

Leg. Finance - House & Senate Finance Comte Files (1973-74)

HB 701, 704, 705, 717, 718, 729, 738


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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/26/89
Date

Introduced: 2/25/74
Referred: State Affairs and
Finance

BY DEGNAN, FERGUSON, GUY,
MCGILL, MALONE AND WILSON

1 IN THE HOUSE

2 HOUSE BILL NO. 701

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$21,365,000 for the purpose
8 of paying the cost of the construction of seawalls and
9 beach and river bank erosion control projects; and
10 providing for an effective date."

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

12 * Section 1. For the purpose of paying the cost of construction of sea-
13 walls and beach and river bank erosion control projects, general obligation
14 bonds of the state in the principal amount of not more than \$21,365,000 shall
15 be issued and sold. The full faith, credit and resources of the state are
16 pledged to the payment of the principal of and interest and redemption
17 premium, if any, on these bonds. These bonds shall be issued under the
18 provisions of AS 37.15 as those provisions read at the time of issuance.

19 * Sec. 2. If the issuance of these bonds is authorized by the qualified
20 voters of the state, a special fund of the state to be known as the "1974
21 Seawall Construction, Beach and River Bank Erosion Control Project Fund"
22 shall be established, to which shall be credited the proceeds of the sale
23 of the bonds described in sec. 1 of this Act except for the accrued interest
24 and premiums. There is appropriated from the "1974 Seawall Construction,
25 Beach and River Bank Erosion Control Project Fund" to the Department of
26 Public Works the sum of \$21,365,000. The proceeds of these bonds shall be
27 allocated for seawall construction, beach and river bank erosion control
28 projects as follows:

29 (1) Bethel \$ 4,500,000

1	(2) Palmer	1,500,000
2	(3) Kenai	1,500,000
3	(4) Unalakleet	1,500,000
4	(5) Barrow	1,500,000
5	(6) Dillingham	1,300,000
6	(7) Noorvik	1,000,000
7	(8) Shishmaref	850,000
8	(9) Kotzebue	800,000
9	(10) Point Hope	750,000
10	(11) Kivalina	650,000
11	(12) Alakanuk	500,000
12	(13) Emmonak	500,000
13	(14) Hooper Bay	500,000
14	(15) Ninilchik	500,000
15	(16) Wainwright	400,000
16	(17) Ambler	300,000
17	(18) Delta	300,000
18	(19) Port Lions	300,000
19	(20) Selawik	300,000
20	(21) Noatak	250,000
21	(22) Deering	200,000
22	(23) Kaktoovik	200,000
23	(24) Teller	200,000
24	(25) Brevig	150,000
25	(26) Buckland	150,000
26	(27) Kiana	150,000
27	(28) Koyuk	150,000
28	(29) Point Lay	150,000
29	(30) Shaktoolik	150,000



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James O. Smith
Signature of Camera Operator

4/26/89
Date



City of Port Lions

PORT LIONS, ALASKA 99550

"WATCH US GROW"

February 26, 1974

The Honorable Jacob Laktonen
Pouch V
Juneau, Alaska 99801

Dear Jacob,

Here is a copy of the letters we sent to various agencies for assistance. We said \$500,000 but if you can get us the \$73,000 it will help for now. Call me at 454-2952 if you need more information.

Gentlemen:

We have written Mr. Albert P. Adams, Director of Rural Development Assistance, in seeking funding to improve our water system at Port Lions. He stated the funds we would need reaches far beyond their funding capabilities. He suggested we write to your department for assistance and the Kodiak Island Borough as well as the Health Department and local industry.

Here is a summary of the water problems at Port Lions.

The village or city of Port Lions was built in 1965 and 1966, because of the complete destruction of the village of Afognak during the 1964 earthquake. The people were forced to move to a new location. The housing, water and sewer systems were hastily built to meet the deadline of winter so that the people could move to warm homes.

The water and sewer system was designed to service forty two homes. Since then, a crab processing plant and seventeen new homes have been added.

At this time we have 59 lots available for sale and a proposal for a large mill for timber here. The present system does not adequately supply water for domestic and industrial use now as it is. There are eight homes and the Borough School without water during peak usage. The industrial needs are much greater than our system was designed for. We want expansion of industry to promote a better economical status for our people. We want new industry to take up the slack in employment so that our people can be self sufficient. We are in a state of not being able to support expansion of our present industry or making water and sewer facilities available to the proposed much needed industry coming in as well as the 59 lots people want to build on.

We have contacted the Department of Health, Education and Welfare. They are unable to help except in making a survey of the problem, so in a sense, the City of Port Lions is asking all departments for your coordinated assistance.



City of Port Lions

PORT LIONS, ALASKA 99550

"WATCH US GROW"

Page Two
Jacob Laktonen
February 26, 1974

I attended a meeting for this problem at Anchorage in February, 1972. The following people were present at the meeting held at the Kenai Room, Anchorage Westward Hotel under the direction of the then Health Specialist of SEOO Keith Mortenson. Present were: Clyde Courtnage, EDA Representative; Alex Shadura, RDA Deputy Director (State), Anchorage; Kyle Cherry, DOEC Engineer (State), Anchorage; Terry Goldschmidt, Sanitarian Director, P.H.S., Anchorage; Jerry Glor, Alaska Supervisor, FmHA, Seldovia; K. Daryl Bohman, Alaska Supervisor, FmHA, Palmer; Judi Barns, Secretary, DOED (State), Anchorage; Jim Barr, Registered Engineer & Partner, Tryck Nyman & Hayes, Anchorage; Don Perkins, Director, RDA (State), Juneau, SEOO Staff; L. Keith Mortensen, Health Specialist, (Chairman); Tammy D. Townsend, Manpower Specialist; Bill Parker, Education Specialist; Helen Koslosky, Secretary (Recording); and myself Herman Haakanson, President, Port Lions City Council at that time.

The suggestion by these people was to contact Wakefield's to see if they could come up with matching funds for the project and to contact the Kodiak Island Borough and have them include Port Lions in their comprehensive water and sewer plan and fill out the form that FmHA and HUD jointly require. I contacted all these people then, but for one reason or another, we were never given an answer.

At this time we're renewing our efforts in seeking help for our very serious problem. Serious, when the school is out of water and the children's health needs are in danger; serious, in the event of a fire during the winter, not enough water would be available. The seven or eight homes present a health and sanitation problem also. The problems of 1972 are no longer the same, it has increased, and we the people of Port Lions need a helping hand in rectifying the problem.

Help us upgrade our water and sewer system to meet the demands of domestic and industrial needs and meet the demands of inevitable progress and growth of our community.

Several estimations on the possible cost of bringing our water and sewer system up to a compatible status is (1) sixty three thousand dollars as proposed by the Altco Corporation of Kenai, Alaska, P.O. Box 293, 99611; for installing a synthetic rubber lined water reservoir with a 1,528,800 gallon capacity. Our present storage tank is 15,000 gallons. This would be fine if it would solve all our problems. At the present time we can barely keep our 15,000 gallon tank full, so how are we going to keep a reservoir of over a million gallons full.

Unless we are able to increase the volume of water from our present reservoir to the tank a 1,528,800 gallon reservoir would do us no good. Therefore, we need a better system to tap our water shed and meet the domestic and industrial demands. A cost of close to half a million dollars would be more feasible than \$63,000.



City of Port Lions

PORT LIONS, ALASKA 99550

"WATCH US GROW"

Page Three
Jacob Laktonen
February 26, 1974

A complete survey is needed to determine what can be done.

So, at this time, the Port Lions City Council and the Port Lions Native Corporation would appreciate all your help in this matter.

Herman Haakanson Sr.

HERMAN HAAKANSON, SR., PRESIDENT
PORT LIONS NATIVE CORPORATION

HH/ek

Introduced: 2/25/74
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY LAKTONEN

2 HOJSE BILL NO. 704

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Community and Regional Affairs, Port Lions
8 water system; and providing for an effective date."

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

10 * Section 1. The sum of \$73,000 is appropriated from the general fund
11 to the Department of Community and Regional Affairs, rural development
12 assistance division, for reconstruction, expansion, and rehabilitation of
13 the water system at Port Lions.

14 * Sec. 2. This Act takes effect July 1, 1974.
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The Legislature of the State of Alaska
FISCAL NOTE
Second Session - Eighth Legislature

I. REQUEST

Bill Identification: House Bill #704
 Title: Special Appropriation - Port Lions Water System
 Requested by: Legislative Finance Date: March 5, 1974
 Return Date Requested: ASAP
 Agency: Community & Regional Affairs Program: Development

II. FISCAL DETAIL

Budget Request Unit(s) Affected. Rural Development Assistance

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		73.0				
TOTAL		73.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		73.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS: N/A

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

SEE ATTACHMENT

IV. ATTACHMENTS

V. DATE: March 7, 1974

PREPARED BY: 

Don Argetsinger
Deputy Commissioner

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE ATTACHMENT

House Bill No. 704 - March 7, 1974

The present water system of the City of Port Lions, constructed in 1965 by the U.S. Public Health Service, was designed to service forty-two homes. Since 1965, the population of the community has increased; Wakefield Fisheries, Inc. has constructed a seafood processing plant and plans to expand that facility to provide for the processing of shrimp; the Kenai Lumber Company and Island Resources Company have presented proposals to the City Council to construct a sawmill; and the City anticipates forty additional homes will be constructed on lots available for sale in the community. The City reports the existing system cannot adequately meet the present needs of the community or its future needs considering plans for additional housing and industry. The Council feels the provision of an adequate water supply is essential if the community's growth potential is to be realized and the present residents of the community are to be assured of a dependable source of water for both personal use and fire protection.

House Bill 704 provides for the appropriation of \$73,000 to the Department of Community and Regional Affairs, Rural Development Assistance Division for restoration of the present system. The City proposes to use these funds in the following manner:

\$63,000 - expansion of the storage capacity of the present system.

\$10,000 - additional piping

The source of water for the present system is a stream near the community which has been dammed. Water flows from the dam through a chlorination system and into wooden storage tank. The City's proposal is to construct a dirt, open-top rubber-lined holding pond with a one and one-half million gallon capacity. Water contained in the holding pond would flow through the existing chlorination system and wooden storage tank before entering the service line.

The Department understands the City will contribute equipment, fill material, and labor to the project; the U.S. Public Health Service will provide technical engineering assistance.

The Department is advised by the U.S. Public Health Service and individuals familiar with the existing Port Lions' water system that the long term solution to the community's water problem is ultimately the location and provision of a better source of water. Like other Kodiak Island communities, the Port Lions' system has been affected in past years by periods of cold/dry weather. The existing source has either dried up or frozen, and the entire community has been without water or the line pressure has dropped to the point where residences at higher elevations have been without service. While the Department is certainly willing to assist the City in carrying out their proposal to increase the storage capacity of the present system, we recognize the long-term solution to the problem is one which involves considerably more planning and ultimately a much larger financial investment.



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James O. Smith
Signature of Camera Operator

4/26/89
Date

"An Act relating to home rule city bonded indebtedness incurred for school construction."

COMMITTEE REPORT

3/25/74

HOUSE

Mr. Speaker:

Date 3/25/74

The Committee on FINANCE has had HB 705

under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

Hawson _____

_____ _____

_____ _____

_____ _____

Members NOT concurring in the Majority report:

HATWICK recommends: no Pass

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Hawson Chairman

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE REPORT

ON

HOUSE BILL 705

The House Finance Committee has had HB 705 and recommends that it be replaced with the House Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL 705 and that the House Finance COMMITTEE SUBSTITUTE FOR HB 705 do pass. The COMMITTEE SUBSTITUTE differs from the original bill in the following major respects:

1. Reduced Scope. The original bill allowed municipalities to exceed statutory or charter bonded indebtedness limits to pay for "costs of school construction". The COMMITTEE SUBSTITUTE limits this to "minimum school facilities" or only those facilities necessary for instructional and closely related purposes.
2. Administration. The original bill lodged administrative responsibilities in the Department of Revenue. The COMMITTEE SUBSTITUTE creates a bond guarantee fund in and subject to the direction of the Department of Community and Regional Affairs.
3. Moral Pledge. The guarantee provisions included in the COMMITTEE SUBSTITUTE develop more completely the concept of a "moral pledge" by the state to pay installments on these bonds if payment is not made by the municipalities. This would be done from the fund established under this bill and funded through annual appropriations. The COMMITTEE SUBSTITUTE provides that bonds can be issued carrying the guarantee only if enough money remains in the fund to cover all bonds already guaranteed as well as those of the proposed new issue.
4. Annual Appropriation Authorization. The COMMITTEE SUBSTITUTE includes provision for the Commissioner of Community and Regional Affairs to apprise the Governor annually of projected debt service requirements of the fund. To retain the "moral pledge", the Governor and the Legislature would be somewhat bound to approve the requested debt service coverage.

Oral Freeman, Chairman
House Finance Committee

1 IN THE HOUSE

BY HAUGEN

2 HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to home rule city bonded indebtedness
7 incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. HOME RULE CITY BONDED INDEBTEDNESS FOR SCHOOL

11 CONSTRUCTION. (a) Upon furnishing proof satisfactory to the Department
12 of Education of an immediate need for additional school construction
13 within the city, a home rule city may incur general obligation bonded
14 indebtedness, to pay for costs of school construction, in excess of a
15 limitation set by charter or law as to total amount of bonded indebted-
16 ness which may be incurred within the home rule municipality. The
17 additional indebtedness if incurred shall otherwise be incurred as
18 provided by charter or by law applicable to home rule cities.

19 (b) In (a) of this section "costs of school construction" means
20 costs as defined in AS 43.18.100(g)(2).

21 Sec. 29.58.350. GUARANTEE OF BOND PAYMENTS. (a) There is in the
22 Department of Revenue the local school bond fund, funded by appro-
23 priations by the legislature. Money in the fund shall be held and
24 applied solely to further guarantee and provide additional pledge of
25 payment of bonds issued under sec. 340 of this chapter.

26 (b) When the commissioner of revenue is informed that a home
27 rule city debt service payment on bonds issued under sec. 340 of this
28 chapter may not be met, the department shall make payment from the fund
29 directly to the pertinent paying agent in the name of the state if the

1 payment is necessary to avoid a default. The payment shall be con-
2 sidered, to the extent of the payment, a transfer of indebtedness from
3 the holder of the debt instrument in respect of which payment was made
4 to the state.

5 (c) Money in the guarantee fund which exceeds at any time the
6 amount appropriated to the fund, whether by reason of investment or
7 otherwise, shall be withdrawn by the department and transferred to the
8 general fund.

9 (d) Money in the guarantee fund may be invested at any time in
10 the direct obligations of or obligations on which the principal and
11 interest is guaranteed by, the United States, the state, or a political
12 subdivision of the state.

13 (e) For the purpose of valuation, investments of the guarantee
14 fund shall be valued at the lowest of (1) the par value, (2) cost to
15 the state, or (3) market value of the investments. Valuation on a
16 particular date shall include the amount of interest earned or accrued
17 to that date on any amount or investment of the guarantee fund.

18 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

19 (35) AS 29.58.340 - 29.58.350 (home rule city bonded
20 indebtedness for school construction)
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Original sponsor: Haugen

Offered: 3/25/74
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to home rule and first class city
7 bonded indebtedness incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. HOME RULE AND FIRST CLASS CITY BONDED INDEBTEDNESS
11 FOR SCHOOL CONSTRUCTION. (a) Upon furnishing proof satisfactory to the
12 Department of Education of an immediate need for additional school con-
13 struction within the city, a home rule or first class city may incur
14 general obligation bonded indebtedness, to pay for costs of school con-
15 struction, in excess of a limitation set by charter or law as to total
16 amount of bonded indebtedness which may be incurred within the home
17 rule or first class city. The additional indebtedness if incurred shall
18 otherwise be incurred as provided by charter or by law applicable to
19 home rule cities.

20 (b) In (a) of this section "costs of school construction" means
21 costs as defined in AS 43.18.100(g)(2).

22 Sec. 29.58.350. GUARANTEE OF BOND PAYMENTS. (a) There is in the
23 Department of Revenue the local school bond fund, subject to appropri-
24 ations by the legislature. Money appropriated by the legislature to the
25 fund shall be held and applied solely to further guarantee and provide
26 additional pledge of payment of bonds issued under sec. 340 of this
27 chapter.

28 (b) When the commissioner of revenue is informed that a home
29 rule or first class city debt service payment on bonds issued under

1 sec. 340 of this chapter may not be met, the department shall make
2 payment from the fund directly to the pertinent paying agent in the
3 name of the state if the payment is necessary to avoid a default. The
4 payment shall be considered, to the extent of the payment, a transfer
5 of indebtedness from the holder of the debt instrument in respect of
6 which payment was made to the state.

7 (c) Money in the guarantee fund which exceeds at any time the
8 amount appropriated to the fund, whether by reason of investment or
9 otherwise, shall be withdrawn by the department and transferred to the
10 general fund.

11 (d) Money in the guarantee fund may be invested at any time in
12 the direct obligations of or obligations on which the principal and
13 interest is guaranteed by, the United States, the state, or a political
14 subdivision of the state.

15 (e) For the purpose of valuation, investments of the guarantee
16 fund shall be valued at the lowest of (1) the par value, (2) cost to
17 the state, or (3) market value of the investments. Valuation on a
18 particular date shall include the amount of interest earned or accrued
19 to that date on any amount or investment of the guarantee fund.

20 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

21 (35) AS 29.58.340 - 29.58.350 (home rule and first class
22 city bonded indebtedness for school construction)

Original sponsor: Haugen

Offered: 4/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal bonded indebtedness
7 incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION. (a)

11 A home rule or general law municipality, upon furnishing proof satis-
12 factory to the Department of Education and the Department of Community
13 and Regional Affairs of the need for school facilities which, if pro-
14 vided, will require the municipality to exceed limits on authorizing
15 or issuing bonds which may be established by law, charter, or are fixed
16 at one-half of 10 per cent of the municipality's assessed valuation as
17 of the prior January 1, may exceed the limits to the extent necessary
18 to provide minimum school facilities.

19 (b) In this section "minimum school facilities" means instruc-
20 tional and auxiliary facilities and initial equipment necessary to
21 operate a program of instruction for the school membership at normal
22 capacity; the term does not include athletic stadiums or structures or
23 facilities intended primarily for athletic exhibitions, contests, or
24 games.

25 Sec. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment
26 by the state of the principal and interest of bonds issued under the
27 enabling authority of sec. 340 of this chapter, there is in the Depart-
28 ment of Community and Regional Affairs a special fund called the local
29 school bond guarantee fund in which there shall be deposited all money

1 appropriated by the Legislature for the purpose of the fund and other
2 money which may be made available for the purpose of the fund from any
3 other source. Money in the fund shall be held and applied solely to
4 further guarantee and provide an additional pledge of payment of all
5 bonds issued under the provisions of sec. 340 of this chapter. Money
6 shall not be withdrawn from the fund if a withdrawal would reduce the
7 amount in the fund to an amount equal to less than the "maximum debt
8 service reserve" (as defined in this section), except for payment of
9 interest then due and payable on bonds and the principal of bonds then
10 maturing and payable and for the retirement of bonds in accordance with
11 the terms of a contract between the municipality and its bondholders and
12 for the payments on account of which interest or principal or retire-
13 ment of bonds other money is not then available in accordance with the
14 terms of the contract. In this section "maximum debt service reserve"
15 means, as of any date of computation, the largest amount of money
16 required by the terms of all contracts between municipalities and their
17 bondholders as to bonds issued under sec. 340 of this chapter to be
18 raised in any succeeding calendar year for the payment of interest on
19 and maturing principal of outstanding bonds and payments required by
20 the terms of the contracts to sinking funds established for the payment
21 or redemption of the bonds, all calculated on the assumption that bonds
22 will cease to be outstanding after the date of the computation by
23 reason of the payment of bonds at their respective maturities and the
24 payments of the required money to sinking funds and the application of
25 the money in accordance with the terms of the contracts to the retire-
26 ment of bonds.

27 (b) Money in the guarantee fund at any time in excess of the
28 maximum debt service reserve, whether by reason of investment or other-
29 wise, may be withdrawn by the department and transferred to the general

1 fund.

2 (c) Money at any time in the guarantee fund may be invested in
3 any direct obligation of, or obligations as to which principal and
4 interest is guaranteed by, the United States, the state or a political
5 subdivision.

6 (d) For purposes of valuation, investments in the guarantee fund
7 shall be valued at the lowest of the par value, cost to the authority,
8 or market value of the investments. Valuation on any particular date
9 shall include the amount of interest then earned or accrued to that
10 date on any money or investments in the fund.

11 (e) Other provisions of this section notwithstanding, no bonds
12 may be issued carrying the guarantee provided in this section unless
13 there is in the guarantee fund the maximum debt service reserve for
14 all bonds then issued and outstanding and the bonds about to be issued,
15 but nothing prevents or precludes a municipality from satisfying the
16 foregoing requirement by depositing so much of the proceeds of the
17 bonds about to be issued, upon their issuance, as is needed to achieve
18 the maximum debt service reserve.

19 (f) In order to assure the maintenance of the maximum debt
20 service reserve in the guarantee fund, there is authorized to be
21 appropriated annually and paid to the ~~authority~~ ^{CRA} for deposit in the
22 fund, such sum, if any, as shall be certified by the commissioner of
23 community and regional affairs to the governor as necessary to restore
24 the fund to an amount equal to the maximum debt service reserve. The
25 ~~Commissioner~~ ^{Com} shall annually, before December 2, deliver to the governor
26 his certificate stating the sum, if any, required to restore the fund
27 to that amount, and the sum so certified is authorized to be appropri-
28 ated and paid to the fund during the then current state fiscal year.

29 (g) Nothing in this section may be considered to cause bonds,

1 payment of which is guaranteed from money in the fund established
2 under this section, to be in any way a debt or liability of the state
3 or any political subdivision of the state other than the political
4 subdivision issuing the bonds, and the bonds, whether or not payable
5 from the maximum debt service reserve created and established under
6 this section, shall not create or constitute an indebtedness, liability
7 or obligation of the state or be or constitute a pledge of the faith
8 and credit of the state.

9 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

10 (35) AS 29.58.340 - 29.58.350 (bonded debt for school
11 construction)

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

April 18, 1974

MEMORANDUM

TO: Representative Haugen
FROM: Greg Machyowsky, Legislative Counsel
SUBJECT: Proposed CSHB 705 (Finance)

The appropriation bill furnished with the proposed CS bill earlier today calls for an appropriation of \$5,000,000 to the guarantee fund established by the CS bill. The \$5,000,000 figure is an estimated figure to cover application of the provisions of CSHB 705 to all school districts of the state. For the purpose initially of guaranteeing the bonds of a particular city, a minimum of five per cent of the amount of the bond issue should be sufficient as funding for the guarantee fund.

GM/sm

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

LEGISLATIVE AFFAIRS AGENCY

April 18, 1974

MEMORANDUM

TO : Representative E. J. Haugen
FROM : Greg Machyowsky, Legislative Counsel
SUBJECT: Attached proposed committee substitute for HB 705
(guarantee of municipal bonds for schools)

The attached bill is intended to authorize general law and home rule boroughs or cities which are school districts to exceed any debt limits provided by law, charter or otherwise in order to provide needed school facilities and to provide, without creating a debt of the state requiring a vote under Article IX, sec. 8, of the state constitution, a method of guaranteeing payment of principal and interest on the bonds.

The guarantee provision develops further the concept set out in HB 706 and is patterned after provisions establishing what is widely known as a "moral pledge" by a state to pay installments on state bonds if payment is not otherwise made. The guarantee under the bill would be paid from funds appropriated to a fund specifically for the purpose of the guarantee, and bonds could be issued with the guarantee only if enough money is in the fund to cover all bonds already guaranteed as well as the new bonds to be guaranteed. I understand that the "moral pledge" guarantee has been regarded as a practical tool in facilitating the marketing of bonds; it would seem to pretty well remove a challenge of constitutionality under Article IX, sec. 8, of the state constitution, unlike a provision which provides an unrestricted guarantee of payment.

I have not included in the attached bill a provision for reimbursement to the state of any amounts paid on behalf of a municipality under the guarantee, but you may wish to consider incorporating terms to provide that the debt which the local government owed and which is paid by the state on the guarantee becomes a debt from the local government to the state, or a provision deducting amounts paid from money otherwise payable as reimbursement to local governments for bond expenditures for schools under present law, at AS 43.18.100.

The bill is accompanied by an appropriation bill in the amount of \$5,000,000 for the bond guarantee fund. That amount is speculated as the amount necessary to implement the guarantee; I understand that the amount required for an effective guarantee should be about 5% of the total amount of bond issues covered by the fund. (The bill, if enacted without a sufficient appropriation to implement it, would probably be of limited practical value until such time as money was actually appropriated to the fund.)

I note that the draft submitted April 15 with the request for a committee substitute for HB 750 goes farther than the attached bill in several respects, particularly providing a guarantee of bonds issued when it is determined that the bonds are beyond the municipality's capability to finance schools, and providing for payment of the guarantee funds directly to the municipality issuing the bonds.

As indicated in my earlier memo on the subject, a flat guarantee to meet principal and interest payments on bonds issued by local governments quite likely creates a debt of the state which must be approved by the state voters under Article IX, sec. 8, of the state constitution.

The guarantee provision of the draft submitted with the request (at the proposed sec. 29.58.340(b)) seems to set out an unrestricted guarantee of payment, without limiting the guarantee to funds which may have been appropriated for the purpose, and, as such the provision would seem to conflict with the constitution (unless submitted to the voters of the state for approval).

Perhaps limiting the guarantee to funds appropriated for the purpose is intended; if so, the provisions of the draft attached accomplish the same purpose and are drafted more extensively to accomplish the purpose.

Insofar as the draft authorizes a guarantee of bonds issued not only in excess of a debt limit but also bonds issued where the municipality is determined by the Department of Community and Regional Affairs and the Department of Education to lack capability to finance needed schools, the attached draft can probably be revised to enlarge its guarantee to cover bonds issued for school construction where the local government is determined to be lacking financial capability to finance schools. As a practical matter, however, it would seem unlikely that a local government would be able to market its bonds for schools should it lack financial capability to pay them. If the bonds should be salable,

then the draft provision implies (at the proposed sec. 29.58.-340(a) and (d)(1)) more a state subsidy than guarantee; if intended as such, the draft provision should be revised accordingly (with possible reference to AS 43.18.100, which now provides for reimbursement to local governments of one-half to three-quarters of the amount of their bond principal and interest payments made two years prior for school construction purposes). In view of these considerations, I have not included in the attached bill a guarantee of bonds of municipalities lacking financial capability to pay for schools but rather have limited the bill to the guarantee of bonds issued in excess of debt limits for school construction purposes. Should it be determined as a policy matter that a guarantee or subsidy of bonds issued by local governments lacking financial capability to pay is necessary for the bill, I'll attempt to promptly revise the bill, but, again the practical effect of such a provision as a guarantee should be weighed.

The draft accompanying the bill request also indicates (at the proposed AS 29.58.340(b) - (c)) that a guarantee of bonds issued by the municipality in excess of bond debt limits must be approved by the departments of community and regional affairs and education (irrespective of the municipality's capability to finance the needed school facilities). I have not included a provision to that effect in the attached bill but can do so should it be intended as a policy matter that the departments determine which municipalities exceeding bond limits receive the guarantee.

While I recommend the technically extensive guarantee provisions of the attached bill, I will, if requested, provide a shorter bill providing a guarantee to the extent of a specific appropriation for the purpose, and an accompanying appropriation covering school bonds to be issued by a particular city. A bill so designed is probably far less defensible on technical grounds than the lengthier and more technically adequate bill attached, but you may consider for practical reasons at this late point in the session that a shorter, more limited, bill is required than the enclosed bill.

Any bill on the subject should preferably be reviewed by counsel specializing in bonds, since legislation relating to bond issuance and guarantees is particularly technical. I hope that even at this late point in the session the committee will find it possible to obtain at least an informal review of the proposed measure by a bond specialist.

I hope the attached bill reflects the purpose of the intended committee substitute and, following your review of this memo and any further instructions, I'll make any revisions considered necessary or provide a substitute bill.

Enclosure

The Legislature of the State of Alaska
FISCAL NOTE
Second Session - Eighth Legislature

I. REQUEST

Bill Identification: CS for HB 705
 Title: Home Rule & First Class Cities Bond Indebtedness for School Construction
 Requested by: Legislative Finance Date: 3/26/74
 Return Date Requested: ASAP
 Agency: Education Program: Pre.-Elem.-Sec.

II. FISCAL DETAIL

Budget Request Unit(s) Affected: NA
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		-0-	.000.0			
TOTAL		-0-	1000.0			

B. FUNDING: (Thousands of dollars)

GENERAL FUND		-0-	1000.0			
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

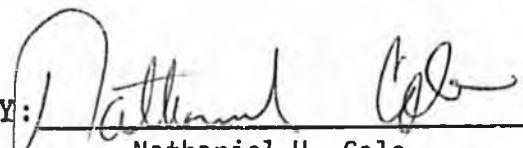
Assumption I. No home rule or first class city has enabling ordinances to indebt in excess of what is prescribed by charter or law. Establishment of such ordinance and a following proposition to the voters for obligation of indebtedness would take six months; therefore no appropriation needed for FY-75.

Assumption II. \$1,000,000 is an estimate for FY-76. Home rule and first class cities would be surveyed by DOE as to establishment of such ordinance or law and intent to incur such indebtedness for report to first session ninth

IV. ~~ANALYSIS~~ Legislature with an adjustment to fund based on data derived from in survey.

V. DATE: 3/27/74

PREPARED BY:


Nathaniel H. Cole

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



RECORDS



CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/26/89
Date

COMMITTEE REPORT

4/22/74

SENATE

Mr. President:

Date 4/25/74

The Committee on FINANCE has had CSHB 705 (Fin) an
municipal bonded indebtedness incurred for school construction
under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- (x) recommends it BE REPLACED WITH CS FOR CSHB 705 AND THAT
5 CS FOR CSHB 705 DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

[Signature] DO PASS _____

[Signature] DO PASS _____

[Signature] DO PASS _____

[Signature] DO PASS _____

Members NOT concurring in the Majority report:

- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:

[Signature] Chairman

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

Return to Emil
Haugen
April 18, 1974

MEMORANDUM

TO : Representative E. J. Haugen
FROM : Greg Machyowsky, Legislative Counsel
SUBJECT: Attached proposed committee substitute for HB 705
(guarantee of municipal bonds for schools)

The attached bill is intended to authorize general law and home rule boroughs or cities which are school districts to exceed any debt limits provided by law, charter or otherwise in order to provide needed school facilities and to provide, without creating a debt of the state requiring a vote under Article IX, sec. 8, of the state constitution, a method of guaranteeing payment of principal and interest on the bonds.

The guarantee provision develops further the concept set out in HB 706 and is patterned after provisions establishing what is widely known as a "moral pledge" by a state to pay installments on state bonds if payment is not otherwise made. The guarantee under the bill would be paid from funds appropriated to a fund specifically for the purpose of the guarantee, and bonds could be issued with the guarantee only if enough money is in the fund to cover all bonds already guaranteed as well as the new bonds to be guaranteed. I understand that the "moral pledge" guarantee has been regarded as a practical tool in facilitating the marketing of bonds; it would seem to pretty well remove a challenge of constitutionality under Article IX, sec. 8, of the state constitution, unlike a provision which provides an unrestricted guarantee of payment.

I have not included in the attached bill a provision for reimbursement to the state of any amounts paid on behalf of a municipality under the guarantee, but you may wish to consider incorporating terms to provide that the debt which the local government owed and which is paid by the state on the guarantee becomes a debt from the local government to the state, or a provision deducting amounts paid from money otherwise payable as reimbursement to local governments for bond expenditures for schools under present law, at AS 43.18.100.

The bill is accompanied by an appropriation bill in the amount of \$5,000,000 for the bond guarantee fund. That amount is speculated as the amount necessary to implement the guarantee; I understand that the amount required for an effective guarantee should be about 5% of the total amount of bond issues covered by the fund. (The bill, if enacted without a sufficient appropriation to implement it, would probably be of limited practical value until such time as money was actually appropriated to the fund.)

I note that the draft submitted April 15 with the request for a committee substitute for HB 750 goes farther than the attached bill in several respects, particularly providing a guarantee of bonds issued when it is determined that the bonds are beyond the municipality's capability to finance schools, and providing for payment of the guarantee funds directly to the municipality issuing the bonds.

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The guarantee provision of the draft submitted with the request (at the proposed sec. 29.58.340(b)) seems to set out an unrestricted guarantee of payment, without limiting the guarantee to funds which may have been appropriated for the purpose, and, as such the provision would seem to conflict with the constitution (unless submitted to the voters of the state for approval).

Perhaps limiting the guarantee to funds appropriated for the purpose is intended; if so, the provisions of the draft attached accomplish the same purpose and are drafted more extensively to accomplish the purpose.

Insofar as the draft authorizes a guarantee of bonds issued not only in excess of a debt limit but also bonds issued where the municipality is determined by the Department of Community and Regional Affairs and the Department of Education to lack capability to finance needed schools, the attached draft can probably be revised to enlarge its guarantee to cover bonds issued for school construction where the local government is determined to be lacking financial capability to finance schools. As a practical matter, however, it would seem unlikely that a local government would be able to market its bonds for schools should it lack financial capability to pay them. If the bonds should be salable,

April 18, 1974

then the draft provision implies (at the proposed sec. 29.58.-340(a) and (d)(1)) more a state subsidy than guarantee; if intended as such, the draft provision should be revised accordingly (with possible reference to AS 43.18.100, which now provides for reimbursement to local governments of one-half to three-quarters of the amount of their bond principal and interest payments made two years prior for school construction purposes). In view of these considerations, I have not included in the attached bill a guarantee of bonds of municipalities lacking financial capability to pay for schools but rather have limited the bill to the guarantee of bonds issued in excess of debt limits for school construction purposes. Should it be determined as a policy matter that a guarantee or subsidy of bonds issued by local governments lacking financial capability to pay is necessary for the bill, I'll attempt to promptly revise the bill, but, again the practical effect of such a provision as a guarantee should be weighed.

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I hope the attached bill reflects the purpose of the intended committee substitute and, following your review of this memo and any further instructions, I'll make any revisions considered necessary or provide a substitute bill.

Enclosure

Original sponsor: Haugen

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 705

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to municipal bonded indebtedness incurred for school construction."

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

* Section 1. AS 29.58 is amended by adding new sections to read:

Sec. 29.58.340. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION. (a)

A home rule or general law municipality, upon furnishing proof satisfactory to the Department of Education and the Department of Community and Regional Affairs of the need for school facilities which, if provided, will require the municipality to exceed limits on authorizing or issuing bonds which may be established by law, charter, or are fixed at one-half of 10 per cent of the municipality's assessed valuation as of the prior January 1, may exceed the limits to the extent necessary to provide minimum school facilities.

(b) In this section "minimum school facilities" means instructional and auxiliary facilities and initial equipment necessary to operate a program of instruction for the school membership at normal capacity; the term does not include athletic stadiums or structures or facilities intended primarily for athletic exhibitions, contests, or games.

Sec. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment by the state of the principal and interest of bonds issued under the enabling authority of sec. 340 of this chapter, there is in the Department of Community and Regional Affairs a special fund called the local school bond guarantee fund in which there shall be deposited all money

appropriated by the legislature for the purpose of the fund and other money which may be made available for the purpose of the fund from any other source. Money in the fund shall be held and applied solely to further guarantee and provide an additional pledge of payment of all bonds issued under the provisions of sec. 340 of this chapter. Money shall not be withdrawn from the fund if a withdrawal would reduce the amount in the fund to an amount equal to less than the "maximum debt service reserve" (as defined in this section), except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and for the retirement of bonds in accordance with the terms of a contract between the municipality and its bondholders and for the payments on account of which interest or principal or retirement of bonds other money is not then available in accordance with the terms of the contract. In this section "maximum debt service reserve" means, as of any date of computation, the largest amount of money required by the terms of all contracts between municipalities and their bondholders as to bonds issued under sec. 340 of this chapter to be raised in any succeeding calendar year for the payment of interest on and maturing principal of outstanding bonds and payments required by the terms of the contracts to sinking funds established for the payment or redemption of the bonds, all calculated on the assumption that bonds will cease to be outstanding after the date of the computation by reason of the payment of bonds at their respective maturities and the payments of the required money to sinking funds and the application of the money in accordance with the terms of the contracts to the retirement of bonds.

(b) Money in the guarantee fund at any time in excess of the maximum debt service reserve, whether by reason of investment or otherwise, may be withdrawn by the department and transferred to the general

fund.

(c) Money at any time in the guarantee fund may be invested in any direct obligation of, or obligations as to which principal and interest is guaranteed by, the United States, the state or a political subdivision.

(d) For purposes of valuation, investments in the guarantee fund shall be valued at the lowest of the par value, cost to the authority, or market value of the investments. Valuation on any particular date shall include the amount of interest then earned or accrued to that date on any money or investments in the fund.

(e) Other provisions of this section notwithstanding, no bonds may be issued carrying the guarantee provided in this section unless there is in the guarantee fund the maximum debt service reserve for all bonds then issued and outstanding and the bonds about to be issued, but nothing prevents or precludes a municipality from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds about to be issued, upon their issuance, as is needed to achieve the maximum debt service reserve.

(f) In order to assure the maintenance of the maximum debt service reserve in the guarantee fund, there is authorized to be appropriated annually and paid to the authority for deposit in the fund, such sum, if any, as shall be certified by the commissioner of community and regional affairs to the governor as necessary to restore the fund to an amount equal to the maximum debt service reserve. The chairman shall annually, before December 2, deliver to the governor his certificate stating the sum, if any, required to restore the fund to that amount, and the sum so certified is authorized to be appropriated and paid to the fund during the then current state fiscal year.

(g) Nothing in this section may be considered to cause bonds,

payment of which is guaranteed from money in the fund established under this section, to be in any way a debt or liability of the state or any political subdivision of the state other than the political subdivision issuing the bonds, and the bonds, whether or not payable from the maximum debt service reserve created and established under this section, shall not create or constitute an indebtedness, liability or obligation of the state or be or constitute a pledge of the faith and credit of the state.

* Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

(35) AS 29.58.340 - 29.58.350 (bonded debt for school construction)

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

April 18, 1974

MEMORANDUM

TO: Representative Haugen
FROM: Greg Machyowsky, Legislative Counsel
SUBJECT: Proposed CSHB 705 (Finance)

The appropriation bill furnished with the proposed CS bill earlier today calls for an appropriation of \$5,000,000 to the guarantee fund established by the CS bill. The \$5,000,000 figure is an estimated figure to cover application of the provisions of CSHB 705 to all school districts of the state. For the purpose initially of guaranteeing the bonds of a particular city, a minimum of five per cent of the amount of the bond issue should be sufficient as funding for the guarantee fund.

GM/sm

IN THE HOUSE

BY THE FINANCE COMMITTEE

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act appropriating to the local school bond guarantee fund established under AS 29.58.350; and providing for an effective date."

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

* Section 1. The sum of \$5,000,000 is appropriated from the general fund to the Department of Community and Regional Affairs, local school bond guarantee fund, established under AS 29.58.350.

* Sec. 2. This Act takes effect July 1, 1974.

Original sponsor: Haugen

Offered: 4/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal bonded indebtedness
7 incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION. (a)

11 A home rule or general law municipality, upon furnishing proof satis-
12 factory to the Department of Education and the Department of Community
13 and Regional Affairs of the need for school facilities which, if pro-
14 vided, will require the municipality to exceed limits on authorizing
15 or issuing bonds which may be established by law, charter, or are fixed
16 at one-half of 10 per cent of the municipality's assessed valuation as
17 of the prior January 1, may exceed the limits to the extent necessary
18 to provide minimum school facilities.

19 (b) In this section "minimum school facilities" means instruc-
20 tional and auxiliary facilities and initial equipment necessary to
21 operate a program of instruction for the school membership at normal
22 capacity; the term does not include athletic stadiums or structures or
23 facilities intended primarily for athletic exhibitions, contests, or
24 games.

25 Sec. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment
26 by the state of the principal and interest of bonds issued under the
27 enabling authority of sec. 340 of this chapter, there is in the Depart-
28 ment of Community and Regional Affairs a special fund called the local
29 school bond guarantee fund in which there shall be deposited all money

1 fund.

2 (c) Money at any time in the guarantee fund may be invested in any
3 direct obligation of, or obligations as to which principal and interest
4 is guaranteed by, the United States, the state or a political subdivision.

5 (d) For purposes of valuation, investments in the guarantee fund
6 shall be valued at the lowest of the par value, cost to the authority, or
7 market value of the investments. Valuation on any particular date shall
8 include the amount of interest then earned or accrued to that date on any
9 money or investments in the fund.

10 (e) Other provisions of this section notwithstanding, no bonds may
11 be issued carrying the guarantee provided in this section unless there is
12 in the guarantee fund the maximum debt service reserve for all bonds then
13 issued and outstanding and the bonds about to be issued, but nothing
14 prevents or precludes a municipality from satisfying the foregoing
15 requirement by depositing so much of the proceeds of the bonds about to
16 be issued, upon their issuance, as is needed to achieve the maximum
17 debt service reserve.

18 (f) In order to assure the maintenance of the maximum debt service
19 reserve in the guarantee fund, there is authorized to be appropriated
20 annually and paid to the Department of Community and Regional Affairs
21 for deposit in the fund, such sum, if any, as shall be certified by the
22 commissioner of community and regional affairs to the governor as
23 necessary to restore the fund to an amount equal to the maximum debt
24 service reserve. The commissioner shall annually, before December 2,
25 deliver to the governor his certificate stating the sum, if any, re-
26 quired to restore the fund to that amount, and the sum so certified is
27 authorized to be appropriated and paid to the fund during the then
28 current state fiscal year.

29 (g) Nothing in this section may be considered to cause bonds,

Original sponsor: Haugen

Offered: 3/25/74
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to home rule and first class city
7 bonded indebtedness incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. HOME RULE AND FIRST CLASS CITY BONDED INDEBTEDNESS
11 FOR SCHOOL CONSTRUCTION. (a) Upon furnishing proof satisfactory to the
12 Department of Education of an immediate need for additional school con-
13 struction within the city, a home rule or first class city may incur
14 general obligation bonded indebtedness, to pay for costs of school con-
15 struction, in excess of a limitation set by charter or law as to total
16 amount of bonded indebtedness which may be incurred within the home
17 rule or first class city. The additional indebtedness if incurred shall
18 otherwise be incurred as provided by charter or by law applicable to
19 home rule cities.

20 (b) In (a) of this section "costs of school construction" means
21 costs as defined in AS 43.18.100(g)(2).

22 Sec. 29.58.350. GUARANTEE OF BOND PAYMENTS. (a) There is in the
23 Department of Revenue the local school bond fund, subject to appropri-
24 ations by the legislature. Money appropriated by the legislature to the
25 fund shall be held and applied solely to further guarantee and provide
26 additional pledge of payment of bonds issued under sec. 340 of this
27 chapter.

28 (b) When the commissioner of revenue is informed that a home
29 rule or first class city debt service payment on bonds issued under

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Original sponsor: Haugen

Offered: 4/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal bonded indebtedness
7 incurred for school construction."

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9 * Section 1. AS 29.58 is amended by adding new sections to read:

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11 A home rule or general law municipality, upon furnishing proof satis-
12 factory to the Department of Education and the Department of Community
13 and Regional Affairs of the need for school facilities which, if pro-
14 vided, will require the municipality to exceed limits on authorizing
15 or issuing bonds which may be established by law, charter, or are fixed
16 at one-half of 10 per cent of the municipality's assessed valuation as
17 of the prior January 1, may exceed the limits to the extent necessary
18 to provide minimum school facilities.

19 (b) In this section "minimum school facilities" means instruc-
20 tional and auxiliary facilities and initial equipment necessary to
21 operate a program of instruction for the school membership at normal
22 capacity; the term does not include athletic stadiums or structures or
23 facilities intended primarily for athletic exhibitions, contests, or
24 games.

25 Sec. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment
26 by the state of the principal and interest of bonds issued under the
27 enabling authority of sec. 340 of this chapter, there is in the Depart-
28 ment of Community and Regional Affairs a special fund called the local
29 school bond guarantee fund in which there shall be deposited all money

1 appropriated by the legislature for the purpose of the fund and other
2 money which may be made available for the purpose of the fund from any
3 other source. Money in the fund shall be held and applied solely to
4 further guarantee and provide an additional pledge of payment of all
5 bonds issued under the provisions of sec. 340 of this chapter. Money
6 shall not be withdrawn from the fund if a withdrawal would reduce the
7 amount in the fund to an amount equal to less than the "maximum debt
8 service reserve" (as defined in this section), except for payment of
9 interest then due and payable on bonds and the principal of bonds then
10 maturing and payable and for the retirement of bonds in accordance with
11 the terms of a contract between the municipality and its bondholders and
12 for the payments on account of which interest or principal or retire-
13 ment of bonds other money is not then available in accordance with the
14 terms of the contract. In this section "maximum debt service reserve"
15 means, as of any date of computation, the largest amount of money
16 required by the terms of all contracts between municipalities and their
17 bondholders as to bonds issued under sec. 340 of this chapter to be
18 raised in any succeeding calendar year for the payment of interest on
19 and maturing principal of outstanding bonds and payments required by
20 the terms of the contracts to sinking funds established for the payment
21 or redemption of the bonds, all calculated on the assumption that bonds
22 will cease to be outstanding after the date of the computation by
23 reason of the payment of bonds at their respective maturities and the
24 payments of the required money to sinking funds and the application of
25 the money in accordance with the terms of the contracts to the retire-
26 ment of bonds.

27 (b) Money in the guarantee fund at any time in excess of the
28 maximum debt service reserve, whether by reason of investment or other-
29 wise, may be withdrawn by the department and transferred to the general

1 fund.

2 (c) Money at any time in the guarantee fund may be invested in any
3 direct obligation of, or obligations as to which principal and interest
4 is guaranteed by, the United States, the state or a political subdivision.

5 (d) For purposes of valuation, investments in the guarantee fund
6 shall be valued at the lowest of the par value, cost to the authority, or
7 market value of the investments. Valuation on any particular date shall
8 include the amount of interest then earned or accrued to that date on any
9 money or investments in the fund.

10 (e) Other provisions of this section notwithstanding, no bonds may
11 be issued carrying the guarantee provided in this section unless there is
12 in the guarantee fund the maximum debt service reserve for all bonds then
13 issued and outstanding and the bonds about to be issued, but nothing
14 prevents or precludes a municipality from satisfying the foregoing
15 requirement by depositing so much of the proceeds of the bonds about to
16 be issued, upon their issuance, as is needed to achieve the maximum
17 debt service reserve.

18 (f) In order to assure the maintenance of the maximum debt service
19 reserve in the guarantee fund, there is authorized to be appropriated
20 annually and paid to the Department of Community and Regional Affairs
21 for deposit in the fund, such sum, if any, as shall be certified by the
22 commissioner of community and regional affairs to the governor as
23 necessary to restore the fund to an amount equal to the maximum debt
24 service reserve. The commissioner shall annually, before December 2,
25 deliver to the governor his certificate stating the sum, if any, re-
26 quired to restore the fund to that amount, and the sum so certified is
27 authorized to be appropriated and paid to the fund during the then
28 current state fiscal year.

29 (g) Nothing in this section may be considered to cause bonds,

1 payment of which is guaranteed from money in the fund established
2 under this section, to be in any way a debt or liability of the state
3 or any political subdivision of the state other than the political
4 subdivision issuing the bonds, and the bonds, whether or not payable
5 from the maximum debt service reserve created and established under
6 this section, shall not create or constitute an indebtedness, liability
7 or obligation of the state or be or constitute a pledge of the faith
8 and credit of the state.

9 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

10 (35) AS 29.58.340 - 29.58.350 (bonded debt for school
11 construction)
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Original sponsor: Haugen

Offered: 3/25/74
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to home rule and first class city
7 bonded indebtedness incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. HOME RULE AND FIRST CLASS CITY BONDED INDEBTEDNESS
11 FOR SCHOOL CONSTRUCTION. (a) Upon furnishing proof satisfactory to the
12 Department of Education of an immediate need for additional school con-
13 struction within the city, a home rule or first class city may incur
14 general obligation bonded indebtedness, to pay for costs of school con-
15 struction, in excess of a limitation set by charter or law as to total
16 amount of bonded indebtedness which may be incurred within the home
17 rule or first class city. The additional indebtedness if incurred shall
18 otherwise be incurred as provided by charter or by law applicable to
19 home rule cities.

20 (b) In (a) of this section "costs of school construction" means
21 costs as defined in AS 43.18.100(g)(2).

22 Sec. 29.58.350. GUARANTEE OF BOND PAYMENTS. (a) There is in the
23 Department of Revenue the local school bond fund, subject to appropri-
24 ations by the legislature. Money appropriated by the legislature to the
25 fund shall be held and applied solely to further guarantee and provide
26 additional pledge of payment of bonds issued under sec. 340 of this
27 chapter.

28 (b) When the commissioner of revenue is informed that a home
29 rule or first class city debt service payment on bonds issued under

1 sec. 340 of this chapter may not be met, the department shall make
2 payment from the fund directly to the pertinent paying agent in the
3 name of the state if the payment is necessary to avoid a default. The
4 payment shall be considered, to the extent of the payment, a transfer
5 of indebtedness from the holder of the debt instrument in respect of
6 which payment was made to the state.

7 (c) Money in the guarantee fund which exceeds at any time the
8 amount appropriated to the fund, whether by reason of investment or
9 otherwise, shall be withdrawn by the department and transferred to the
10 general fund.

11 (d) Money in the guarantee fund may be invested at any time in
12 the direct obligations of or obligations on which the principal and
13 interest is guaranteed by, the United States, the state, or a political
14 subdivision of the state.

15 (e) For the purpose of valuation, investments of the guarantee
16 fund shall be valued at the lowest of (1) the par value, (2) cost to
17 the state, or (3) market value of the investments. Valuation on a
18 particular date shall include the amount of interest earned or accrued
19 to that date on any amount or investment of the guarantee fund.

20 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

21 (35) AS 29.58.340 - 29.58.350 (home rule and first class
22 city bonded indebtedness for school construction)

1 IN THE HOUSE

BY HAUGEN

2 HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to home rule city bonded indebtedness
7 incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. HOME RULE CITY BONDED INDEBTEDNESS FOR SCHOOL
11 CONSTRUCTION. (a) Upon furnishing proof satisfactory to the Department
12 of Education of an immediate need for additional school construction
13 within the city, a home rule city may incur general obligation bonded
14 indebtedness, to pay for costs of school construction, in excess of a
15 limitation set by charter or law as to total amount of bonded indebted-
16 ness which may be incurred within the home rule municipality. The
17 additional indebtedness if incurred shall otherwise be incurred as
18 provided by charter or by law applicable to home rule cities.

19 (b) In (a) of this section "costs of school construction" means
20 costs as defined in AS 43.18.100(g)(2).

21 Sec. 29.58.350. GUARANTEE OF BOND PAYMENTS. (a) There is in the
22 Department of Revenue the local school bond fund, funded by appro-
23 priations by the legislature. Money in the fund shall be held and
24 applied solely to further guarantee and provide additional pledge of
25 payment of bonds issued under sec. 340 of this chapter.

26 (b) When the commissioner of revenue is informed that a home
27 rule city debt service payment on bonds issued under sec. 340 of this
28 chapter may not be met, the department shall make payment from the fund
29 directly to the pertinent paying agent in the name of the state if the

1 payment is necessary to avoid a default. The payment shall be con-
2 sidered, to the extent of the payment, a transfer of indebtedness from
3 the holder of the debt instrument in respect of which payment was made
4 to the state.

5 (c) Money in the guarantee fund which exceeds at any time the
6 amount appropriated to the fund, whether by reason of investment or
7 otherwise, shall be withdrawn by the department and transferred to the
8 general fund.

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10 the direct obligations of or obligations on which the principal and
11 interest is guaranteed by, the United States, the state, or a political
12 subdivision of the state.

13 (e) For the purpose of valuation, investments of the guarantee
14 fund shall be valued at the lowest of (1) the par value, (2) cost to
15 the state, or (3) market value of the investments. Valuation on a
16 particular date shall include the amount of interest earned or accrued
17 to that date on any amount or investment of the guarantee fund.

18 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

19 (35) AS 29.58.340 - 29.58.350 (home rule city bonded
20 indebtedness for school construction)
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I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/26/89
Date

Introduced: 2/25/74
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY DEGNAN

2 HOUSE BILL NO. 717

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the cities
7 of Nome and Anchorage to provide for starting and
8 finish line facilities for the Iditarod Trail
9 Championship Sled Dog Race; and providing for an
10 effective date."

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

12 * Section 1. The sum of \$20,000 is appropriated from the general fund
13 to the cities of Nome and Anchorage (\$10,000 each) to provide starting and
14 finish line facilities, including but not limited to appropriate gates and
15 embellishments, for the Iditarod Trail Championship Sled Dog Race.

16 * Sec. 2. This Act takes effect on the day after its passage and
17 approval or on the day it becomes law without approval.
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James O. Smith
Signature of Camera Operator

4/26/89
Date

Introduced: 2/25/74
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY DEGNAN

2 HOUSE BILL NO. 718

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing continuing state support of
7 the Iditarod Dog Sled Race; and providing for
8 an effective date."

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

10 * Section 1. The intent of this Act is to provide a measure of state
11 support for a recreational activity of unique scope and potential for
12 encouraging tourist interest in the state.

13 * Sec. 2. AS 41.25 is amended by adding a new section to read:

14 Sec. 41.25.110. IDITAROD DOG SLED RACE. A municipality, or
15 organization formed within a community, which is located along the
16 route of the Iditarod Dog Sled Race is eligible to receive funds
17 within the limits of available appropriations for the purpose of
18 matching money expended by it in support of the Iditarod Dog Sled
19 Race. Application for a grant under this section shall be made to
20 the Department of Economic Development, division of tourism, in a
21 manner and upon forms prescribed by the commissioner. A grant shall
22 be made only upon proof satisfactory to the director of the amount
23 and purpose of funds expended, or to be expended, and accounted for,
24 by the applicant in support of the dog sled race, and upon other
25 terms and conditions as the director of tourism considers necessary
26 to carry out the purpose of this section. Available money, if less
27 than the amount needed to meet the requirements of approved applica-
28 tions, shall be distributed on a pro rata, or other fair and equitable
29 basis, as the director determines.

1 * Sec. 3. This Act takes effect on the day after its passage and
2 approval or on the day it becomes law without approval.
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STATE
of ALASKA

MEMORANDUM

TO: Jay Hogan, Director
Legislative Finance

DATE : April 16, 1974

FROM: *Irene*
Irene E. Ryan, Commissioner
Department of Economic Development

SUBJECT: House Bill 718

The following is our analysis and fiscal note for the proposed legislation, House Bill 718, "an act authorizing continuing State support of the Iditarod Dog Sled Race; and providing for an effective date."

It is our opinion that this legislation, like the existing tourism grant program, would provide a needed incentive for those communities to upgrade tourist attractions and facilities. Because of the timing of the Iditarod Race, it would also provide a medium for stimulating offseason tourist traffic.

We have noted a substantial amount of National publicity produced as a direct result of the Iditarod Race and any program that would enhance this worthy winter activity and attraction, can only be of benefit to Alaska tourism.

The Legislature of the State of Alaska
 FISCAL NOTE
 Second Session - Eighth Legislature

I. REQUEST

Bill Identification: HB 718
 Title: Continuing State support of Iditarod Dog Sled Race
 Requested by: Degnan Date: 2/25/74
 Return Date Requested: _____
 Agency: Department of Economic Development Program: Tourism

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Promotion of Tourism

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		25.0				
TOTAL		25.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		25.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Provides a maximum matching grant of \$1,000 for each community.

IV. ATTACHMENTS

V. DATE: 4/16/74

PREPARED BY: Robert Lesh

Robert Lesh, Administrative Officer

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

The Legislature of the State of Alaska
 FISCAL NOTE
 Second Session - Eighth Legislature

I. REQUEST

Bill Identification: HB 718
 Title: Continuing State support of Iditarod Dog Sled Race
 Requested by: Deqnan Date: 2/25/74
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 Agency: Department of Economic Development Program: Tourism

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Promotion of Tourism
 A. EXPENDITURES: (Thousands of dollars)

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100 PERSONAL SERVICES						
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300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		25.0				
TOTAL		25.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		25.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Provides a maximum matching grant of \$1,000 for each community.

IV. ATTACHMENTS

V. DATE: 4/16/74

PREPARED BY: Robert Lesh

Robert Lesh, Administrative Officer

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



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James O. Smith
Signature of Camera Operator

4/26/89
Date

Introduced: 2/25/74
Referred: Health, Education
Social Services and Finance

1 IN THE HOUSE

BY CHANCE

2 HOUSE BILL NO. 729

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a certified family care program
7 for mentally retarded persons."

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

9 * Section 1. AS 47.35 is amended by adding new sections to read:

10 ARTICLE 4. CERTIFIED FAMILY CARE PROGRAM

11 FOR MENTALLY RETARDED PERSONS.

12 Sec. 47.35.120. CERTIFIED FAMILY CARE PROGRAM. (a) The depart-
13 ment shall establish a certified family care program to offer an alter-
14 native to institutional care for mentally retarded persons by providing
15 financial, medical, educational and advisory assistance to eligible
16 parents of mentally retarded persons.

17 (b) Parents are eligible for family care certification by the
18 department if

19 (1) the condition of the mentally retarded person is such
20 as to qualify the person for institutionalization;

21 (2) the parents are financially unable to adequately pro-
22 vide for the mentally retarded person in the home without some
23 assistance;

24 (3) the parents are able to provide a healthful and
25 physically safe environment;

26 (4) the parents are willing to cooperate with department
27 staff.

28 (c) Each family care certificate shall be reevaluated by the
29 department annually.

1 (d) Assistance to each family care unit shall be given on the
2 basis of need as determined by the department.

3 Sec. 47.35.130. The department shall promulgate, in accordance
4 with the Administrative Procedure Act, regulations necessary to
5 accomplish the objectives of this section, including but not limited
6 to

7 (1) criteria used by the department to determine family
8 eligibility,

9 (2) schedules of financial assistance available, and

10 (3) standards of supervision and personal care which may
11 be required by the department.
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James O. Smith
Signature of Camera Operator

4/26/89
Date

"An Act repealing the Alaska Business License Act and establishing the Alaska Business and Occupation Tax; and providing for an effective date."

COMMITTEE REPORT

4/15/74

HOUSE

Mr. Speaker:

Date 4/15/74

The Committee on FINANCE has had HB 738

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>WATZICK</u>	<u> </u>	<u> </u>
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Members NOT concurring in the Majority report:

<u>Mockins</u>	recommends: <u>NO</u>
<u> </u>	recommends:
<u> </u>	recommends:
<u> </u>	recommends:
<u> </u>	recommends:

E. J. Hansen Chairman

Introduced: 2/25/74
Referred: Commerce and
Finance

1 IN THE HOUSE

BY J.MILLER, HARTIG AND
SAYLORS

2 HOUSE BILL NO. 738

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act repealing the Alaska Business License Act and
7 establishing the Alaska Business and Occupation Tax;
8 and providing for an effective date."

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

10 * Section 1. AS 43.70 is repealed.

11 * Sec. 2. AS 43 is amended by adding a new chapter to read:

12 CHAPTER 71. BUSINESS AND OCCUPATION TAX.

13 Sec. 43.71.010. APPLICATION FOR LICENSE. (a) For the privilege
14 of engaging in a business in the state, a person shall first apply, upon
15 forms prescribed by the commissioner, obtain a license and pay the
16 license fee provided for in this chapter. A license issued to a firm
17 for a particular line of business covers all its operations in the state
18 in the line of business regardless of the number of its establishments.
19 Application for a renewal of a license and payment of the initial fee
20 shall be made before February 1, of each year. No license may be issued
21 for a period extending beyond the end of the calendar year for which it
22 is issued.

23 (b) A person engaging in a business subject to licensing provisions
24 of a regulatory nature (for example, the requirement of posting a bond
25 before beginning business as a collection agency) must, in addition to
26 filing the regular application required by this section, comply with
27 those regulatory provisions before being entitled to a license under
28 this chapter.

29 Sec. 43.71.020. LEVY AND COMPUTATION OF LICENSE FEE. (a) The

1 license fee for each business is \$25 plus a sum equal to seven per cent
2 of the net income from the operation of the business during the year for
3 which the license is issued. Net income in this section means the taxable
4 income from the business or profession computed as required by the In-
5 ternal Revenue Code of the United States. For a sole proprietorship,
6 net income is the net profit shown on Internal Revenue Service Sched-
7 ule C (form 1040), for a partnership of joint venture, that shown on
8 form 1065, and for a corporation, that shown on form 1120. The annual
9 license fee paid by a professional person to his professional board shall
10 be credited against the initial fee required under this chapter.

11 (b) The license fee for each national bank and state bank, trust
12 company and savings and loan association is seven per cent of its net
13 income. Net income means the taxable income of each taxpayer before
14 net operating loss deduction and special deductions, computed as required
15 under the Internal Revenue Code of the United States and includes all
16 other income including income from federal, state or municipal obligation.
17 Each of these taxpayers shall submit a copy of the income tax return
18 which it files with the United States Collector of Internal Revenue and
19 shall notify the commissioner of revenue in writing of any alteration
20 or modification of the federal income tax return and of a recomputation
21 of tax or determination of deficiency. The taxpayer who files his
22 federal return on a fiscal year basis shall in addition submit a state-
23 ment setting out all information which would be required and reported
24 in a federal income tax return prepared for the calendar year. This
25 statement shall be in the same form as a federal income tax return and
26 the net income shall be computed as required under the Internal Revenue
27 Code. The statement shall be submitted to the commissioner of revenue
28 before the sixteenth day of April after the close of the calendar year.

29 (c) The license for the privilege of taking orders through use of

1 catalogs and by mail order offices in the state is the same as set out
2 in this chapter for business generally and the license fee for those
3 offices shall be based upon the net income attributable to all orders
4 taken at them whether delivery of the merchandise is made through the
5 offices or not.

6 (d) The initial fee of \$25 applies to all of the provisions of this
7 section, and shall accompany the application. The balance is due and
8 payable on December 31 of each year and shall be paid before the first
9 day of March following, except that the department may extend the time
10 until the 30th of the following April upon application showing that the
11 extension is necessary to enable the applicant to ascertain the amount of
12 license money due. To enable accurate determination of the balance of
13 the tax due at the end of each year, each person to whom this chapter
14 applies shall keep records, give statements under oath, and make returns
15 which the department requires. Returns are made under penalty of perjury.

16 Sec. 43.71.030. REVIEW AND DETERMINATION OF LICENSE TAX. (a) As
17 soon as practicable after the final payment of the tax, the department
18 shall examine the return and determine the correct amount of the tax and,
19 if an error is found, shall notify the taxpayer of the error and examine
20 the taxpayer's records as authorized in AS 43.05.040, and take other
21 proper steps to determine the amount due.

22 (b) If an agreement cannot be reached with the taxpayer as to the
23 amount of a license tax, the department may set a time and place of
24 hearing on the question, upon at least 60 days' notice of the hearing by
25 mail to the taxpayer. At the hearing a person may be required to appear
26 and testify and produce records and other papers as provided in
27 AS 43.05.040.

28 (c) A person aggrieved by an action of the department may apply
29 in writing to the department within 60 days from the date of the notice

1 of the action, giving notice of the grievance and requesting a hearing.

2 (d) If the department determines that a fee in excess of the
3 amount due was paid, he shall allow a refund or permit a credit at the
4 option of the taxpayer. If refund is allowed, it shall be made out of
5 the general fund by a voucher approved by the department.

6 Sec. 43.71.040. APPEALS. If the person is aggrieved by the
7 decision of the department, he may appeal to the superior court in the
8 judicial district where he conducts his business.

9 Sec. 43.71.050. CIVIL PENALTY. (a) If a person fails to file a
10 business license return or pay the fee, as finally determined by the
11 department, unless it is shown that the failure is due to reasonable
12 cause and not to wilful neglect, five per cent is added to the fee for
13 each additional 30 days, or fraction of 30 days, during which the
14 failure continues, but not exceeding 25 per cent in the aggregate. The
15 amount added to the fee shall be collected at the same time and in the
16 same manner as the fee. In case of delinquency interest shall be
17 assessed at the rate of six per cent a year. If payment is made by
18 check, bill of exchange, or note which is later returned by the drawee
19 as uncollectible because of insufficient funds or is dishonored by the
20 drawee for any reason, the dishonor is prima facie evidence of nonpay-
21 ment of the license fee.

22 (b) If a person fails to apply for a license at the required time
23 or makes, wilfully or otherwise, an erroneous or fraudulent return, the
24 department shall assess the fee from any information it can obtain.
25 This assessment is prima facie good and sufficient for all legal purposes
26 under this chapter.

27 Sec. 43.71.060. SECURITY. (a) The amount of the fee, interest
28 charge, and penalty imposed under this chapter constitutes a lien in
29 favor of the state upon all the person's property located in the state.

1 The lien arises upon delinquency and continues until the liability for
2 the amount is satisfied or the property is sold at foreclosure sale.
3 The lien is not valid as against a mortgagee, pledgee, purchaser, or
4 judgment creditor until notice of the lien is filed in the office of the
5 recorder in the manner provided for federal tax liens in AS 43.10.090 -
6 43.10.150. AS 43.10.090 - 43.10.150 apply to the tax liens arising under
7 this chapter.

8 (b) A nonresident person who starts to perform a construction
9 contract or subcontract or other line of business in the state and is
10 not known by the department to be the holder of adequate property in the
11 state to secure collection of the license money which will probably
12 accrue under this chapter by virtue of the business shall, in or with his
13 application, state under oath the extent of lienable real and personal
14 property which the department prescribes. If the value of the property
15 is not equal to three times the amount of the tax for which the applicant
16 will probably be liable to the state, the department shall not issue
17 the license until the applicant files with him a surety bond approved
18 by the attorney general in a penal sum equal to twice the probable
19 amount of the tax for which the applicant will be liable, conditioned
20 upon payment of the tax in full when due, and with interest if not paid
21 before delinquency. The department may waive the bond requirement if
22 the applicant posts other security in the form of collateral acceptable
23 to the department.

24 Sec. 43 71.070. DISPOSAL OF MONEY. (a) All money collected under
25 this chapter shall be deposited in the general fund.

26 (b) The legislature is authorized to appropriate each year to the
27 Department of Revenue an amount equal to 80 per cent of the money
28 collected in each organized borough and each organized city. The
29 amount appropriated to the department pursuant to this section to be

1 distributed to each organized borough and city in proportion to amount
2 of license fees collected in the local government.

3 Sec. 43.71.080. REGULATIONS. The department may adopt regulations
4 necessary to determine and collect the fees imposed and to enforce this
5 chapter.

6 Sec. 43.71.090. PENAL PROVISIONS. (a) It is unlawful for a person
7 to (1) wilfully evade a tax under this chapter; (2) fail to make a
8 return or keep or produce a record required under sec. 20 of this
9 chapter; (3) make a false or fraudulent return or false statement with
10 intent to defraud the state or evade payment of the tax; or (4) aid or
11 abet another in an attempt to evade payment of the tax.

12 (b) It is unlawful for an executive officer or agent of a corpora-
13 tion or agent of a person to make or permit to be made for his principal
14 a false return or false statement in answer to an inquiry from the depart-
15 ment with the intent to evade the payment of the tax under this chapter.

16 (c) A person who violates this section is guilty of a misdemeanor,
17 and upon conviction is punishable by a fine of not more than \$1,000, or
18 by imprisonment for not more than one year, or by both.

19 (d) In a prosecution under this chapter, no person otherwise
20 competent as a witness is privileged from testifying on the ground that
21 his testimony may incriminate him. However, no indictment or prosecu-
22 tion shall afterwards be brought against the witness on account of an
23 offense or transaction concerning which he testifies as a witness.
24 In a prosecution under this chapter, the attorney general may, with the
25 consent of the department, compromise the case by accepting from the
26 defendant a sum not less than the tax, interest on the tax, and all
27 costs and expenses.

28 Sec. 43.71.100. DEFINITIONS. In this chapter, unless the context
29 otherwise requires, the following words have the meanings indicated.

1 (1) "Business" includes all activities or acts, personal,
2 professional, or corporate, engaged in or caused to be engaged in, or
3 following or engaging in a trade, profession, or business, calling or
4 vocation, with the object of financial or pecuniary gain, profit or
5 benefit, either direct or indirect, and not exempting subactivities pro-
6 ducing marketable commodities or services used or consumed in the main
7 business activity, each of which subactivities shall be considered
8 business. The giving or supplying of services as an employee and the
9 furnishing of property, services, substances, or things, by a person who
10 does not hold himself out as regularly engaging in those transactions,
11 does not constitute business under the meaning of this chapter.

12 (2) "Income year" means calendar year. If a person carries on
13 business during a part only of the income year, "income year" means the
14 period within the income year during which the person carries on business.

15 (3) "Person" includes an individual, firm, partnership, joint
16 adventure, association, corporation, estate trust, business trust,
17 receiver, or any group or combination acting as a unit.

18 Sec. 43.71.110. SHORT TITLE. This chapter may be cited as the
19 Alaska Business and Occupation Tax Act.

20 * Sec. 3. This Act takes effect January 1, 1975.
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Original sponsor: J. Miller, Hartig
and Saylor

Offered: 3/21/74
Referred: Finance

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 738

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act repealing the Alaska Business License Act and
7 establishing the Alaska Business and Occupation Tax;
8 and providing for an effective date."

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

10 * Section 1. AS 43.70 is repealed.

11 * Sec. 2. AS 43 is amended by adding a new chapter to read:

12 CHAPTER 71. BUSINESS AND OCCUPATION TAX.

13 Sec. 43.71.005. EXEMPTIONS. (a) Net income derived from the
14 following gross receipts are exempt from taxation under this chapter:

15 (1) gross receipts from educational, religious, benevolent,
16 fraternal, or charitable activities, where the entire amount of the
17 receipts is held or expended for these activities, except receipts which
18 are the result of a continuous engaging in a business or occupation
19 otherwise subject to this chapter;

20 (2) gross receipts from the operation of a hospital;

21 (3) gross receipts from a municipally owned and operated
22 utility and from operation of a utility by an incorporated utility dis-
23 trict, nonprofit association, or nonprofit cooperative;

24 (4) gross receipts from home handicrafts up to \$500;

25 (5) gross receipts of a resident wholesale firm registered
26 in the state as a domestic corporation, or otherwise identifiable as a
27 resident wholesaler, from sale of a finished product to dealers for
28 resale to consumers, where the resale is subject to tax under this
29 chapter;

1 (6) gross receipts derived from a sale made to a person in
2 a foreign country for shipment out of the United States, except when
3 the goods or products sold are exported in bond for re-entry into the
4 United States;

5 (7) gross receipts of a manufacturer or processor derived
6 from the sale of his product manufactured or processed in the state,
7 except where the products are sold directly to the consumer;

8 (8) gross receipts subject to the gross production tax im-
9 posed by ch. 55 of this title, except that a person subject to the
10 gross production tax shall obtain a business license and pay the initial
11 \$25 license fee;

12 (9) gross receipts from the taxes imposed by the state upon
13 the sale of motor fuel;

14 (10) gross receipts from a consumers' sales tax collected by
15 a taxpayer for the state or a political subdivision of this state.

16 (b) The word "consumer" as used in this section means the person
17 who, in the ordinary common meaning of the term, ultimately uses goods,
18 and diminishes or destroys their utility.

19 (c) The exemption from taxation of net income derived from certain
20 gross receipts as provided in this chapter does not exempt a person
21 from the \$25 initial license fee.

22 Sec. 43.71.010. APPLICATION FOR LICENSE. (a) For the privilege
23 of engaging in a business in the state, a person shall first apply, upon
24 forms prescribed by the commissioner, obtain a license and pay the
25 license fee provided for in this chapter. A license issued to a firm
26 for a particular line of business covers all its operations in the state
27 in the line of business regardless of the number of its establishments.
28 Application for a renewal of a license and payment of the initial fee
29 shall be made before February 1, of each year. No license may be issued

1 for a period extending beyond the end of the calendar year for which it
2 is issued.

3 (b) A person engaging in a business subject to licensing provisions
4 of a regulatory nature (for example, the requirement of posting a bond
5 before beginning business as a collection agency) must, in addition to
6 filing the regular application required by this section, comply with
7 those regulatory provisions before being entitled to a license under
8 this chapter.

9 Sec. 43.71.020. LEVY AND COMPUTATION OF LICENSE FEE. (a) The
10 license fee for each business is \$25 plus a sum equal to two per cent
11 of the net income from the operation of the business during the year
12 for which the license is issued. Net income in this section means the
13 taxable income from the business or profession computed as required by
14 the Internal Revenue Code of the United States. For a sole proprietor-
15 ship, net income is the net profit shown on Internal Revenue Service
16 Schedule C (form 1040); for a partnership or joint venture, that shown
17 on form 1065; and for a corporation, that shown on form 1120; except
18 that a sole proprietorship or partnership may deduct a reasonable
19 salary paid to the owner. Corporations who have income from in and
20 out of the state shall apportion their income in accordance with the
21 provisions of AS 43.19.010(IV). The annual license fee paid by a
22 professional person to his professional board shall be credited against
23 the initial fee required under this chapter.

24 (b) The license fee for each national bank and state bank, trust
25 company and savings and loan association is seven per cent of its net
26 income. Net income means the taxable income of each taxpayer before
27 net operating loss deduction and special deductions, computed as required
28 under the Internal Revenue Code of the United States and includes all
29 other income including income from federal, state or municipal obligation.

1 Each of these taxpayers shall submit a copy of the income tax return
2 which it files with the United States Collector of Internal Revenue and
3 shall notify the commissioner of revenue in writing of any alteration
4 or modification of the federal income tax return and of a recomputation
5 of tax or determination of deficiency. This statement shall be in the
6 same form as a federal income tax return and the net income shall be
7 computed as required under the Internal Revenue Code. The statement
8 shall be submitted to the commissioner of revenue before April 16 after
9 the close of the calendar year.

10 (c) The initial fee of \$25 applies to all of the provisions of
11 this section, and shall accompany the application. The balance is due
12 and payable on December 31 of each year and shall be paid before
13 April 16 following, except that the department may extend the time
14 until the 30th of the following April upon application showing that
15 the extension is necessary to enable the applicant to ascertain the
16 amount of license money due. To enable accurate determination of the
17 balance of the tax due at the end of each year, each person to whom
18 this chapter applies shall keep records, give statements under oath,
19 and make returns which the department requires. Returns are made
20 under penalty of perjury.

21 Sec. 43.71.030. REVIEW AND DETERMINATION OF LICENSE TAX. (a)
22 As soon as practicable after the final payment of the tax, the department
23 shall examine the return and determine the correct amount of the tax
24 and, if an error is found, shall notify the taxpayer of the error and
25 examine the taxpayer's records as authorized in AS 43.05.040, and take
26 other proper steps to determine the amount due.

27 (b) If an agreement cannot be reached with the taxpayer as to the
28 amount of a license tax, the department may set a time and place of
29 hearing on the question, upon at least 60 days' notice of the hearing by