

SB

218

<TARGET><BILL>SB 218</BILL><SUBJECT>SB
218</SUBJECT><COMM>HFIN28</COMM></TARGET>

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 13, 2014

FURTHER REFERRALS:

Date of Committee Action: 4.19.14

The FINANCE Committee considered:

CSSB 218(FIN)

CS FOR SENATE BILL NO. 218(FIN)

"An Act relating to financing; relating to the Alaska Municipal Bond Bank Authority; authorizing the University of Alaska to issue bonds to finance the design, construction, acquisition, and equipping costs of the University of Alaska Fairbanks heat and power plant; authorizing the University of Alaska to borrow money from the Alaska Municipal Bond Bank Authority to finance the design, construction, acquisition, and equipping costs of the University of Alaska Fairbanks heat and power plant; and providing for an effective date."

SB 218 AK MUNICIPAL BOND BANK AUTHORITY

Recommends it be replaced with HCS or CS for CSSB 218 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

- List of Abbrev for Depts.:
- ADM
 - CEC
 - COR
 - CRT
 - EED
 - DEC
 - DFG
 - GOV
 - DHS
 - LWF
 - LAW
 - LEG
 - MVA
 - DNR
 - DPS
 - REV
 - DOT
 - UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	REV	✓		

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero
1	UA	✓		

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	GITENBERGS	✓			
	THOMPSON	✓			
	Holmes			X	
	Edgman			✓	
	Muñoz			✓	
	T. Wilson	✓			
	Neuman			✓	
	Cease			✓	
	O'STEVED			✓	
Chair:	S. J. J. J.			X	
Chair:	HAN			X	

HOUSE CS FOR CS FOR SENATE BILL NO. 218(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to financing; relating to the Alaska Municipal Bond Bank Authority;**
2 **authorizing the University of Alaska to issue bonds to finance the design, construction,**
3 **acquisition, and equipping costs of the University of Alaska Fairbanks heat and power**
4 **plant; authorizing the University of Alaska to borrow money from the Alaska Municipal**
5 **Bond Bank Authority to finance the design, construction, acquisition, and equipping**
6 **costs of the University of Alaska Fairbanks heat and power plant; and providing for an**
7 **effective date."**

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

9 *** Section 1.** AS 44.85.005 is amended to read:

10 **Sec. 44.85.005. Legislative findings.** The legislature finds that

11 (1) the rapid growth of municipalities in the state and the incorporation
12 of new municipalities has created a demand for capital improvements that can only be
13 met by these municipalities borrowing money through the issuance of bonds or notes;

1 (2) many of these municipalities, although creditworthy, either have
2 not issued bonds or notes or have little outstanding debt;

3 (3) the cost of borrowed money to these municipalities is or may be
4 unnecessarily high due to lack of investor familiarity with the municipalities;

5 (4) other municipalities in the state pay unnecessarily high borrowing
6 costs because of the distance of the state from capital markets or may find borrowing
7 difficult or impossible because of temporary economic dislocation due to loss of
8 employment or prospective loss of employment;

9 **(5) the University of Alaska has limited debt capacity and may pay**
10 **higher interest rates because of lower credit ratings.**

11 * **Sec. 2.** AS 44.85.010(a) is amended to read:

12 (a) It is the policy of the state to

13 (1) foster and promote by all reasonable means the provision of
14 adequate capital markets and facilities for borrowing money by municipalities in the
15 state to finance capital improvements or for other authorized purposes, to assist these
16 municipalities in fulfilling their capital needs and requirements by use of borrowed
17 money within statutory interest rate or cost of borrowing limitations, to the greatest
18 extent possible to reduce costs of borrowed money to taxpayers and residents of the
19 state, and equally to encourage continued investor interest in the purchase of bonds or
20 notes of municipalities as sound and preferred securities for investment;

21 (2) encourage municipalities to continue their independent
22 undertakings and financing of capital improvements and other authorized purposes
23 and to assist them by making capital funds available at reduced interest costs for
24 orderly financing of capital improvements and other purposes especially during
25 periods of restricted credit or money supply, particularly for those municipalities not
26 otherwise able to borrow for capital needs;

27 (3) assist municipalities to provide for adequate insurance coverage by
28 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or
29 nonnegotiable revenue bonds, notes, or certificates of participation either directly or
30 through an entity it may create for the purpose of providing a self-insurance program
31 for municipalities or municipal joint insurance arrangements organized under

1 AS 21.76;

2 (4) assist governmental employers to prepay all or a portion of their
3 share of unfunded accrued actuarial liabilities of retirement systems in an effort to
4 reduce their costs of satisfying their contractual obligations to provide retirement and
5 other benefits to public employees through the issuance of bonds, notes, commercial
6 paper, or other obligations by the bond bank authority or by a subsidiary corporation
7 created by the bond bank authority under AS 44.85.085, but only if the state bond
8 rating is the equivalent of AA- or better; this assistance is limited as provided in
9 AS 37.15.903;

10 (5) assist the University of Alaska to provide heating or energy
11 projects by providing capital funds through loans that minimize costs and the
12 effects on the debt capacity of the University of Alaska.

13 * **Sec. 3.** AS 44.85.090 is amended to read:

14 **Sec. 44.85.090. Limitations.** Under this chapter the bond bank authority may
15 not

16 (1) make loans of money to a person, firm, or corporation other than a
17 municipality or the University of Alaska or purchase securities issued by a person,
18 other than a municipality except for investment as provided in this chapter;

19 (2) emit bills of credit, accept deposits of money for time or demand
20 deposit, administer trusts, or engage in any form or manner in, or in the conduct of, a
21 private or commercial banking business, or act as a savings bank or savings and loan
22 association;

23 (3) be or constitute a bank or trust company within the jurisdiction or
24 under the control of a regulatory or supervisory board or department of the state, or the
25 Comptroller of the Currency of the United States, or the Department of the Treasury,
26 or Federal Reserve Board of the United States; or

27 (4) be or constitute a bank, banker, or dealer in securities within the
28 meaning of or subject to the provisions of securities, securities exchange, or securities
29 dealers law, of the United States or of this state or of another state.

30 * **Sec. 4.** AS 44.85.100(b) is amended to read:

31 (b) The bond bank authority shall include in the report required by (a) of this

1 section an estimate of the amount of revenue bonds of the bond bank authority to be
 2 issued during the fiscal year following the fiscal year in which the report is submitted.
 3 Other than refunding bonds and other than bonds, notes, commercial paper, or other
 4 obligations issued under AS 44.85.086, [AND] 44.85.180(a)(5), and 44.85.180(e), the
 5 bond bank authority may not issue revenue bonds in excess of \$75,000,000 during any
 6 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the
 7 estimate required by this subsection for that fiscal year.

8 * **Sec. 5.** AS 44.85.180(c) is amended to read:

9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
 10 amount of bond bank authority bonds and notes outstanding at any one time may not
 11 exceed \$1,500,000,000 [\$1,000,000,000]. This subsection does not apply to

12 (1) bonds or notes issued to fund or refund bonds or notes;

13 (2) bonds, notes, commercial paper, and other obligations issued under
 14 AS 44.85.086 or (a)(5) of this section.

15 * **Sec. 6.** AS 44.85.180 is amended by adding a new subsection to read:

16 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority
 17 may issue its bonds or notes in principle amounts not to exceed \$87,500,000 for the
 18 purpose of making loans to the University of Alaska.

19 * **Sec. 7.** AS 44.85.410(4) is amended to read:

20 (4) "municipal bond" means a bond or note or evidence of debt that
 21 constitutes

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

28 (B) a revenue bond issued by a municipality, the University of
 29 Alaska, a solid waste management authority, or a port authority that pledges
 30 the revenue of a revenue-producing capital improvement and that is payable
 31 solely from the revenue of the revenue-producing capital improvement;

1 (C) a general obligation bond or revenue bond combined or
2 additionally secured;

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

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

6 (i) special assessments on benefited property;

7 (ii) tax increments and a letter of credit or equal
8 security; or

9 (iii) a lease;

10 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **LEGISLATIVE APPROVAL; BOND AUTHORIZATION FOR UNIVERSITY OF**
13 **ALASKA FAIRBANKS HEAT AND POWER PLANT.** (a) The University of Alaska may
14 issue revenue bonds under AS 14.40.254 and use the proceeds of the revenue bonds to pay for
15 the design, construction, acquisition, and equipping, including reserves for debt service and
16 capitalized interest and costs of issuance, of a new heat and power plant facility in Fairbanks.

17 (b) Regarding the project described in (a) of this section, notice is given under
18 AS 14.40.253 that

19 (1) the anticipated annual payment amount is \$5,600,000;

20 (2) the anticipated financing is \$70,000,000;

21 (3) the total construction, acquisition, and other costs of the project are
22 \$245,000,000.

23 (c) This section grants the legislative approval of the project required by
24 AS 14.40.253.

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

27 **LEGISLATIVE APPROVAL; LOAN AUTHORIZATION FOR UNIVERSITY OF**
28 **ALASKA FAIRBANKS HEAT AND POWER PLANT.** (a) The University of Alaska may
29 borrow money, not to exceed \$87,500,000, under AS 14.40.040(a)(5) by issuing revenue
30 bonds and entering into a loan agreement with the Alaska Municipal Bond Bank Authority to
31 pay for the design, construction, acquisition, and equipping of a new heat and power plant

1 facility in Fairbanks.

2 (b) Regarding the project described in (a) of this section, notice is given under
3 AS 14.40.253 that

4 (1) the anticipated annual payment amount is \$7,000,000;

5 (2) the anticipated financing is \$87,500,000;

6 (3) the total construction, acquisition, and other costs of the project are
7 \$245,000,000.

8 (c) This section grants the legislative approval of the project required by
9 AS 14.40.253.

10 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 218
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB218HCSCS(FIN)-DOR-AMBBA-04-19-14
Title: MUNI BOND BANK; UAF HEAT & PWR PLANT
Sponsor: FINANCE
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Alaska Municipal Bond Bank Authority
Allocation: AMBBA Operations
OMB Component Number: 108

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services			2.0	4.0	6.0	8.0	10.0	
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	2.0	4.0	6.0	8.0	10.0	

Fund Source (Operating Only)

1104 AMBB Rcpts			2.0	4.0	6.0	8.0	10.0
Total	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues		
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NEW

Estimated SUPPLEMENTAL (FY2014) cost: 0.0
(discuss reasons and fund source(s) in analysis section)

required)

Estimated CAPITAL (FY2015) cost: 0.0
(discuss reasons and fund source(s) in analysis section)

rd)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes ac _____ agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated to CS verison P.

Prepared By: Pam Leary, Director
Division: Treasury
Approved By: Angela Rodell, Commissioner
Agency: Department of Revenue

Phone: (907)465-3751
Date: 04/19/2014 05:00 PM
Date: 04/19/14

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HCS CS SB218 (FIN)

Analysis

The bill has three primary components comprised of increasing the bonding limit of the Bond Bank by \$500 million, allowing the Bond Bank to make loans of up to \$150 million to the University for heating or energy projects, and allowing any earnings of the Bond Bank to be retained by the Bond Bank. The fiscal impact included in this note are due to the potential increased trustee and paying agent costs from a larger bond portfolio in the forecast period.

The Bill increases the Bond Bank's borrowing limit from \$1 billion to \$1.5 billion. Following the last Bond Bank bond sale there was \$908 million of bonds outstanding, leaving a remaining authority of \$92 million for additional community loans. Current applications of the Bond Bank exceed \$80 million and it is anticipated that the \$1 billion cap would be reached in the next 12-18 months. The increased cap will allow the Bond Bank to continue to operate and save the communities and state interest expense with no change in current operating cost.

The Bill allows a loan of up to \$87.5 million to the University. The University is a political subdivision of the State of Alaska that will benefit from the higher credit ratings and security structuring flexibility that the Bond Bank offers. The additional borrowing will be integrated into the bond issues that the Bond Bank otherwise would undertake in the normal course of business.

The Bill provides for the Bond Bank's retention of any investment earnings in excess of operating costs. The Bond Bank must currently account for two categories of assets in determining what amounts must be annually remitted to the State. This accounting has become relatively complex over the years. Over the course of the last 7 years the Bond Bank has received an annual appropriation of any investment earnings in excess of operating costs. Over the last three years there were no excess investment earnings. Given the continued low interest rate environment at the short end of the yield curve here are no anticipated earnings over the forecast period at this time. This change will diminish the Bond Bank's cost of compiling our financial statements.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version:	CSSB 218(FIN)
Fiscal Note Number:	1
(S) Publish Date:	4/9/2014

Identifier: SB218-UA-SYSBRA-4-09-14
 Title: AK MUNICIPAL BOND BANK AUTHORITY
 Sponsor: FINANCE
 Requester: Senate Finance

Department: University of Alaska
 Appropriation: University of Alaska
 Allocation: Budget Reductions/Additions - Systemwide
 OMB Component Number: 1296

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	7,000.0		7,000.0	7,000.0	7,000.0	7,000.0	7,000.0
Total Operating	7,000.0	0.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0

Fund Source (Operating Only)

1004 Gen Fund	7,000.0		7,000.0	7,000.0	7,000.0	7,000.0	7,000.0
Total	7,000.0	0.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version

Prepared By: Michelle Rizk
 Division: University of Alaska
 Approved By: Michelle Rizk
 Agency: University of Alaska

Phone: (907)450-8187
 Date: 04/09/2014 12:30 PM
 Date: 04/09/14

**REPORTED OUT OF
SFC 04/11/2014**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB218

Analysis

This bill provides authorization of debt for UA for the UAF heat and power plant boilers and plant construction and will result in debt service payments annually by UA to repay bonds issued by the Alaska Municipal Bond Bank Authority.

The debt service amount assumes 5%, 20 years, with semi-annual payments. If debt is not issued in FY15, the debt service operating increment will be used toward future debt service.

Absent an operating budget increment to cover debt service payment costs, UA could not make required bond payments authorized under SB218.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 218(FIN)
Fiscal Note Number: 2
(S) Publish Date: 4/9/14

Identifier: SB218-DOR-AMBBA-04-03-14
Title: AK MUNICIPAL BOND BANK AUTHORITY
Sponsor: FINANCE
Requester: Senate Finance Committee

Department: Department of Revenue
Appropriation: Alaska Municipal Bond Bank Authority
Allocation: AMBBA Operations
OMB Component Number: 108

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services							
Travel							
Services			2.0	4.0	6.0	8.0	10.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Fund Source (Operating Only)

1104 AMBB Rcpts			2.0	4.0	6.0	8.0	10.0
Total	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This version corrects the OMB component number.

Prepared By: Pam Leary, Director	Phone: (907)465-3751
Division: Treasury	Date: 04/03/2014 11:30 AM
Approved By: Angela Rodell, Commissioner	Date: 04/03/14
Agency: Department of Revenue	

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 218(FIN)

Analysis

The bill has three primary components comprised of increasing the bonding limit of the Bond Bank by \$500 million, allowing the Bond Bank to make loans of up to \$150 million to the University for heating or energy projects, and allowing any earnings of the Bond Bank to be retained by the Bond Bank. The fiscal impact included in this note are due to the potential increased trustee and paying agent costs from a larger bond portfolio in the forecast period.

The Bill increases the Bond Bank's borrowing limit from \$1 billion to \$1.5 billion. Following the last Bond Bank bond sale there was \$908 million of bonds outstanding, leaving a remaining authority of \$92 million for additional community loans. Current applications of the Bond Bank exceed \$80 million and it is anticipated that the \$1 billion cap would be reached in the next 12-18 months. The increased cap will allow the Bond Bank to continue to operate and save the communities and state interest expense with no change in current operating cost.

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The Bill provides for the Bond Bank's retention of any investment earnings in excess of operating costs. The Bond Bank must currently account for two categories of assets in determining what amounts must be annually remitted to the State. This accounting has become relatively complex over the years. Over the course of the last 7 years the Bond Bank has received an annual appropriation of any investment earnings in excess of operating costs. Over the last three years there were no excess investment earnings. Given the continued low interest rate environment at the short end of the yield curve there are no anticipated earnings over the forecast period at this time. This change will diminish the Bond Bank's cost of compiling our financial statements.

*Adopted
4/19/14*

28-LS1567P
Wallace
4/19/14

**HOUSE CS FOR CS FOR SENATE BILL NO. 218(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to financing; relating to the Alaska Municipal Bond Bank Authority;**
2 **authorizing the University of Alaska to issue bonds to finance the design, construction,**
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4 **plant; authorizing the University of Alaska to borrow money from the Alaska Municipal**
5 **Bond Bank Authority to finance the design, construction, acquisition, and equipping**
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7 **effective date."**

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6 costs because of the distance of the state from capital markets or may find borrowing
7 difficult or impossible because of temporary economic dislocation due to loss of
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16 municipalities in fulfilling their capital needs and requirements by use of borrowed
17 money within statutory interest rate or cost of borrowing limitations, to the greatest
18 extent possible to reduce costs of borrowed money to taxpayers and residents of the
19 state, and equally to encourage continued investor interest in the purchase of bonds or
20 notes of municipalities as sound and preferred securities for investment;

21 (2) encourage municipalities to continue their independent
22 undertakings and financing of capital improvements and other authorized purposes
23 and to assist them by making capital funds available at reduced interest costs for
24 orderly financing of capital improvements and other purposes especially during
25 periods of restricted credit or money supply, particularly for those municipalities not
26 otherwise able to borrow for capital needs;

27 (3) assist municipalities to provide for adequate insurance coverage by
28 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or
29 nonnegotiable revenue bonds, notes, or certificates of participation either directly or
30 through an entity it may create for the purpose of providing a self-insurance program
31 for municipalities or municipal joint insurance arrangements organized under

1 AS 21.76;

2 (4) assist governmental employers to prepay all or a portion of their
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4 reduce their costs of satisfying their contractual obligations to provide retirement and
5 other benefits to public employees through the issuance of bonds, notes, commercial
6 paper, or other obligations by the bond bank authority or by a subsidiary corporation
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16 (1) make loans of money to a person, firm, or corporation other than a
17 municipality or the University of Alaska or purchase securities issued by a person,
18 other than a municipality except for investment as provided in this chapter;

19 (2) emit bills of credit, accept deposits of money for time or demand
20 deposit, administer trusts, or engage in any form or manner in, or in the conduct of, a
21 private or commercial banking business, or act as a savings bank or savings and loan
22 association;

23 (3) be or constitute a bank or trust company within the jurisdiction or
24 under the control of a regulatory or supervisory board or department of the state, or the
25 Comptroller of the Currency of the United States, or the Department of the Treasury,
26 or Federal Reserve Board of the United States; or

27 (4) be or constitute a bank, banker, or dealer in securities within the
28 meaning of or subject to the provisions of securities, securities exchange, or securities
29 dealers law, of the United States or of this state or of another state.

30 * Sec. 4. AS 44.85.100(b) is amended to read:

31 (b) The bond bank authority shall include in the report required by (a) of this

1 section an estimate of the amount of revenue bonds of the bond bank authority to be
 2 issued during the fiscal year following the fiscal year in which the report is submitted.
 3 Other than refunding bonds and other than bonds, notes, commercial paper, or other
 4 obligations issued under AS 44.85.086, [AND] 44.85.180(a)(5), and 44.85.180(e), the
 5 bond bank authority may not issue revenue bonds in excess of \$75,000,000 during any
 6 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the
 7 estimate required by this subsection for that fiscal year.

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9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
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- 12 (1) bonds or notes issued to fund or refund bonds or notes;
- 13 (2) bonds, notes, commercial paper, and other obligations issued under
 14 AS 44.85.086 or (a)(5) of this section.

15 * **Sec. 6.** AS 44.85.180 is amended by adding a new subsection to read:

16 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority
 17 may issue its bonds or notes in principle amounts not to exceed \$87,500,000 for the
 18 purpose of making loans to the University of Alaska.

19 * **Sec. 7.** AS 44.85.410(4) is amended to read:

20 (4) "municipal bond" means a bond or note or evidence of debt that
 21 constitutes

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

28 (B) a revenue bond issued by a municipality, the University of
 29 Alaska, a solid waste management authority, or a port authority that pledges
 30 the revenue of a revenue-producing capital improvement and that is payable
 31 solely from the revenue of the revenue-producing capital improvement;

1 (C) a general obligation bond or revenue bond combined or
2 additionally secured;

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

5 (E) an obligation of a municipality secured only by
6 (i) special assessments on benefited property;
7 (ii) tax increments and a letter of credit or equal
8 security; or

9 (iii) a lease;

10 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **LEGISLATIVE APPROVAL; BOND AUTHORIZATION FOR UNIVERSITY OF**
13 **ALASKA FAIRBANKS HEAT AND POWER PLANT.** (a) The University of Alaska may
14 issue revenue bonds under AS 14.40.254 and use the proceeds of the revenue bonds to pay for
15 the design, construction, acquisition, and equipping, including reserves for debt service and
16 capitalized interest and costs of issuance, of a new heat and power plant facility in Fairbanks.

17 (b) Regarding the project described in (a) of this section, notice is given under
18 AS 14.40.253 that

- 19 (1) the anticipated annual payment amount is \$5,600,000;
- 20 (2) the anticipated financing is \$70,000,000;
- 21 (3) the total construction, acquisition, and other costs of the project are
22 \$245,000,000.

23 (c) This section grants the legislative approval of the project required by
24 AS 14.40.253.

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

27 **LEGISLATIVE APPROVAL; LOAN AUTHORIZATION FOR UNIVERSITY OF**
28 **ALASKA FAIRBANKS HEAT AND POWER PLANT.** (a) The University of Alaska may
29 borrow money, not to exceed \$87,500,000, under AS 14.40.040(a)(5) by issuing revenue
30 bonds and entering into a loan agreement with the Alaska Municipal Bond Bank Authority to
31 pay for the design, construction, acquisition, and equipping of a new heat and power plant

1 facility in Fairbanks.

2 (b) Regarding the project described in (a) of this section, notice is given under
3 AS 14.40.253 that

4 (1) the anticipated annual payment amount is \$7,000,000;

5 (2) the anticipated financing is \$87,500,000;

6 (3) the total construction, acquisition, and other costs of the project are
7 \$245,000,000.

8 (c) This section grants the legislative approval of the project required by
9 AS 14.40.253.

10 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

CS FOR SENATE BILL NO. 218(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/9/14

Referred: Rules

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to financing; relating to the Alaska Municipal Bond Bank Authority;
2 authorizing the University of Alaska to issue bonds to finance the design, construction,
3 acquisition, and equipping costs of the University of Alaska Fairbanks heat and power
4 plant; authorizing the University of Alaska to borrow money from the Alaska Municipal
5 Bond Bank Authority to finance the design, construction, acquisition, and equipping
6 costs of the University of Alaska Fairbanks heat and power plant; and providing for an
7 effective date."

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

9 * Section 1. AS 44.85.005 is amended to read:

10 **Sec. 44.85.005. Legislative findings.** The legislature finds that

11 (1) the rapid growth of municipalities in the state and the incorporation
12 of new municipalities has created a demand for capital improvements that can only be
13 met by these municipalities borrowing money through the issuance of bonds or notes;

1 (2) many of these municipalities, although creditworthy, either have
2 not issued bonds or notes or have little outstanding debt;

3 (3) the cost of borrowed money to these municipalities is or may be
4 unnecessarily high due to lack of investor familiarity with the municipalities;

5 (4) other municipalities in the state pay unnecessarily high borrowing
6 costs because of the distance of the state from capital markets or may find borrowing
7 difficult or impossible because of temporary economic dislocation due to loss of
8 employment or prospective loss of employment;

9 **(5) the University of Alaska has limited debt capacity and may pay**
10 **higher interest rates because of lower credit ratings.**

11 * Sec. 2. AS 44.85.010(a) is amended to read:

12 (a) It is the policy of the state to

13 (1) foster and promote by all reasonable means the provision of
14 adequate capital markets and facilities for borrowing money by municipalities in the
15 state to finance capital improvements or for other authorized purposes, to assist these
16 municipalities in fulfilling their capital needs and requirements by use of borrowed
17 money within statutory interest rate or cost of borrowing limitations, to the greatest
18 extent possible to reduce costs of borrowed money to taxpayers and residents of the
19 state, and equally to encourage continued investor interest in the purchase of bonds or
20 notes of municipalities as sound and preferred securities for investment;

21 (2) encourage municipalities to continue their independent
22 undertakings and financing of capital improvements and other authorized purposes
23 and to assist them by making capital funds available at reduced interest costs for
24 orderly financing of capital improvements and other purposes especially during
25 periods of restricted credit or money supply, particularly for those municipalities not
26 otherwise able to borrow for capital needs;

27 (3) assist municipalities to provide for adequate insurance coverage by
28 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or
29 nonnegotiable revenue bonds, notes, or certificates of participation either directly or
30 through an entity it may create for the purpose of providing a self-insurance program
31 for municipalities or municipal joint insurance arrangements organized under

1 AS 21.76;

2 (4) assist governmental employers to prepay all or a portion of their
3 share of unfunded accrued actuarial liabilities of retirement systems in an effort to
4 reduce their costs of satisfying their contractual obligations to provide retirement and
5 other benefits to public employees through the issuance of bonds, notes, commercial
6 paper, or other obligations by the bond bank authority or by a subsidiary corporation
7 created by the bond bank authority under AS 44.85.085, but only if the state bond
8 rating is the equivalent of AA- or better; this assistance is limited as provided in
9 AS 37.15.903;

10 (5) assist the University of Alaska to provide heating or energy
11 projects by providing capital funds through loans that minimize costs and the
12 effects on the debt capacity of the University of Alaska.

13 * Sec. 3. AS 44.85.090 is amended to read:

14 **Sec. 44.85.090. Limitations.** Under this chapter the bond bank authority may
15 not

16 (1) make loans of money to a person, firm, or corporation other than a
17 municipality or the University of Alaska or purchase securities issued by a person,
18 other than a municipality except for investment as provided in this chapter;

19 (2) emit bills of credit, accept deposits of money for time or demand
20 deposit, administer trusts, or engage in any form or manner in, or in the conduct of, a
21 private or commercial banking business, or act as a savings bank or savings and loan
22 association;

23 (3) be or constitute a bank or trust company within the jurisdiction or
24 under the control of a regulatory or supervisory board or department of the state, or the
25 Comptroller of the Currency of the United States, or the Department of the Treasury,
26 or Federal Reserve Board of the United States; or

27 (4) be or constitute a bank, banker, or dealer in securities within the
28 meaning of or subject to the provisions of securities, securities exchange, or securities
29 dealers law, of the United States or of this state or of another state.

30 * Sec. 4. AS 44.85.100(b) is amended to read:

31 (b) The bond bank authority shall include in the report required by (a) of this

1 section an estimate of the amount of revenue bonds of the bond bank authority to be
 2 issued during the fiscal year following the fiscal year in which the report is submitted.
 3 Other than refunding bonds and other than bonds, notes, commercial paper, or other
 4 obligations issued under AS 44.85.086, [AND] 44.85.180(a)(5), and 44.85.180(e), the
 5 bond bank authority may not issue revenue bonds in excess of \$75,000,000 during any
 6 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the
 7 estimate required by this subsection for that fiscal year.

8 * **Sec. 5.** AS 44.85.180(c) is amended to read:

9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
 10 amount of bond bank authority bonds and notes outstanding at any one time may not
 11 exceed \$1,500,000,000 [\$1,000,000,000]. This subsection does not apply to

12 (1) bonds or notes issued to fund or refund bonds or notes;

13 (2) bonds, notes, commercial paper, and other obligations issued under
 14 AS 44.85.086 or (a)(5) of this section.

15 * **Sec. 6.** AS 44.85.180 is amended by adding a new subsection to read:

16 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority
 17 may issue its bonds or notes in principle amounts not to exceed \$150,000,000 for the
 18 purpose of making loans to the University of Alaska.

19 * **Sec. 7.** AS 44.85.410(4) is amended to read:

20 (4) "municipal bond" means a bond or note or evidence of debt that
 21 constitutes

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

28 (B) a revenue bond issued by a municipality, the University of
 29 Alaska, a solid waste management authority, or a port authority that pledges
 30 the revenue of a revenue-producing capital improvement and that is payable
 31 solely from the revenue of the revenue-producing capital improvement;

1 (C) a general obligation bond or revenue bond combined or
2 additionally secured;

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

5 (E) an obligation of a municipality secured only by
6 (i) special assessments on benefited property;
7 (ii) tax increments and a letter of credit or equal
8 security; or

9 (iii) a lease;

10 * Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 LEGISLATIVE APPROVAL; BOND AUTHORIZATION FOR UNIVERSITY OF
13 ALASKA FAIRBANKS HEAT AND POWER PLANT. (a) The University of Alaska may
14 issue revenue bonds under AS 14.40.254 and use the proceeds of the revenue bonds to pay for
15 the design, construction, acquisition, and equipping, including reserves for debt service and
16 capitalized interest and costs of issuance, of a new heat and power plant facility in Fairbanks.

17 (b) Regarding the project described in (a) of this section, notice is given under
18 AS 14.40.253 that

- 19 (1) the anticipated annual payment amount is \$5,600,000;
- 20 (2) the anticipated financing is \$70,000,000;
- 21 (3) the total construction, acquisition, and other costs of the project are
22 \$245,000,000.

23 (c) This section grants the legislative approval of the project required by
24 AS 14.40.253.

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

27 LEGISLATIVE APPROVAL; LOAN AUTHORIZATION FOR UNIVERSITY OF
28 ALASKA FAIRBANKS HEAT AND POWER PLANT. (a) The University of Alaska may
29 borrow money, not to exceed \$150,000,000, under AS 14.40.040(a)(5) by issuing revenue
30 bonds and entering into a loan agreement with the Alaska Municipal Bond Bank Authority to
31 pay for the design, construction, acquisition, and equipping of a new heat and power plant

1 facility in Fairbanks.

2 (b) Regarding the project described in (a) of this section, notice is given under
3 AS 14.40.253 that

4 (1) the anticipated annual payment amount is \$7,000,000;

5 (2) the anticipated financing is \$87,500,000;

6 (3) the total construction, acquisition, and other costs of the project are
7 \$245,000,000.

8 (c) This section grants the legislative approval of the project required by
9 AS 14.40.253.

10 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

AMENDMENT # 1

OFFERED IN THE HOUSE
TO: CSSB 218(FIN)

BY REPRESENTATIVE THOMPSON

- 1 Page 4, line 17:
- 2 Delete "\$150,000,000"
- 3 Insert "\$87,500,000"
- 4
- 5 Page 5, line 29:
- 6 Delete "\$150,000,000"
- 7 Insert "\$87,500,000"
- 8
- 9 Page 6, line 4:
- 10 Delete "\$7,000,000"
- 11 Insert "\$5,600,000"

ALASKA STATE LEGISLATURE
SENATE FINANCE COMMITTEE

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CS SB 218 (FIN)
Alaska Municipal Bond Bank Authority

Sponsor Statement

Senate Bill 218 (FIN) allows for the continued operation of the Alaska Municipal Bond Bank (AMBB) by increasing the borrowing limit of the AMBB from \$1 billion to \$1.5 billion.

The AMMB is a public corporation of the State of Alaska that borrows money primarily by issuing tax exempt bonds and lends it to the political subdivisions of the state. The AMBB is able to use State of Alaska credit support in the form of a moral obligation pledge backed with an annual appropriation to achieve AA+ credit ratings. The AMBB is able to leverage those ratings into lower interest rates than municipalities would be able to borrow at independently. In this case, the moral obligation has been costless to the State of Alaska, as every loan that the AMBB has entered into over the last 39 years has been paid.

The AMBB has saved an estimated \$67 million in borrowing costs over the last five years through the issuance of \$578 million of bonds. Following the most recent bond issue, there were bonds outstanding in the amount of \$908 million, leaving a remaining capacity of \$92 million. Bond issues currently underway are anticipated to exceed \$80 million and will use most of the remaining cap.

Without the proposed increase in the borrowing limit, it is likely that over the next 12-18 months the AMBB will have fully utilized the current borrowing limit and municipalities may be subjected to borrowing funds at higher rates. The borrowing limit for the AMBB was raised most recently in 2010 from \$750 million to \$1 billion. In 2006, the borrowing limit was raised from \$500 million to \$750 million.

CS SB 218 (FIN) further provides that the University of Alaska may utilize the AMBB for the purpose of issuing debt, in an amount not to exceed \$150 million. CS SB 218(FIN) identifies the financing needs of the University of Alaska and that assisting the University of Alaska with the financing of a combined heat and power plant will assist in minimizing costs and the effects on the debt capacity of the University of Alaska.

CS SB 218 (FIN) also provides the legislative approval, required under AS 14.40.253, for the issuance of University of Alaska revenue bonds and for the University of Alaska to borrow money and enter into a loan agreement with the AMBB for the purpose of design, construction, acquisition, and equipping a new heat and power plant at the University of Alaska Fairbanks.

Updated: April 12, 2014

ALASKA STATE LEGISLATURE
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CS SB 218 (FIN)
Alaska Municipal Bond Bank Authority

Sectional Analysis

Section 1: Identifies the financing need and the limited debt capacity of the University of Alaska.

Section 2: Identifies that assisting the University of Alaska with financing a heat or energy project is a policy of the State of Alaska.

Section 3: Adds the University of Alaska to the allowed list of bond activity.

Section 4: Provides a specific exemption for the University of Alaska bond issuance to certain statutory limitations on the total dollar amount of revenue bonds that may be issued in a fiscal year.

Section 5: Increases the borrowing limit of the Alaska Municipal Bond Bank (AMBB) from \$1 billion to \$1.5 billion. This will provide an additional \$500 million in capacity.

Section 6: Limits the University of Alaska participation to an amount that does not exceed \$150 million

Section 7: Adds the University of Alaska to the defined issuers of municipal bonds that the AMBB can participate in the purchase of.

Section 8: Provides the legislative approval for the issuance of University of Alaska revenue bonds to pay for the design, construction, acquisition, and equipping of a new heat and power plant facility in Fairbanks. This authorization fulfills the requirement of AS 14.40.253.

Section 9: Provides the legislative approval for the University of Alaska to borrow money by issuing revenue bonds and entering into a loan agreement with the AMBB to pay for the design, construction, acquisition, and equipping of a new heat and power plant facility in Fairbanks. This authorization fulfills the requirement of AS 14.40.253.

Section 10: Effective Date Clause