost
22 equalization and rural electric capitalization fund (AS 42.45.100).

23 * **Sec. 12.** AS 14.42.220(f) is amended to read:

24 (f) The corporation may not issue bonds under this section, other than
25 refunding bonds, during any two consecutive fiscal years in an aggregate amount
26 greater than \$125,000,000 unless the legislature, by law, approves issuance of a greater
27 amount.

28 * **Sec. 13.** AS 14.42.270 is amended to read:

29 **Sec. 14.42.270. Pledge and agreement of state.** The state pledges to and
30 agrees with holders of bonds issued by the former Alaska Student Loan Corporation
31 or by the Alaska Housing Finance Corporation under AS 14.42.220

1 [CORPORATION] that the state will not limit or alter the rights and powers vested in
2 the corporation under AS 14.42.130 - 14.42.390 [AS 14.42.100 - 14.42.390] to fulfill
3 the terms of a contract made by the former Alaska Student Loan Corporation or
4 by the Alaska Housing Finance Corporation under AS 14.42.220
5 [CORPORATION] with the bondholders or in any way impair the rights and remedies
6 of the bondholders until the bonds, together with the interest on them with interest on
7 unpaid installments of interest, and all costs and expenses in connection with an action
8 or proceeding by or on behalf of the bondholders, are fully met and discharged. The
9 corporation may include this pledge and agreement of the state in a contract with
10 bondholders.

11 * Sec. 14. AS 14.42.280 is amended to read:

12 **Sec. 14.42.280. Exemption from taxation.** The real and personal property of
13 the corporation and its assets, income, and receipts are declared to be the property of
14 a political subdivision of the state and devoted to an essential public and governmental
15 function and purpose, and the property, assets, income, receipts, and other interests of
16 the corporation are exempt from all taxes and special assessments of the state or a
17 political subdivision of the state, including municipalities, school districts, public utility
18 districts, and other governmental units. Bonds of the corporation issued under
19 AS 14.42.220 are declared to be issued by a political subdivision of the state and for
20 an essential public and governmental purpose, and the bonds, interest on them, income
21 from them, and transfer of them, and all assets, income, and receipts pledged to pay
22 or secure the payment of the bonds, or interest on them, are exempt from taxation by
23 or under the authority of the state, except for inheritance and estate taxes and taxes on
24 transfers by or in contemplation of death.

25 * Sec. 15. AS 14.42.290 is amended to read:

26 **Sec. 14.42.290. Bonds legal investments for fiduciaries.** The bonds of the
27 corporation issued under AS 14.42.220 are securities in which public officers and
28 bodies of the state, municipalities, insurance companies, insurance associations, other
29 persons carrying on an insurance business, banks, bankers, trust companies, savings
30 banks, savings associations, building and loan associations, investment companies,
31 other persons carrying on a banking business, administrators, guardians, executors,

1 trustees, other fiduciaries, and other persons who are authorized to invest in bonds or
2 other obligations of the state [,] may properly and legally invest funds including capital
3 in their control or belonging to them. Notwithstanding any other provisions of law,
4 the bonds of the corporation issued under AS 14.42.220 are also securities that may
5 be deposited with and may be received by public officers and bodies of the state and
6 municipalities for any purpose for which the deposit of bonds or other obligations of
7 the state is not or may be authorized.

8 * Sec. 16. AS 14.42.300 is amended to read:

9 Sec. 14.42.300. Operation of certain statutes excepted. (a) In the exercise
10 of its powers and functions under AS 14.42.130 - 14.42.390, the [THE] corporation

11 (1) is not a municipality as the term is defined in AS 01.10.060;

12 (2) except [. EXCEPT] as provided in AS 14.42.190, [THE
13 CORPORATION] is not subject to AS 37; and

14 (3) for [. FOR] all other purposes, [THE CORPORATION] is a
15 political subdivision and an instrumentality of the state.

16 (b) The funds, income, and receipts of the corporation that are obtained by
17 it in the exercise of its powers and functions under AS 14.42.130 - 14.42.390 are
18 not money of the state, nor may real property in which the corporation has an interest
19 be considered land owned in fee by the state or to which the state may become entitled
20 or in any way land belonging to the state, or state land referred to in art. VIII of the
21 Alaska Constitution.

22 * Sec. 17. AS 14.42.310 is amended to read:

23 Sec. 14.42.310. Annual audit. The financial records of the corporation that
24 relate to its exercise of its powers and functions under AS 14.42.130 - 14.42.390
25 shall be audited annually by the legislative auditor or by a certified public accountant
26 approved by the legislative auditor. The legislative auditor may prescribe the form and
27 content of these [THE] financial records of the corporation and shall have access to
28 these records at any time.

29 * Sec. 18. AS 14.42.390 is amended to read:

30 Sec. 14.42.390. Definitions. In AS 14.42.130 - 14.42.390 [AS 14.42.100 -
31 14.42.390],

1 (1) "board" means the board of directors of the corporation;

2 (2) "corporation" means the Alaska Housing Finance [STUDENT
3 LOAN] Corporation (AS 18.56.020).

4 * Sec. 19. AS 14.43.090(a) is amended to read:

5 (a) There is created a scholarship revolving loan fund. The fund shall be used
6 to make scholarship loans to students selected under AS 14.43.090 - 14.43.160, to pay
7 the costs of collecting scholarship loans that are in default if those costs are not
8 recovered from the student, and to pay the costs of administering the fund. Unless the
9 instrument evidencing the scholarship loan has been sold or assigned to the former
10 Alaska Student Loan Corporation or to the Alaska Housing Finance Corporation,
11 repayments of principal and interest on a scholarship loan shall be paid into the
12 scholarship revolving loan fund. If money estimated to be available is inadequate to
13 fully fund estimated scholarship loans for any fiscal year, additional funding from the
14 general fund may be requested and appropriated for that year.

15 * Sec. 20. AS 14.43.090(d) is amended to read:

16 (d) The commission may sell or assign notes and other instruments evidencing
17 scholarship loans to the Alaska Housing Finance [STUDENT LOAN] Corporation and
18 enter into agreements with the corporation relating to loans [, THE
19 ADMINISTRATION OF THE STUDENT LOAN FUND CREATED UNDER
20 AS 14.42.210,] and the payment of and security for bonds of the corporation.
21 Proceeds from the sale or assignment of notes and other instruments shall be deposited
22 in the scholarship revolving loan fund.

23 * Sec. 21. AS 14.43.120(f) is amended to read:

24 (f) Interest on a loan made under AS 14.43.090 - 14.43.160 is equal to the
25 interest rate

26 (1) paid in each year on bonds issued by the former Alaska Student
27 Loan Corporation or the Alaska Housing Finance Corporation under AS 14.42.220;
28 and

29 (2) necessary to pay the administrative cost of the student loan program
30 that is represented by the loan.

31 * Sec. 22. AS 14.43.120(r) is amended to read:

1 (r) The rate of interest, time of payment of an installment of principal or
2 interest, or other terms of a scholarship loan may be modified if required to establish
3 or maintain tax-exempt status under 26 U.S.C. 103 (Internal Revenue Code of 1986),
4 as amended, for the interest on bonds issued by the former Alaska Student Loan
5 Corporation or the Alaska Housing Finance Corporation.

6 * Sec. 23. AS 14.43. 20(t) is amended to read:

7 (t) Payment of interest under (l) of this section and forgiveness under (s) of
8 this section are subject to appropriation by the legislature. Money obtained from the
9 sale of bonds by the former Alaska Student Loan Corporation or the Alaska Housing
10 Finance Corporation under AS 14.42.220 may not be appropriated for the payment
11 of interest or the forgiveness of loans.

12 * Sec. 24. AS 14.43.120(u) is amended to read:

13 (u) The commission by regulation shall set a loan origination fee, not to
14 exceed five percent of the total scholarship loan amount, to be assessed upon a
15 scholarship loan that is funded from the student loan fund of the Alaska Housing
16 Finance [STUDENT LOAN] Corporation. The loan origination fee shall be deducted
17 at the time the loan is disbursed. Subject to appropriation, the loan origination fees
18 shall be deposited into an origination fee account within the student loan fund of the
19 Alaska Housing Finance [STUDENT LOAN] Corporation, and subsequently used by
20 the corporation to offset losses incurred as a result of death, disability, default, or
21 bankruptcy of the borrower.

22 * Sec. 25. AS 14.43.255(a) is amended to read:

23 (a) There is created a memorial scholarship revolving loan fund. The fund
24 shall be used to provide educational scholarship loans to students selected under
25 AS 14.43.250 - 14.43.325. Unless the instrument evidencing the memorial scholarship
26 loan has been sold or assigned to the former Alaska Student Loan Corporation or the
27 Alaska Housing Finance Corporation, repayments of a loan shall be deposited into
28 the memorial scholarship revolving loan fund and shall be used to make new loans.

29 * Sec. 26. AS 14.43.255(c) is amended to read:

30 (c) The commission may sell or assign notes and other instruments evidencing
31 memorial scholarship loans to the Alaska Housing Finance [STUDENT LOAN]

1 Corporation and enter into agreements with the corporation relating to loans [, THE
2 ADMINISTRATION OF THE STUDENT LOAN FUND CREATED UNDER
3 AS 14.42.210,] and the payment of and security for bonds of the corporation.
4 Proceeds from the sale or assignment of a note or other instrument shall be deposited
5 in the appropriate memorial scholarship loan fund account.

6 * Sec. 27. AS 14.43.620 is amended to read:

7 **Sec. 14.43.620. Teacher scholarship revolving loan fund.** (a) There is
8 created a teacher scholarship revolving loan fund. The fund shall be used to make
9 scholarship loans to students selected under AS 14.43.600 - 14.43.700. Unless the
10 instrument evidencing the teacher scholarship loan has been sold or assigned to the
11 former Alaska Student Loan Corporation or the Alaska Housing Finance
12 Corporation, repayments of principal and interest on a teacher scholarship loan shall
13 be paid into the teacher scholarship revolving loan fund and shall be used to make new
14 teacher scholarship loans. If estimated funds available are inadequate to fully fund
15 estimated teacher scholarship loans for any fiscal year, additional funding from the
16 general fund may be requested and appropriated for that year.

17 (b) The commission may sell or assign notes and other instruments evidencing
18 teacher scholarship loans to the Alaska Housing Finance [STUDENT LOAN]
19 Corporation and enter into agreements with the corporation relating to loans [, THE
20 ADMINISTRATION OF THE STUDENT LOAN FUND CREATED UNDER
21 AS 14.42.210] and the payment of and security for bonds of the corporation. Proceeds
22 from the sale or assignment of the notes or other instruments shall be deposited in the
23 teacher scholarship revolving loan fund.

24 * Sec. 28. AS 14.43.720 is amended to read:

25 **Sec. 14.43.720. Family education loan account.** (a) The family education
26 loan account is created within the scholarship revolving loan fund (AS 14.43.090).
27 The account shall be used to make family education loans to families selected under
28 AS 14.43.710 - 14.43.750, to pay the costs of collecting family education loans that
29 are in default if those costs are not recovered from the family, and to pay the costs of
30 administering the account. Unless the instrument evidencing the family education loan
31 has been sold or assigned to the former Alaska Student Loan Corporation or the

1 Alaska Housing Finance Corporation, repayments of principal and interest on family
2 education loans shall be paid into the family education loan account. If estimated
3 funds available from family education loan repayments are inadequate to fully fund
4 estimated family education loans in a fiscal year, additional funding from the general
5 fund may be requested and appropriated for that year.

6 (b) The commission may sell or assign notes and other instruments evidencing
7 family education loans to the Alaska Housing Finance [STUDENT LOAN]
8 Corporation and enter into agreements with the corporation relating to loans [, THE
9 ADMINISTRATION OF THE STUDENT LOAN FUND CREATED UNDER
10 AS 14.42.210,] and the payment of and security for bonds of the corporation. Proceeds
11 from the sale or assignment of notes and other instruments shall be deposited in the
12 family education loan account.

13 * Sec. 29. AS 21.76.080(b) is amended to read:

14 (b) An expenditure may be made from a joint insurance fund only to

15 (1) pay claims, losses, or benefits, including interest on them, and the
16 administrative and adjustment expenses incurred in connection with them, involving
17 the types of protection for which the fund provides coverage as specified in the joint
18 insurance agreement;

19 (2) pay contractual obligations of a joint insurance fund established by
20 a municipal joint insurance arrangement to the Alaska Housing Finance Corporation
21 [MUNICIPAL BOND BANK AUTHORITY] or other lender; and

22 (3) purchase insurance coverage for members of a municipal joint
23 insurance arrangement on a group basis.

24 * Sec. 30. AS 44.85.010 is amended to read:

25 **Sec. 44.85.010. Legislative policy.** (a) It is the policy of the state

26 (1) to foster and promote by all reasonable means the provision of
27 adequate capital markets and facilities for borrowing money by municipalities in the
28 state to finance capital improvements or for other authorized purposes, to assist these
29 municipalities in fulfilling their capital needs and requirements by use of borrowed
30 money within statutory interest rate or cost of borrowing limitations, to the greatest
31 extent possible to reduce costs of borrowed money to taxpayers and residents of the

1 state, and equally to encourage continued investor interest in the purchase of bonds or
2 notes of municipalities as sound and preferred securities for investment;

3 (2) to encourage municipalities to continue their independent
4 undertakings and financing of capital improvements and other authorized purposes and
5 to assist them by making capital funds available at reduced interest costs for orderly
6 financing of capital improvements and other purposes especially during periods of
7 restricted credit or money supply, particularly for those municipalities not otherwise
8 able to borrow for capital needs;

9 (3) to assist municipalities to provide for adequate insurance coverage
10 by authorizing the Alaska Housing Finance Corporation [MUNICIPAL BOND
11 BANK AUTHORITY] to issue negotiable or nonnegotiable revenue bonds, notes, or
12 certificates of participation either directly or through an entity it may create for the
13 purpose of providing a self-insurance program for municipalities or municipal joint
14 insurance arrangements organized under AS 21.76.

15 (b) The legislature further declares that

16 (1) the exercise of the powers of the state in the interest of its
17 municipalities is required to further and implement the policies declared in (a) of this
18 section by authorizing the Alaska Housing Finance Corporation to exercise
19 [CREATION OF A STATE BOND BANK AUTHORITY AS A BODY CORPORATE
20 AND POLITIC THAT WILL HAVE] full powers to borrow money and to issue its
21 bonds and notes to make capital funds available for borrowing by municipalities and
22 by granting broad powers to the corporation to function as a bond bank authority to
23 carry out the declared policies, which are in the public interest of the state and its
24 taxpayers and residents;

25 (2) state funds should be applied or authorized to be paid to a state
26 corporation in its capacity as a bond bank authority only to provide adequate
27 assurance and security to the holders of the bonds or notes of the bond bank authority;

28 (3) the Alaska Housing Finance Corporation [BOND BANK
29 AUTHORITY] should conduct its operations to provide the lowest rates in terms of
30 borrowing to municipalities as is consistent with a self-supporting operation with no
31 expectation of subsidization with state funds; the legislature does not intend that the

1 bond bank authority be utilized as a means to finance municipalities beyond their
2 capability to meet repayment schedules and debt service requirements of bonds or
3 notes.

4 * **Sec. 31.** AS 44.85.070 is amended to read:

5 **Sec. 44.85.070. Staff.** [THE BOND BANK AUTHORITY SHALL EMPLOY
6 AN EXECUTIVE SECRETARY WHO MAY WITH THE APPROVAL OF THE
7 BOND BANK AUTHORITY SELECT AND EMPLOY ADDITIONAL STAFF
8 AS NECESSARY. EMPLOYEES AND AGENTS OF THE BOND BANK
9 AUTHORITY OTHER THAN LEGAL COUNSEL AND THE EXECUTIVE
10 SECRETARY ARE IN THE CLASSIFIED SERVICE UNDER AS 39.25.] In addition
11 to its staff of regular employees, the bond bank authority may contract for and engage
12 the services of the bond counsel, consultants, experts, and financial advisors the bond
13 bank authority considers necessary for the purpose of developing information, or
14 conducting studies, investigations, hearings, or other proceedings.

15 * **Sec. 32.** AS 44.85.080 is amended to read:

16 **Sec. 44.85.080. Powers of bond bank authority.** The bond bank authority
17 may

18 (1) sue and be sued;

19 (2) adopt and alter an official seal;

20 (3) make and enforce bylaws and regulations for the conduct of its
21 business and for the use of its services and facilities;

22 (4) maintain an office at any place in the state;

23 (5) acquire, hold, use, and dispose of its income, revenues, funds, and
24 money to carry out the purposes of this chapter;

25 (6) acquire, rent, lease, hold, use, and dispose of other personal
26 property for its purposes under this chapter;

27 (7) subject to AS 44.85.100(b), borrow money and issue its negotiable
28 bonds or notes under this chapter and provide for and secure their payment, provide
29 for the rights of their holders and purchase, hold and dispose of any [OF ITS] bonds
30 or notes issued under this chapter;

31 (8) fix and revise from time to time and charge and collect fees and

1 charges for the use of its services or facilities;

2 (9) to carry out the purposes of this chapter, accept gifts or grants
3 from the United States, or from any governmental unit or person, firm, or corporation,
4 carry out the terms or provisions or make agreements with respect to the gifts or
5 grants, and do all things necessary, useful, desirable, or convenient in connection with
6 procuring, accepting, or disposing of the gifts or grants;

7 (10) do anything authorized by this chapter, through its officers, agents,
8 or employees or by contracts with a person;

9 (11) make, enter into, and enforce all contracts necessary, convenient,
10 or desirable for the purposes of the bond bank authority or pertaining to a loan to a
11 political subdivision, a purchase or sale of municipal bonds or other investments, or
12 the performance of its duties and execution of any of its powers under this chapter;

13 (12) purchase or hold municipal bonds at prices and in a manner the
14 bond bank authority considers advisable, and sell municipal bonds acquired or held by
15 it at prices without relation to cost and in a manner the bond bank authority considers
16 advisable;

17 (13) invest funds or money of the bond bank authority not required at
18 the time of investment for loan to political subdivisions for the purchase of municipal
19 bonds, in the same manner as permitted for investment of funds belonging to the state,
20 except as otherwise provided in this chapter;

21 (14) prescribe the form of application or procedure required of a
22 political subdivision for a loan or purchase of its municipal bonds, fix the terms and
23 conditions of the loan or purchase, and enter into agreements with political
24 subdivisions with respect to loans or purchases;

25 (15) render services to a political subdivision in connection with a
26 public or private sale of its municipal bonds, including advisory and other services, and
27 charge for services rendered;

28 (16) charge for its costs and services in review or consideration of a
29 proposed loan to a political subdivision or purchase by the bond bank authority of
30 municipal bonds of the political subdivision, whether or not the loan is made or the
31 municipal bonds purchased;

1 (17) fix and establish terms and provisions with respect to a purchase
2 of municipal bonds by the bond bank authority, including date and maturities of the
3 bonds, provisions as to redemption or payment before maturity, and any other matters
4 which in connection with the purchase are necessary, desirable, or advisable in the
5 judgment of the bond bank authority;

6 (18) procure insurance against any losses in connection with its
7 property, operations, or assets in amounts and from insurers as it considers desirable;

8 (19) to the extent permitted under [ITS] contracts with the holders of
9 bonds or notes issued under this chapter [OF THE BOND BANK AUTHORITY],
10 consent to modification of the rate of interest, time and payment of installment of
11 principal or interest, security or any other term of a bond or note, contract or
12 agreement of any kind to which the bond bank authority is a party;

13 (20) by regulation, create a new entity for the purpose of issuing
14 negotiable or nonnegotiable revenue bonds, notes, or certificates of participation to
15 finance a self-insurance program for municipalities or municipal joint insurance
16 arrangements organized under AS 21.76; the powers, duties, and membership of the
17 new entity shall be limited to the powers, duties, and membership of the authority and
18 stated in the regulation; the new entity shall be a public corporation and an
19 instrumentality of the state with the same legal existence and continuing succession as
20 the bond bank authority; and

21 (21) do all acts and things necessary, convenient, or desirable to carry
22 out the powers expressly granted or necessarily implied in this chapter.

23 * Sec. 33. AS 44.85.100 is amended to read:

24 **Sec. 44.85.100. Annual report and audit.** (a) Before October 1 of each year
25 the bond bank authority shall make a report of its activities under this chapter for the
26 preceding fiscal year to the governor and notify the legislature that the report is
27 available. The report must [SHALL] set out a complete operating and financial
28 statement covering its operations under this chapter during the year. The bond bank
29 authority must have an audit of its books and accounts kept under this chapter made
30 at least once in each year by certified public accountants. The [AND THE] cost of
31 the audit shall be considered an expense of the bond bank authority, and a copy of the

1 audit shall be filed with the commissioner of revenue and the legislature.

2 (b) The bond bank authority shall include in the report required by (a) of this
3 section an estimate of the amount of revenue bonds of the bond bank authority to be
4 issued under this chapter during the fiscal year following the fiscal year in which the
5 report is submitted. Under this chapter, the [THE] bond bank authority may not
6 issue revenue bonds, other than refunding bonds, in excess of \$50,000,000 during any
7 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the
8 estimate required by this subsection for that fiscal year.

9 * Sec. 34. AS 44.85.110 is amended to read:

10 Sec. 44.85.110. Annual budget. The bond bank authority shall prepare and
11 submit [AN ANNUAL BUDGET] under AS 37.07 (Executive Budget Act) the portion
12 of the Alaska Housing Finance Corporation budget used in connection with the
13 exercise of its responsibilities under this chapter.

14 * Sec. 35. AS 44.85.120 is amended to read:

15 Sec. 44.85.120. Care and custody of bonds. The bond bank authority, in
16 accordance with AS 36.30 (State Procurement Code), may enter into agreements or
17 contracts with a bank, trust company, banking or financial institution inside or outside
18 the state as may be necessary, desirable, or convenient, in the opinion of the bond
19 bank authority, for rendering services in connection with the care, custody, or
20 safekeeping of municipal bonds or other investments held or owned by the bond bank
21 authority under this chapter, for rendering services in connection with the payment
22 or collection of amounts payable as to principal or interest, and for rendering services
23 in connection with the delivery to the bond bank authority of municipal bonds or other
24 investments purchased by it or sold by it under this chapter, and to pay the cost of
25 those services. The bond bank authority may also, in connection with any of the
26 services to be rendered by a bank, trust company, or banking or financial institution
27 as to the custody and safekeeping of its municipal bonds or investments under this
28 chapter, require security in the form of collateral bonds, surety agreements, or security
29 agreements in such form and amount as, in the opinion of the bond bank authority, is
30 necessary or desirable.

31 * Sec. 36. AS 44.85.180(a) is amended to read:

1 (a) Subject to AS 44.85.100(b), the bond bank authority may issue its bonds
2 or notes in principal amounts that it considers necessary to provide funds for any
3 purposes under this chapter, including

4 (1) the purchase of municipal bonds;

5 (2) the making of loans through the purchase of municipal bonds, notes,
6 or certificates of participation secured by an agreement between the bond bank
7 authority and a municipality or a municipal joint insurance arrangement organized
8 under AS 21.76;

9 (3) the payment, funding, or refunding of the principal of, or interest
10 or redemption premiums on, bonds or notes issued under this chapter [BY IT]
11 whether the bonds or notes or interest to be funded or refunded have or have not
12 become due;

13 (4) the establishment or increase of reserves to secure or to pay bonds
14 or notes or interest on bonds or notes and all other costs or expenses of the bond bank
15 authority incident to and necessary or convenient to carry out its corporate purposes
16 and powers under this chapter.

17 * Sec. 37. AS 44.85.180(b) is amended to read:

18 (b) Except as otherwise provided in this chapter or by the bond bank authority,
19 every issue of bonds or notes under this chapter shall be general obligations payable
20 out of the revenues or funds of the bond bank authority, subject only to agreements
21 with the holders of particular bonds or notes pledging a particular revenue or fund.
22 Bonds or notes may be additionally secured by a pledge of a grant or contributions
23 from the United States or the state or a political subdivision or a person, firm, or
24 corporation, or a pledge of income or revenues, funds or money of the bond bank
25 authority from any source whatsoever.

26 * Sec. 38. AS 44.85.180(c) is amended to read:

27 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
28 amount of [BOND BANK AUTHORITY] bonds and notes issued under this chapter
29 outstanding at any one time, except bonds or notes issued to fund or refund bonds or
30 notes, may not exceed \$300,000,000.

31 * Sec. 39. AS 44.85.230 is amended to read:

1 **Sec. 44.85.230. Purchase and disposition of own obligations.** The bond
2 bank authority may purchase bonds or notes issued under this chapter [OF THE
3 BOND BANK AUTHORITY] out of its funds or money [AVAILABLE FOR THE
4 PURCHASE OF ITS OWN BONDS AND NOTES]. The bond bank authority may
5 hold, cancel, or resell the bonds or notes subject to and in accordance with agreements
6 with holders of its bonds or notes.

7 * **Sec. 40.** AS 44.85.260 is amended to read:

8 **Sec. 44.85.260. Presumption of validity.** After issuance under this chapter,
9 all bonds or notes [OF THE BOND BANK AUTHORITY] shall be conclusively
10 presumed to be fully authorized and issued under the laws of the state, and a person
11 or a municipality is estopped from questioning their authorization, sale, issuance,
12 execution, or delivery by the bond bank authority or the former Alaska Municipal
13 Bond Bank Authority.

14 * **Sec. 41.** AS 44.85.270(a) is amended to read:

15 (a) The bond bank authority shall establish and maintain a special fund called
16 the "Alaska municipal bond bank authority reserve fund" in which there shall be
17 deposited or transferred

18 (1) all money appropriated by the legislature for the purpose of the
19 fund in accordance with the provisions of (g) of this section;

20 (2) all proceeds of bonds required to be deposited in the fund by terms
21 of a contract between the bond bank authority or the former Alaska Municipal Bond
22 Bank Authority and [ITS] bondholders or a resolution of the bond bank authority or
23 the former Alaska Municipal Bond Bank Authority with respect to the proceeds of
24 bonds;

25 (3) all other money appropriated by the legislature to the reserve fund;
26 and

27 (4) any other money or funds of the bond bank authority that it decides
28 to deposit in the fund.

29 * **Sec. 42.** AS 44.85.270(b) is amended to read:

30 (b) Subject to the provisions of (h) of this section, money in the reserve fund
31 shall be held and applied solely to the payment of the interest on and principal of

1 bonds issued under this chapter [OF THE BOND BANK AUTHORITY] as the
2 interest and principal become due and payable and for the retirement of bonds; and the
3 money may not be withdrawn if a withdrawal would reduce the amount in the reserve
4 fund to an amount less than the required debt service reserve except for payment of
5 interest then due and payable on bonds and the principal of bonds then maturing and
6 payable and for the retirement of bonds in accordance with the terms of a contract
7 between the bond bank authority or the former Alaska Municipal Bond Bank
8 Authority and [ITS] bondholders and for which payments of other money of the bond
9 bank authority is not then available. In this subsection, "required debt service reserve"
10 means, as of the date of computation, the amount required to be on deposit in the
11 reserve fund as provided by resolution of the bond bank authority or the former
12 Alaska Municipal Bond Bank Authority.

13 * Sec. 43. AS 44.85.270(f) is amended to read:

14 (f) Notwithstanding any other provision of this chapter, bonds may not be
15 issued under this chapter [BY THE BOND BANK AUTHORITY] unless there is in
16 the reserve fund the required debt service reserve for all bonds then issued and
17 outstanding and for the bonds to be issued, however, the bond bank authority may
18 satisfy this requirement by depositing as much of the proceeds of the bonds to be
19 issued, upon their issuance, as is needed to meet the required debt service reserve.
20 The bond bank authority may at any time issue its bonds or notes for the purpose of
21 increasing the amount in the reserve fund to the required debt service reserve, or to
22 meet whatever higher or additional reserve that may be fixed by the bond bank
23 authority with respect to the fund.

24 * Sec. 44. AS 44.85.270(i) is amended to read:

25 (i) All references to the "reserve fund" in this section include special accounts
26 within the reserve fund which may be created [BY THE AUTHORITY] to secure the
27 payment of particular bonds. The commissioner of revenue may lend surplus money
28 in the general fund to the bond bank authority for deposit to any account in the
29 reserve fund in an amount equal to the required debt service reserve. The loans shall
30 be made on such terms and conditions as may be agreed upon by the commissioner
31 of revenue and the bond bank authority, including, without limitation, terms and

1 conditions providing that the loans need not be repaid until the obligations of the
2 corporation secured and to be secured by the account in the reserve fund are no longer
3 outstanding.

4 * Sec. 45. AS 44.85.290 is amended to read:

5 **Sec. 44.85.290. Application of funds.** Money or investments in a fund or
6 account of the bond bank authority established or held for bonds, notes, indebtedness,
7 or liability to be paid, funded, or refunded by issuance of bonds or notes issued under
8 this chapter, unless the resolution authorizing the bonds or notes provides otherwise,
9 shall be applied to the payment or retirement of the bonds, notes, indebtedness or
10 liability issued or incurred under this chapter, and to no other purpose.

11 * Sec. 46. AS 44.85.310 is amended to read:

12 **Sec. 44.85.310. Default in payment.** If the bond bank authority defaults in
13 the payment of principal of or interest on [AN ISSUE OF] notes or bonds issued
14 under this chapter [AFTER THEY BECOME DUE], whether at maturity or upon call
15 for redemption, and the default continues for 30 days, or if the bond bank authority
16 fails or refuses to comply with this chapter or defaults in an agreement made with the
17 holders of [AN ISSUE OF] notes or bonds issued under this chapter, the holders of
18 25 percent in the aggregate principal amount of the outstanding notes or bonds of that
19 issue, by instrument filed in the office of the clerk of the district court of the first
20 judicial district and executed in the same manner as a deed to be recorded, may
21 appoint a trustee to represent the holders of those notes or bonds for the purposes
22 provided in this chapter.

23 * Sec. 47. AS 44.85.320(a) is amended to read:

24 (a) A trustee appointed under AS 44.85.310 [THIS SECTION] may, and shall
25 in the trustee's name, upon written request of the holders of 25 percent in principal
26 amount of the outstanding notes or bonds,

27 (1) by civil action enforce all rights of the noteholders or bondholders,
28 including the right to require the bond bank authority to collect rates, charges, and
29 other fees and to collect interest and amortization payments on municipal bonds and
30 notes held by it adequate to carry out an agreement as to, or pledge of, the rates,
31 charges, and other fees and of the interest and amortization payments, and to require

1 the bond bank authority to carry out any other agreements with the holders of the notes
2 or bonds and to perform its duties under this chapter;

3 (2) bring a civil action upon the notes or bonds;

4 (3) by civil action require the bond bank authority to account as if it
5 were the trustee of an express trust for the holders of the notes or bonds;

6 (4) by civil action enjoin anything that may be unlawful or in violation
7 of the rights of the holders of the notes or bonds;

8 (5) declare all the notes or bonds due and payable, and if all defaults
9 are made good, then with the consent of the holders of 25 percent of the principal
10 amount of the outstanding notes or bonds, annul the declaration and its consequences;

11 (6) the trustee, in addition to the foregoing, has all the powers
12 necessary for the exercise of functions specifically set out or incident to the general
13 representation of bondholders or noteholders in the enforcement and protection of their
14 rights.

15 * Sec. 48. AS 44.85.410(1) is amended to read:

16 (1) "bond bank authority" means the Alaska Housing Finance
17 Corporation (AS 18.56.020) in its capacity as a bond bank authority while
18 carrying out its functions under this chapter [MUNICIPAL BOND BANK
19 AUTHORITY ESTABLISHED BY AS 44.85.020];

20 * Sec. 49. AS 44.85.420 is amended to read:

21 Sec. 44.85.420. Short title. This chapter may be cited as the Alaska
22 Municipal Bond Bank Authority Act or the Alaska Municipal Bond Bank Act. [IN
23 TRANSACTIONS INVOLVING GENERAL OBLIGATION BONDS OF
24 MUNICIPALITIES, THE ALASKA MUNICIPAL BOND BANK AUTHORITY
25 CREATED BY THIS CHAPTER MAY BE REFERRED TO AS THE ALASKA
26 MUNICIPAL BOND BANK WITH THE SAME LEGAL EFFECT AS IF THE
27 REFERENCE WERE TO ALASKA MUNICIPAL BOND BANK AUTHORITY.]

28 * Sec. 50. AS 14.42.100, 14.42.110, 14.42.120, 14.42.160, 14.42.210(c); AS 39.25.110(12);
29 AS 39.50.200(b)(33); AS 44.85.020, 44.85.030, 44.85.040, 44.85.060; 44.85.410(2);
30 AS 44.99.030(a)(8), and 44.99.030(a)(13) are repealed.

31 * Sec. 51. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 TRANSITION. (a) The assets and liabilities of the Alaska Student Loan Corporation
3 and the Alaska Municipal Bond Bank Authority are transferred to the Alaska Housing Finance
4 Corporation on the effective date of this Act.

5 (b) Regulations of the Alaska Student Loan Corporation or the Alaska Municipal Bond
6 Bank Authority in effect on the effective date of this Act remain in effect until repealed or
7 amended by the Alaska Housing Finance Corporation. The regulations may be amended by
8 the Alaska Housing Finance Corporation any time after this Act takes effect.

9 * Sec. 52. The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 ALASKA HOUSING FINANCE CORPORATION MAY PURCHASE CERTAIN
12 LOANS. (a) Notwithstanding any other provision of law, the Alaska Housing Finance
13 Corporation may purchase, at an appropriate discount mutually satisfactory to the board of
14 directors of the Alaska Housing Finance Corporation and the board of directors of the Alaska
15 Student Loan Corporation, the student loans that are held on the day immediately before the
16 effective date of this Act by the Alaska Student Loan Corporation. The Alaska Student Loan
17 Corporation shall deposit the full amount received under this subsection in the general fund.

18 (b) Notwithstanding any other provision of law, the Alaska Housing Finance
19 Corporation may purchase, at an appropriate discount mutually satisfactory to the board of
20 directors of the Alaska Housing Finance Corporation and the board of directors of the Alaska
21 Municipal Bond Bank Authority, the loans that are held on the day immediately before the
22 effective date of this Act by the Alaska Municipal Bond Bank Authority. The Alaska
23 Municipal Bond Bank Authority shall deposit the full amount received under this subsection
24 in the general fund.

Alaska State Legislature
House of Representatives
Minority Leader



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Representative Ethan Berkowitz
District 13

Date: February 17, 2000

To: Representative Fred Dyson

From: Representative Ethan Berkowitz

Handwritten signature of Ethan Berkowitz in black ink.

RE: HESS hearing on HB 396

I wish to request a hearing on House Bill 396, "An Act transferring the assets, liabilities, and responsibilities of the Alaska Municipal Bond Bank Authority and of the Alaska Student Loan Corporation to the Alaska Housing Finance Corporation; and relating to the Alaska Housing Finance Corporation."

HB 396 received a referral to the HESS committee because it involves the Alaska Student Loan Corporation. While the legislation would transfer the corporation's assets, liabilities, and responsibilities to the AHFC, it does not change student loan programs. Indeed, the efficiencies associated with consolidating the state's financial agencies will result in better services to loan recipients.

The major public policy issue of HB 396 is fiscal. Therefore, I look forward to demonstrating to the committee that it will maintain the status quo with respect to student loans so the fiscal questions may be answered in the Finance committee.

Please contact me or my staff, Patrick Flynn, if you need further information. Thank you for your assistance in this matter.

E-mail:

ak.us

Sponsor Statement

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MEMORANDUM

February 17, 2000

FEB 17 2000

SUBJECT: Sectional Summary: Alaska Housing Finance Corporation (HB 396)

TO: Representative Ethan Berkowitz, Minority Leader
Attn: Patrick Flynn

FROM: Tamara Brandt Cook
Director *TBC*

Secs. 1 and 2: Deletes references to the Alaska Municipal Bond Bank Authority.

Secs. 3-10: Adds references to statutes that apply under existing law to the responsibilities of the Alaska Student Loan Corporation, which are transferred to the Alaska Housing Finance Corporation in this bill, to avoid having the provisions apply to other activities of AHFC.

Sec. 11: Directs AHFC to determine each year whether assets of the student loan fund exceed the amount it needs to carry out the purposes of the fund and to notify the legislature of the amount of any excess. The legislature may appropriate the excess to the power cost equalization and rural electric capitalization fund.

Secs. 13-17: Adds references to statutes that apply under existing law to the responsibilities of the Alaska Student Loan Corporation, which are transferred to AHFC under this bill, to avoid having the provisions apply to activities of AHFC that are not related to those responsibilities. Adds references in some provisions to the former Alaska Student Loan Corporation when that corporation may have issued bonds that could be involved in the application of the provisions.

Sec. 18: Changes the definition of "corporation" from the Alaska Student Loan Corporation to AHFC.

Secs. 19-28: Technical changes to conform statutes to the transfer of responsibilities from the Alaska Student Loan Corporation to AHFC.

Secs. 29 and 30: Technical changes to substitute AHFC for the Municipal Bond Bank Authority.

Representative Ethan Berkowitz

February 17, 2000

Page 2

Sec. 31: Eliminates references to particular employees of the Municipal Bond Bank Authority under the assumption that employees of AHFC will perform functions formerly performed by authority employees.

Secs. 30-46: Adds references to "this chapter" as necessary to limit application of provisions to functions of AHFC that involve bond bank responsibilities transferred to AHFC under this bill. Adds references to the "former Alaska Municipal Bond Bank Authority" so that certain provisions will continue to apply to bonds issued or agreements entered into by the authority before its responsibilities are transferred.

Sec. 47: Corrects a misreferenced section that appears in existing law.

Sec. 48: Defines "bond bank authority" to mean AHFC when it is carrying out the functions of a bond bank transferred to it under this bill.

Sec. 49: Deletes language dealing with the way in which the Alaska Municipal Bond Bank Authority may be referred to.

Sec. 50: Repeals the section creating the Alaska Student Loan Corporation and providing that it may not be terminated as long as it has bonds or other obligations outstanding. Repeals sections dealing with the purpose of the Alaska Student Loan Corporation, its governing body, and its executive director. Repeals a provision authorizing the student loan fund to be administered by the Alaska Commission on Postsecondary Education. Repeals the section creating the Alaska Municipal Bond Bank Authority and those dealing with its board of directors, officers and meetings, and defining "bonds" to mean those of the authority. Repeals certain references to the Alaska Student Loan Corporation and to the Alaska Municipal Bond Bank Authority.

Sec. 51: Transfers the assets and liabilities of the Alaska Student Loan Corporation and the Alaska Municipal Bond Bank authority to AHFC on the effective date of this bill. Provides that regulations of the two former corporations remain in effect until repealed or amended by AHFC.

TBC:pl:jr
00-058.plm