

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

HB 538 cont thru HB 543 395

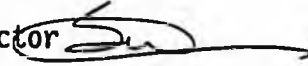
Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

April 26, 1988

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

FROM: Scott A. Burgess, Executive Director 

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

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

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

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

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

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


Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

April 20, 1988

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

FROM: Scott A. Burgess, Executive Director, AML 

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

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

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

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

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

CHAIRMAN:
GLENDA RHODES

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



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

EXECUTIVE DIRECTOR:
PERRY T. DAVIS

ALASKA MUNICIPAL BOND BANK AUTHORITY

March 10, 1988

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

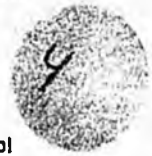
Dear Mr. Burns:

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

Sincerely,

Perry T. Davis
Executive Director

4112550



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

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

March 28, 1988

TO: Rep. Henry Springer, Chairman HCRA

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

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

Review on HB 538

COMMENTS:

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

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

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

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



Official Business

Alaska State Legislature

House



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

COMMITTEE ON STATE AFFAIRS

March 11, 1988

TO: Community and Regional Affairs Committee

FROM: Representative Fran Ulmer, Chair
House State Affairs

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

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

Section 1

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

Section 2

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

Background

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

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

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

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

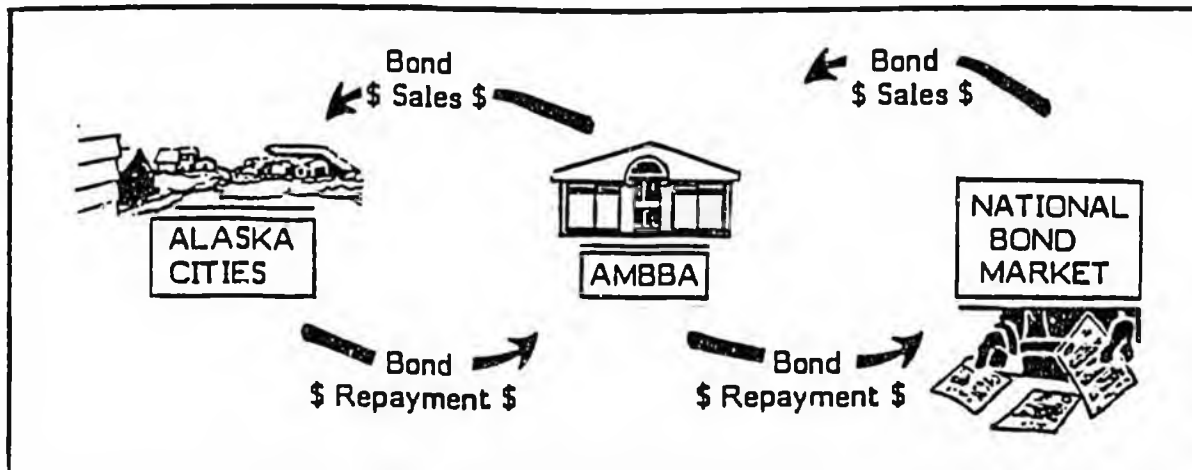
General Obligation Bonds. General obligation bonds are sometimes referred to as G.O. bonds. G.O. bonds are bonds issued by a local government with assurance that they will be repaid by money received from local taxes. The bond is a general obligation of the entire city. The full faith and credit of the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

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

The Alaska Municipal Bond Bank

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

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



The Bond Bank

General Information

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

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

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

Operations

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

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

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

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

Organization

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

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

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

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

The Board of Directors

The Bank's membership is as follows:

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

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

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

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

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

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

Management

The Bank has one employee: its Executive Director.

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

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

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

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

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

Financial Advisor

Snearson Lehman Brothers Inc.
Foster & Marsnall Division

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

Bond Counsel

Wohlforth, Flint & Gruening

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

Trustee/Paying Agent

Rainier National Bank

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

February 18, 1988

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

RE: Alaska Municipal Bond Bank legislation

Dear Fran,

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

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

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

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

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

NUVEEN

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

I would like your committee to consider sponsoring this legislation.

Yours truly,


Sterling Gallagher



WOHLFORTH, FLINT & GRUENING

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

ATTORNEYS AT LAW

200 WEST 5TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501

PETER ARGETSINGER
JULIUS J. BRECHT
CHARLES O. EVANS
ROBERT B. FLINT
CLARK S. GRUENING*
ROBERT M. JOHNSON
ROBERT S. SPITZPADEN*
KENNETH E. VASSAR
ERIC E. WOHLFORTH

JANICE COLEMAN GRAHAM**
STEPHEN E. GREER
THOMAS F. KLINKNER
ROGER A. LUBOVICH
BRADLEY E. MEYER
DANIEL PATRICK OTTIERNEY
PATRICK RUMLEY
JAMES A. SARAFIN
JAMES R. SZENDER

*JUNEAU OFFICE
**ADMITTED IN NEW YORK ONLY

TELEPHONE
(907) 276-8401

TELECOPY
(907) 375-5093

JUNEAU OFFICE
317 SECOND STREET
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-8110

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

March 4, 1988

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

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

Dear Perry:

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

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

Very truly yours,

Eric E. Wohlforth

Eric E. Wohlforth

A200300

Original sponsor: State Affairs Committee

1 IN THE HOUSE BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 538 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

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

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

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

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

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

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

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

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

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2

HOUSE BILL NO. 538

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank

7

Authority; and providing for an effective date."

8

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

9

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

10

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

11

department or agency of the state is the custodian of money payable to

12

a municipality, at any time after written notice to the department or

13

agency head from the bond bank authority that the municipality is in

14

default on the payment of principal or interest on municipal [GENERAL

15

OBLIGATION] bonds [OF THE MUNICIPALITY] then held or owned by the bond

16

bank authority, the department or agency shall withhold the payment of

17

that money from that municipality and pay over the money to the bond

18

bank authority for the purpose of paying principal of and interest on

19

the bonds [OF THE BOND BANK AUTHORITY].

20

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

21

(3) "municipal bond" means a bond or note or evidence of

22

debt that [WHICH] constitutes

23

(A) a general obligation bond that is a direct and

24

general obligation of a political subdivision of the state, all

25

the taxable property within which is subject to taxation to pay

26

the bond, note or evidence of debt, and the interest without

27

limitation, as to rate or amount generally to the extent permit-

28

ted by law or to avoid a default as provided for second class

29

cities under AS 29.45.590; [OR]

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

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

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

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

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

C S H B

5 3 8

Original sponsor: State Affairs Committee

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2

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

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank

7

Authority, municipal debt for development and rede-

8

velopment projects; and providing for an effective

9

date."

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

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

12

(a) A second class borough may by ordinance exercise the follow-

13

ing powers on a nonareawide basis:

14

(1) provide transportation systems;

15

(2) regulate the offering for sale, exposure for sale,

16

sale, use, or explosion of fireworks;

17

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

18

(4) provide garbage, solid waste, and septic waste col-

19

lection and disposal;

20

(5) provide air pollution control in accordance with AS

21

46.03.140 - 46.03.230;

22

(6) provide water pollution control;

23

(7) participate in federal or state loan programs for

24

housing rehabilitation and improvement for energy conservation;

25

(8) provide for economic development;

26

(9) provide for the acquisition and construction of local

27

service roads and trails under AS 19.30.111 - 19.30.251;

28

(10) establish an emergency services communication center

29

under AS 29.35.130;

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

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

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

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

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

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

15 (2) "redevelopment purposes" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (i) special assessments on benefited property;

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

16 (iii) a lease;

17 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

Original sponsor: State Affairs Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 538 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

14 (1) provide transportation systems;

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

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

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

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

22 (6) provide water pollution control;

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

25 (8) provide for economic development;

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

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

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

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

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

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

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

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

15 (2) "redevelopment purposes" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (i) special assessments on benefited property;

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

16 (iii) a lease;

17 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
1988 LEGISLATIVE SESSION

SCS for M/L (C+RA)
BILL VERSION: CSHB 538 (FIN)
PUBLISH DATE: SENATE 5/6/88

FISCAL NOTE

REQUEST:

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

Agency Affected: Community & Regional Affairs
BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 4/26/88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: 4/26/88

Distribution (by preparer):

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

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: ^{SCS for} CSHB 538 ^(CIRA) ~~(FIN)~~
PUBLISH DATE: SENATE 5/6/88

FISCAL NOTE

REQUEST:

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

Agency Affected: Revenue
BkU: Alaska Municipal bond Bank
Authority
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Attached.

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

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

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

SENATE 5/6/88

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

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

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

949 E. 36th AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 561-8588

P.O. BOX 348
BETHEL, ALASKA 99559-0348
PHONE: (907) 543-3475

P.O. BOX 10041
DILLINGHAM, ALASKA 99576-1041
PHONE: (907) 842-5135

1514 CUSHMAN STREET, ROOM 210
FAIRBANKS, ALASKA 99701-6286
PHONE: (907) 452-7126

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

710 MILL BAY RD.
KODIAK, ALASKA 99615-6340
PHONE: (907) 486-5738

P.O. BOX 350
KOTZEBUE, ALASKA 99752-0350
PHONE: (907) 442-3698

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

April 26, 1988

POSITION PAPER

RE: CS HB 538

ORIGINAL SPONSOR: State Affairs Committee

Program Effects

This bill would combine the content of the original bill with the content of HB 434, dealing with tax increment financing. In so doing, it would expand the list of eligible projects for which Municipal Bond Bank financing would be available to include projects financed through special assessment districts within a municipality, those secured by leases, and projects financed through tax increments. It would also provide guidelines for municipalities to follow if they wish to practice tax increment financing as a method of satisfying bonded indebtedness.

Comments

The department strongly supports the additional flexibility this bill would grant the Municipal Bond Bank in financing municipal projects. In this time of reduced state and local revenues, additional sources of funding are especially valuable to municipalities. While the conditions which gave rise to the tax increment financing concept in the Lower 48 might not be present in Alaska, it provides an additional tool to municipalities to fund projects.


Marty Rutherford
Acting Commissioner

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

May 4, 1988

TO: Members,
Senate Community and Regional Affairs Committee

FROM: Staff *MJK*
Senate Community and Regional Affairs Committee

RE: CSHB 538 (Fin) - "An Act relating the Alaska Municipal Bond Bank Authority, municipal debt for development and redevelopment projects; efd."

Included in this packet are zero fiscal notes, a letter of support from the AML that also provides an analysis of the bill, a position paper from DC&RA strongly supporting the bill, a letter from Wohlforth, Flint & Gruening supporting the bill, a letter from John Nuveen & Co. supporting the bill, some background information on the bond bank, and a bill history.

9

WOHLFORTH, FLINT & GRUENING

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

ATTORNEYS AT LAW

200 WEST 5TH AVENUE, SUITE 600

ANCHORAGE, ALASKA 99501

PETER ARGETSINGER
JULIUS J. BRECHT
CHARLES O. EVANS
ROBERT B. FLINT
CLARK S. GRUENING*
ROBERT M. JOHNSON
ROBERT S. SPITZFADEN*
KENNETH E. VASSAR
ERIC E. WOHLFORTH

JANICE COLEMAN GRAHAM**
STEPHEN E. GREER
THOMAS F. KLUNKNER
ROGER A. LUBOVICH
BRADLEY E. MEYER
DANIEL PATRICK O'TIERNEY
PATRICK RUMLEY
JAMES A. SARAFIN
JAMES R. STENGER

*JUNEAU OFFICE
**ADMITTED IN NEW YORK ONLY

TELEPHONE
(907) 276-6401

TELECOPY
(907) 376-3093

JUNEAU OFFICE
217 SECOND STREET
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-4444

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

March 4, 1988

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

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

Dear Perry:

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

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

Very truly yours,

Eric E. Wohlforth
Eric E. Wohlforth

A200300

February 18, 1988

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

RE: Alaska Municipal Bond Bank legislation

Dear Fran,

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

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

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

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

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

NUVEEN

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

I would like your committee to consider sponsoring this legislation.

Yours truly,


Sterling Gallagher

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

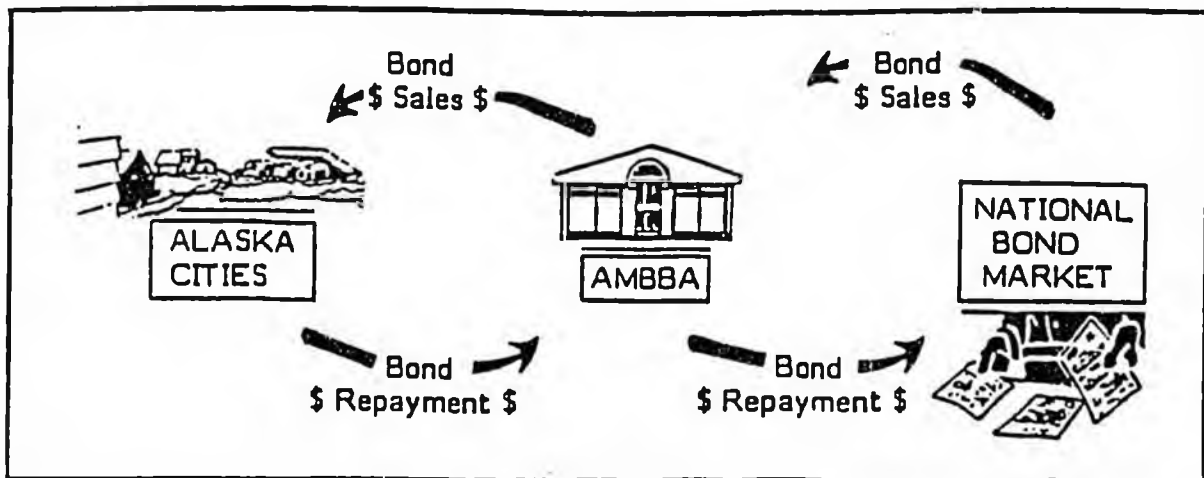
General Obligation Bonds. General obligation bonds are sometimes referred to as G.O. bonds. G.O. bonds are bonds issued by a local government with assurance that they will be repaid by money received from local taxes. The bond is a general obligation of the entire city. The full faith and credit of the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

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

The Alaska Municipal Bond Bank

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

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



The Bond Bank

General Information

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

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

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

Operations

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

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

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

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

Organization

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

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

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

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

The Board of Directors

The Bank's membership is as follows:

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

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

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

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

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

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

Management

The Bank has one employee: its Executive Director.

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

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

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

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

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

Financial Advisor

Snearson Lehman Brothers Inc.
Foster & Marsnall Division

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

Bond Counsel

Wohlforth, Flint & Gruening

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

Trustee/Paying Agent

Rainier National Bank

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

BILL: HB 538

NAME: CSHB 538(FIN)

TITLE: "An Act relating to the Alaska Municipal Bond Bank Authority, municipal debt for development and redevelopment projects; and providing for an effective date."

PRIME SPONSOR: STATE AFFAIRS COMMITTEE

FUNDING : \$000 GENERAL(FNOTE) \$000 OTHER(FNOTE)

CURRENT STATUS: (S) CRA STATUS DATE: 04/30/88
THEN FIN

Selection=>

PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP		EXIT	MENU	TEXT	PRINT	BWD	FWD		FIRST	LAST	QUIT
HB 538											

Bill/Resolution Action

Page 2 of 3

Current Status: (S) CRA

	Jrn-Date	Jrn-Pg		Action
1	03/11/88	2536	(H)	READ THE FIRST TIME - REFERRAL(S)
2	03/11/88	2536	(H)	C&RA THEN STATE AFFAIRS, FINANCE
3	03/31/88	2783	(H)	CRA RPT CS(C&RA) 4DP
4	03/31/88	2784	(H)	ZERO FISCAL NOTE PUBLISHED 3/31/88
5	04/14/88	2954	(H)	STA RPT CS(C&RA) 5DP 2NR
6	04/29/88	3248	(H)	FIN RPT CS(FIN) NEW TITLE 8DP 2NR
7	04/29/88	3248	(H)	ZERO FISCAL NOTE PUBLISHED 4/29/88
8	04/29/88	3248	(H)	ZERO FISCAL NOTE/ANALYSIS 4/29/88
9	04/30/88		(H)	RULES TO CALENDAR 4/30/88
10	04/30/88	3299	(H)	READ THE SECOND TIME
11	04/30/88	3299	(H)	FIN CS ADOPTED UNAN CONSENT
12	04/30/88	3300	(H)	ADVANCED TO THIRD READING UNAN CONSENT
13	04/30/88	3300	(H)	READ THE THIRD TIME CSHB 538(FIN)
14	04/30/88	3300	(H)	PASSED Y37 N2 A1
15	04/30/88	3300	(H)	EFFECTIVE DATE SAME AS PASSAGE
16	04/30/88	3309	(H)	TRANSMITTED TO (S)
17	04/30/88	3315	(S)	READ THE FIRST TIME - REFERRAL(S)
18	04/30/88	3315	(S)	CRA, THEN FINANCE

Selection=>

PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP		EXIT	MENU	TEXT	PRINT	BWD	FWD		FIRST	LAST	QUIT
HB 538											

Bill/Resolution Action

Page 3 of 3

Current Status: (S) CRA

	Jrn-Date	Jrn-Pg		Action
--	----------	--------	--	--------

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

April 26, 1988

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

FROM: Scott A. Burgess, Executive Director 

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

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

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

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

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

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

SENATE COMMITTEE REPORT

FURTHER

Finance
5/6/88

4/30/88

DATE TURNED INTO OFFICE

Mr. President:

C&RA

Committee considered

CSHB 538 (Fin)

Alaska Municipal Bond Bank Authority, municipal debt for development and redevelopment projects; efd

and recommended

replace with CS for. CSAB 538 same title
 or adopt CS new title

attached amendment(s) and *+ reports it back as follows*

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous

2 - zero fiscal impact

MEMBERS SIGNING DO PASS

[Signature]

1 Mike Symonidis

OTHER RECOMMENDATIONS

2 Tim Kelly - No Rec

2 [Signature] No Rec

Arthur S. Fugalevich Do Pass
Chairman signature and recommendation

Committee Backup attached

HR

541

HOUSE COMMITTEE REPORT

(11)

Date referred: 3/16/88

FURTHER REFERRALS:

DATE: 3/22/88

The Finance Committee has considered HB 541

"An Act relating to income tax returns and payments."

RECOMMENDS:

- replace with CS HB 541 (Finance) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

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

SIGNING DO PASS:

ADAMS [Signature]

FOURCHOT [Signature]

RIEGER [Signature]

DAVIS [Signature]

BUYER [Signature]

LAKSON [Signature]

SWACK [Signature]

HAMMER [Signature]

BROWN [Signature]

GOLL [Signature]

FRANK [Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature]
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: March 18, 1988
Title: An Act relating to income tax returns and payments.
Sponsor: Finance Committee
Requestor: Finance

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: 465-2320
Date: March 18, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 18, 1988

Distribution (by preparer):

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

REC-740
MAR 23 1988

Prepared by: Steven E. Kettel
Director, Income and Excise Audit
Department of Revenue
March 18, 1988

Analysis of HB 541

HB 541 extends the time in which corporations may file their Alaska corporate income tax returns under AS 43.20 by no more than 30 days.

Presently, taxpayers file their Alaska returns under the time for filing requirements of the Internal Revenue Code. Federal law permits corporations routine extensions of the time in which to file their tax returns. Typically, most large corporations file their returns with approved extensions, six months after the original due date for the return. Any federal extension automatically permits a taxpayer a similar extension of time to file their state return.

Due to the complexities of filing Alaska multistate returns, and the fact that the Alaska taxable income cannot be determined until the federal return is completed, many taxpayers, especially the larger multistate and multinational companies, have difficulty in filing their Alaska returns by the due date for the federal return. This legislation would extend the time to file a corporate return to 30 days beyond the due date, including extensions, of the federal return.

This provision also states that the extended time to file a return does not affect the timetable for payment of the tax. The Department of Revenue will not be adversely impacted by this legislation, and does not oppose its passage.

Original sponsor: Finance Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 541 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income tax returns and payments."

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

8 * Section 1. AS 43.20.030(a) is amended to read:

9 (a) If a corporation or a partnership that [WHICH] has a corpo-
10 ration as a partner [OR A CORPORATION] is required to make a return
11 under the provisions of the Internal Revenue Code, it shall [AT THE
12 SAME TIME] file with the department, within 30 days after the federal
13 return is required to be filed, a return setting out

14 (1) the amount of tax due under this chapter, less credits
15 claimed against the tax; and

16 (2) other information for the purpose of carrying out the
17 provisions of this chapter that [WHICH] the department requires.

18 * Sec. 2. AS 43.20.030(c) is amended to read:

19 (c) Notwithstanding (a) of this section, the [THE] total amount
20 of tax imposed by this chapter is due and payable to the department at
21 the same time and in the same manner as the tax payable to the United
22 States Internal Revenue Service.

23 * Sec. 3. This Act applies to income tax returns and payments for tax
24 years that begin on or after January 1, 1988.

Original sponsor: Finance Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 541 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income tax returns and payments."

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

8 * Section 1. AS 43.20.030(a) is amended to read:

9 (a) If a corporation or a partnership that [WHICH] has a corpo-
10 ration as a partner [OR A CORPORATION] is required to make a return
11 under the provisions of the Internal Revenue Code, it shall [AT THE
12 SAME TIME] file with the department, within 30 days after the federal
13 return is required to be filed, ^[due, file w/the dept.] a return setting out

14 (1) the amount of tax due under this chapter, less credits
15 claimed against the tax; and

16 (2) other information for the purpose of carrying out the
17 provisions of this chapter that [WHICH] the department requires.

18 * Sec. 2. AS 43.20.030(c) is amended to read:

19 (c) Notwithstanding (a) of this section, the [THE] total amount
20 of tax imposed by this chapter is due and payable to the department at
21 the same time and in the same manner as the tax payable to the United
22 States Internal Revenue Service. ^{[The 30 day extended deadline}

23 ^{Allowed by (a) of this section does not extend the dates}
24 * Sec. 3. This Act applies to income tax returns and payments for tax
25 ^{When Tax Payments Are due under this chapter.]}
26 years that begin on or after January 1, 1988.

FISCAL NOTE

REQUEST: _____

Revision Date: March 18, 1988
Title: An Act relating to income tax returns and payments.
Sponsor: Finance Committee
Requestor: Finance

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: 465-2320
Date: March 18, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 18, 1988

Distribution (by preparer):

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

Prepared by: Steven F. Kettel
Director, Income and Excise Audit
Department of Revenue
March 18, 1988

Analysis of HB 541

HB 541 extends the time in which corporations may file their Alaska corporate income tax returns under AS 43.20 by no more than 30 days.

Presently, taxpayers file their Alaska returns under the time for filing requirements of the Internal Revenue Code. Federal law permits corporations routine extensions of the time in which to file their tax returns. Typically, most large corporations file their returns with approved extensions, six months after the original due date for the return. Any federal extension automatically permits a taxpayer a similar extension of time to file their state return.

Due to the complexities of filing Alaska multistate returns, and the fact that the Alaska taxable income cannot be determined until the federal return is completed, many taxpayers, especially the larger multistate and multinational companies, have difficulty in filing their Alaska returns by the due date for the federal return. This legislation would extend the time to file a corporate return to 30 days beyond the due date, including extensions, of the federal return.

This provision also states that the extended time to file a return does not affect the timetable for payment of the tax. The Department of Revenue will not be adversely impacted by this legislation, and does not oppose its passage.

Alaska State Legislature
House of Representatives



Al Adams
Chairman
Committee on Finance

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3706

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320

1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

Official Business

TO: HOUSE FINANCE COMMITTEE MEMBERS
FROM: REPRESENTATIVE AL ADAMS, CHAIRMAN
HOUSE FINANCE COMMITTEE
DATE: MARCH 21, 1988
RE: HB 451

Explanation of Proposed Legislation on
Tax Return Deadline

The enclosed legislation would allow corporations a one month extension to file their tax returns with the state. Similar legislation has been adopted by 35 other states. It doesn't affect the deadline for actually paying corporate income taxes and therefore has no fiscal impact. The bill is supported by the Department of Revenue.

The legislation is necessary because of the way in which corporations must compute their income tax in Alaska. When a corporation does business in several states (including Alaska), to calculate its Alaska corporate income tax the corporation must first make a number of adjustments to its federal tax return. It then multiplies its federal taxable income (as adjusted for Alaska purposes) by a fraction which represents the percentage of the company's worldwide property, payroll and sales that occur in Alaska. 1/

1/ For oil and gas producers, the fraction represents the percentage of the company's worldwide property and oil extraction occurring in Alaska.

The point is that the corporation must have its federal income tax return in hand in order to make the necessary adjustments and calculations that Alaska requires.

Under existing law, however, the company's federal return and Alaska return are due on the same day. 2/ As a result, corporations aren't given any time to adjust that return for Alaska purposes. In the past, the Department of Revenue has administratively granted corporations additional time to file their returns. The agency, however, feels that it is unable to continue this practice without clarifying legislation.

The bill has no fiscal impact on the state because corporate taxes are not paid with the return. Rather, they are paid in quarterly installments during the tax year itself. For example, for tax year 1988, quarterly installments of the tax are due in four installments payable in 1988. Under existing law, the Alaska return (and the

2/ This is because Alaska generally adopts the internal revenue code, including its filing deadlines. See AS 43.20.021.

federal return) would be due on September 15, 1989. 3/
Under the bill, the taxpayer's return would be due on
October 15, 1989. The quarterly installment requirement
would remain unchanged.

3/ Under the Internal Revenue Code, corporate returns are
due on March 15; however there is an automatic six month
extension available to September 15.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

HOUSE BILL NO. 541

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to income tax returns and payments."

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

8 * Section 1. AS 43.20.030(a) is amended to read:

9 (a) If a partnership that [WHICH] has a corporation as a partner
10 or a corporation is required to make a return under the provisions of
11 the Internal Revenue Code, it shall, within 30 days after the federal
12 return is due, [AT THE SAME TIME] file with the department a return
13 setting out

14 (1) the amount of tax due under this chapter, less credits
15 claimed against the tax; and

16 (2) other information for the purpose of carrying out the
17 provisions of this chapter that [WHICH] the department requires.

18 * Sec. 2. AS 43.20.030(c) is amended to read:

19 (c) The total amount of tax imposed by this chapter is due and
20 payable to the department at the same time and in the same manner as
21 the tax payable to the United States Internal Revenue Service. The
22 30-day extended deadline allowed by (a) of this section does not
23 extend the dates when tax payments are due under this chapter.

24 * Sec. 3. This Act applies to income tax returns and payments for tax
25 years that begin on or after January 1, 1988.

C S H B

5 4 1

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 5/4/88

3/30/88
Mr. President:

FINANCE Committee considered CSHB 541 (FIN) (title am.
the time of filing of corporate and certain partnership income tax returns

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[✓] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [✓] attached or [] adopted fiscal note(s)

[] new [] updated or [✓] previous

[✓] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS.

Jim Duncan

John Boy No Rec

Paul Fischer

Rick Hill

W. Hunter

Tom H. Hunt

Rick Halford do pass
Chairman signature and recommendation

[] Committee Backup attached

STATE OF ALASKA
1988 LEGISLATIVE SESSION

No. 1
BILL VERSION: CSHB 541 (FIN)
PUBLISH DATE: HOUSE 3/23/88

FISCAL NOTE

REQUEST:

Revision Date: March 18, 1988
Title: An Act relating to income tax returns and payments.
Sponsor: Finance Committee
Requestor: Finance

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

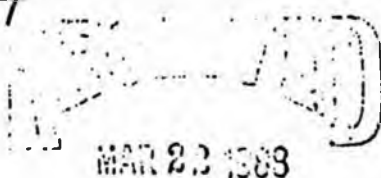
Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: 465-2320
Date: March 18, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 18, 1988

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



Prepared by: Steven E. Kettel
Director, Income and Excise Audit
Department of Revenue
March 18, 1988

Analysis

HB 541 extends the time in which corporations may file their Alaska corporate income tax returns under AS 43.20 by no more than 30 days.

Presently, taxpayers file their Alaska returns under the time for filing requirements of the Internal Revenue Code. Federal law permits corporations routine extensions of the time in which to file their tax returns. Typically, most large corporations file their returns with approved extensions, six months after the original due date for the return. Any federal extension automatically permits a taxpayer a similar extension of time to file their state return.

Due to the complexities of filing Alaska multistate returns, and the fact that the Alaska taxable income cannot be determined until the federal return is completed, many taxpayers, especially the larger multistate and multinational companies, have difficulty in filing their Alaska returns by the due date for the federal return. This legislation would extend the time to file a corporate return to 30 days beyond the due date, including extensions, of the federal return.

This provision also states that the extended time to file a return does not affect the timetable for payment of the tax. The Department of Revenue will not be adversely impacted by this legislation, and does not oppose its passage.

Original sponsor: Finance Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 541 (Finance)(title am)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the time of filing of corporate
7 and certain partnership income tax returns."

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

9 * Section 1. AS 43.20.030(a) is amended to read:

10 (a) If a corporation or a partnership that [WHICH] has a corpo-
11 ration as a partner [OR A CORPORATION] is required to make a return
12 under the provisions of the Internal Revenue Code, it shall [AT THE
13 SAME TIME] file with the department, within 30 days after the federal
14 return is required to be filed, a return setting out

15 (1) the amount of tax due under this chapter, less credits
16 claimed against the tax; and

17 (2) other information for the purpose of carrying out the
18 provisions of this chapter that [WHICH] the department requires.

19 * Sec. 2. AS 43.20.030(c) is amended to read:

20 (c) Notwithstanding (a) of this section, the [THE] total amount
21 of tax imposed by this chapter is due and payable to the department at
22 the same time and in the same manner as the tax payable to the United
23 States Internal Revenue Service.

24 * Sec. 3. This Act applies to income tax returns and payments for tax
25 years that begin on or after January 1, 1988.

Alaska State Legislature

House of Representatives

Al Adams

Chairman

Committee on Finance

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3706

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320

1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615



Official Business

TO: HOUSE FINANCE COMMITTEE MEMBERS
FROM: REPRESENTATIVE AL ADAMS, CHAIRMAN
HOUSE FINANCE COMMITTEE
DATE: MARCH 21, 1988
RE: HB ~~451~~ 541

Explanation of Proposed Legislation on Tax Return Deadline

The enclosed legislation would allow corporations a one month extension to file their tax returns with the state. Similar legislation has been adopted by 35 other states. It doesn't affect the deadline for actually paying corporate income taxes and therefore has no fiscal impact. The bill is supported by the Department of Revenue.

The legislation is necessary because of the way in which corporations must compute their income tax in Alaska. When a corporation does business in several states (including Alaska), to calculate its Alaska corporate income tax the corporation must first make a number of adjustments to its federal tax return. It then multiplies its federal taxable income (as adjusted for Alaska purposes) by a fraction which represents the percentage of the company's worldwide property, payroll and sales that occur in Alaska. 1/

1/ For oil and gas producers, the fraction represents the percentage of the company's worldwide property and oil extraction occurring in Alaska.

The point is that the corporation must have its federal income tax return in hand in order to make the necessary adjustments and calculations that Alaska requires.

Under existing law, however, the company's federal return and Alaska return are due on the same day. 2/ As a result, corporations aren't given any time to adjust that return for Alaska purposes. In the past, the Department of Revenue has administratively granted corporations additional time to file their returns. The agency, however, feels that it is unable to continue this practice without clarifying legislation.

The bill has no fiscal impact on the state because corporate taxes are not paid with the return. Rather, they are paid in quarterly installments during the tax year itself. For example, for tax year 1988, quarterly installments of the tax are due in four installments payable in 1988. Under existing law, the Alaska return (and the

2/ This is because Alaska generally adopts the internal revenue code, including its filing deadlines. See AS 43.20.021.

federal return) would be due on September 15, 1989. 3/
Under the bill, the taxpayer's return would be due on
October 15, 1989. The quarterly installment requirement
would remain unchanged.

3/ Under the Internal Revenue Code, corporate returns are
due on March 15; however there is an automatic six month
extension available to September 15.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

No. 1

BILL VERSION: CSHB 541 (FIN)
PUBLISH DATE: HOUSE 3/23/88

FISCAL NOTE

REQUEST:

Revision Date: March 18, 1988
Title: An Act relating to income tax returns and payments.
Sponsor: Finance Committee
Requestor: Finance

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

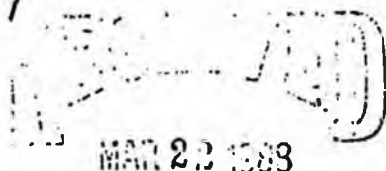
Phone: 465-2320
Date: March 18, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 18, 1988

Distribution (by preparer):

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



MAR 23 1988

Prepared by: Steven E. Kettel
Director, Income and Excise Audit
Department of Revenue
March 18, 1988

Analysis

HB 541 extends the time in which corporations may file their Alaska corporate income tax returns under AS 43.20 by no more than 30 days.

Presently, taxpayers file their Alaska returns under the time for filing requirements of the Internal Revenue Code. Federal law permits corporations routine extensions of the time in which to file their tax returns. Typically, most large corporations file their returns with approved extensions, six months after the original due date for the return. Any federal extension automatically permits a taxpayer a similar extension of time to file their state return.

Due to the complexities of filing Alaska multistate returns, and the fact that the Alaska taxable income cannot be determined until the federal return is completed, many taxpayers, especially the larger multistate and multinational companies, have difficulty in filing their Alaska returns by the due date for the federal return. This legislation would extend the time to file a corporate return to 30 days beyond the due date, including extensions, of the federal return.

This provision also states that the extended time to file a return does not affect the timetable for payment of the tax. The Department of Revenue will not be adversely impacted by this legislation, and does not oppose its passage.

H B

5 4 3

HOUSE COMMITTEE REPORT

(11)

Date referred: 3/29/88

FURTHER REFERRALS:

DATE: 4/6/88

The Finance Committee has considered HB 543

"An Act making a special appropriation to the Department of Education to satisfy a condition of a conditional determination issued by the United States Department of Education regarding the state's compliance with P.L. 81-874 in fiscal year 1987; and providing for an effective date."

RECOMMENDS:

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

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

SIGNING DO PASS:

ADAMS [Signature]

POURCHOT [Signature]

LARSON [Signature]

GILL [Signature]

SWACK [Signature]

BOYER MARK BOYER

BROWN Tam Brown

DAVIS [Signature]

RIEGER [Signature]

SIGNING OTHER RECOMMENDATIONS:

FRANK [Signature]

WALLIS [Signature]

[Signature]
Chairman's signature

Funding Information
General Fund \$9,583,566
Other Funds -0-
\$9,583,566

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 543

2

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Education to satisfy a condition of a condi-
8 tional determination issued by the United States
9 Department of Education regarding the state's compli-
10 ance with P.L. 81-874 in fiscal year 1987; and
11 providing for an effective date."

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

13 * Section 1. The sum of \$9,583,566 is appropriated from the general
14 fund to the Department of Education to satisfy a condition set out in a
15 "Conditional Determination," issued by the assistant secretary for elemen-
16 tary and secondary education, United States Department of Education, on
17 March 15, 1988, regarding Alaska's compliance in fiscal year 1987 with sec.
18 5(d), Public Law 81-874, as amended. The money is allocated as follows:

19	SCHOOL DISTRICT	GENERAL FUND
20	Adak	\$ 798,962
21	Alaska Gateway	29,032
22	Aleutian Region	11,246
23	Anchorage	2,101,738
24	Annette Island	298,441
25	Bering Strait	154,627
26	Chatham	190,290
27	Cordova	483,155
28	Delta/Greely	277,889
29	Hoonah	30,358

1	Hydaburg	40,311
2	Juneau	46,199
3	Kenai	492,856
4	Ketchikan	434,060
5	Klawock	53,999
6	Lower Yukon	1,454,461
7	Mat-Su	485,911
8	Nenana	17,949
9	Pelican	21,304
10	Petersburg	449,622
11	Pribilof	261,843
12	Sand Point	144,265
13	Sitka	97,807
14	Southeast Island	71,987
15	Southwest Region	439,711
16	Unalaska	134,023
17	Valdez	68,410
18	Wrangell	371,790
19	Correspondence Study - State	121,320
20	* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).	

STEVE COWPER
GOVERNOR



146.543

cc

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 18, 1988

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill for a special appropriation to the Alaska Department of Education, to be allocated to certain school districts. The bill will satisfy a condition of a conditional determination, issued by the United States Department of Education, that Alaska's program of state aid to local school districts for fiscal year 1987 complies with federal laws and regulations governing federal impact aid to school districts.

Federal provisions permit a state to consider federal impact aid payments from the federal government to a school district when determining local need and local resources available to a district, and thus the amount of state aid to which the district is entitled, only if the state's program meets certain federal equalization criteria. Section 5(d), P.L. 81-874 (20 U.S.C. 240(d)), as amended, and regulations adopted under it. The state's fiscal year 1987 program, enacted by ch. 75, SLA 1986, arguably considered federal impact aid in determining the area differential adjustment (AS 14.17.051) to which each district was entitled.

Federal officials held a hearing in Juneau in early February 1988, at which the state attempted to show that either federal money was not considered, or that it was properly considered because Alaska's program met federal equalization criteria. Although no formal decision has been rendered, federal officials have indicated informally that they were not persuaded by the state's arguments.

Alaska has the option of waiting for a formal determination, and then taking an appeal, first to an Administrative Law Judge who advises the United States Secretary of Education,

and then, if the secretary's decision is adverse to the state, to the federal courts. If we take such an appeal, the stakes are high. If we lose, the federal government could attempt to recover all federal impact aid paid to the state local districts in fiscal year 1987 (about \$65,000,000); could perhaps do so for a similar amount for fiscal year 1988; and could withhold future impact aid until that amount was repaid, and perhaps for as long as two years afterwards. The Department of Law advises me that, based on the information it has received from the Alaska Department of Education, it cannot confidently predict that we will prevail on appeal.

The Alaska Department of Education, working with the Department of Law, has therefore negotiated a settlement (a "conditional determination") with the federal government which would eliminate the risk of more severe actions by the federal government. The assistant secretary for elementary and secondary education, United States Department of Education, has issued a "Conditional Determination" under which the Alaska Department of Education is to seek an appropriation to pay to local school districts any additional amounts they would have received in fiscal year 1987 if the area cost differentials that were later adopted, in ch. 91, SLA 1987, for fiscal years beginning with fiscal year 1988, had been in effect in fiscal year 1987. (Both state and federal officials agree that those area cost differentials were derived without considering federal impact aid payments.) In this appropriation, the amount of "unique and emergency circumstances" money a district received under former AS 14.17.023(b) for fiscal year 1987 has been deducted from the additional amount it would otherwise have received. Federal officials agreed to this deduction because the district would not have needed the unique and emergency money had it gotten the additional amount in fiscal year 1987. A district's added entitlement, before deducting the amount received under former AS 14.17.023(b), will be included in the district's state aid for fiscal year 1987 for the purpose of determining the district's eligibility for "hold harmless" funding under sec. 24(b), ch. 91, SLA 1987.

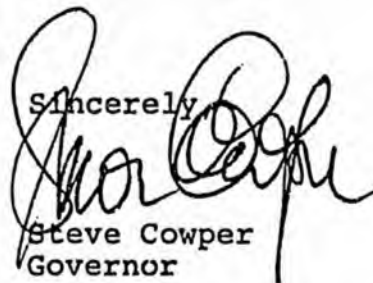
I am attaching a copy of the conditional determination of the federal government. If the legislature fails to pass this bill, the parties are free to resume an administrative and, ultimately, judicial determination of the issues.

The Honorable Ben Grussendorf,

Page 3

I believe the settlement is reasonable, not only because a very large and uncertain liability is exchanged for a smaller, definite one, but also because the settlement money would be paid to Alaska school districts rather than to the federal government. I urge your prompt and favorable consideration of this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Cowper". The signature is written in dark ink and is positioned above the printed name and title.

Steve Cowper
Governor



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

M.F.S.S.

MAR 16 1983

SECRETARY'S OFFICE

CONDITIONAL DETERMINATION

1. This conditional determination concerns the Assistant Secretary for Elementary and Secondary Education, U.S. Department of Education ("the Assistant Secretary") and the state of Alaska ("the state").

2. A proceeding was initiated under 34 C.F.R. 222.68 to determine whether the state considered federal impact aid payments, as described in section 5(d) of Pub. L. 81-874 (20 U.S.C. 240(d)), when distributing state aid to school districts for state fiscal year 1987, July 1, 1986 to June 30, 1987, and the extent to which it was allowed to consider such payments under applicable federal laws and regulations.

3. A hearing was held in Juneau, Alaska, on February 3, 1988, at which the Assistant Secretary took evidence on the state's claim that it did not take into consideration impact aid payments in any way not permitted by federal laws and regulations. As a result of this hearing, I have determined that the distribution of state aid for fiscal year 1987 will be in compliance with federal laws and regulations if the state meets the following conditions:

- A. The Alaska Department of Education must seek and receive a \$9,583,566 appropriation from the state legislature. This appropriation must be used to pay each school district that was paid less in public school foundation aid for state fiscal year 1987 than it would have been paid had the area differentials in AS 14.17.051, as amended by ch. 125, SLA 1987, been used to calculate its entitlement, the additional amount it would have received under those differentials, less any amount the district received under AS 14.17.023(b) for that fiscal year, as shown in the seventh column, labelled "Proposed Redistribution, Column 5 Less Column 6," of the spreadsheet attached as Exhibit A hereto.
- B. Any amounts to which a district is entitled under paragraph 3.A. -- prior to deducting amounts received under AS 14.17.023(b) -- will be included in the district's state aid for fiscal year 1987 for the purpose of calculating the district's entitlement to "hold-harmless" aid under sec. 24(b), ch. 91 SLA 1987.


4. If the proposed appropriation is not made on or before June 30, 1988, the Assistant Secretary may make such determination as she deems appropriate. The state reserves the right, in that instance, to appeal the determination administratively, and ultimately, in court.

5. Each party shall bear its own costs and attorneys' fees incurred to date.

6. This document is for the purpose of stating the Assistant Secretary's conditional determination and may not be used as an admission.

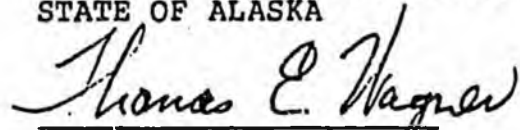
Dated: MAR 15 1988

U.S. DEPARTMENT OF EDUCATION


By: Beryl Dorsett
Assistant Secretary
for Elementary and
Secondary Education

Dated: 3/16/88

ACCEPTANCE AS SETTLEMENT, FOR
STATE OF ALASKA


By: Thomas E. Wagner
Assistant Attorney General

PUBLIC SCHOOL FOUNDATION PROGRAM
 PREPARED 2/21/88

FY87 AREA DIST FY88 MEJ

PROPOSED
 REDISTRIBUTION

SCHOOL DISTRICT	REVISED/TOTAL STATE AID FY87	REVISED STATE AID FY88	FY88 AREA DIST LESS FY87 AREA DIST	TOTAL OF FY88 POSITIVES	FY87 20% DIST.	COLLAPSE LESS COLLAPSE 6
ADAK	11,922,173	12,721,337	1798,962	1798,962		1798,962
ALASKA GATEWAY	13,628,253	13,637,287	129,032	129,032		129,032
ALUTIAN REGION	11,261,263	11,377,326	116,101	116,101	1124,833	111,266
ANCHORAGE	1118,110,731	1118,212,669	102,101,738	12,101,738		12,101,738
ANNETTE ISLAND	11,609,251	11,707,731	1298,661	1298,661		1298,661
BERENDE STRAIT	110,300,626	110,433,051	1134,627	1134,627		1134,627
BRISTOL BAY	11,631,676	11,608,233	(1713,221)	0		0
CHITYNAI	12,100,569	12,290,139	1190,290	1190,290		1190,290
CHUGACH	11,261,263	11,198,607	(142,631)	0		0
COPPER RIVER	13,528,955	13,062,117	(1446,339)	0	1213,156	0
CORDOVA	12,037,207	12,520,662	1443,155	1443,155		1443,155
CRAIG	11,634,286	11,321,689	(1132,594)	0		0
DELTA GREELY	14,084,631	14,562,519	1777,889	1777,889		1777,889
OTLI DIGHAN	13,195,723	13,064,170	(1331,552)	0		0
FALLENBOW	142,222,703	141,113,770	(11,076,933)	0	191,500	0
GALERA	11,611,641	11,253,711	(1138,060)	0		0
HAINES	11,939,307	11,923,050	(116,257)	0	1121,752	0
HODDGMAN	11,444,936	11,675,296	130,358	130,358		130,358
HYDABURG	1423,687	1444,917	140,311	140,311		140,311
EDITHRUD	14,537,228	14,877,421	(1444,807)	0		0
JUNEAU	116,416,177	116,877,128	1798,969	1798,969	1216,700	166,199
KAKE	11,279,114	11,263,326	(155,788)	0		0
KASHOONMUT	11,336,725	11,344,591	17,865	17,865	1104,709	0
KENAI	127,227,872	127,720,748	1497,856	1497,856		1497,856
KETCHIKAN	17,378,810	17,812,870	1434,060	1434,060		1434,060
KING COVE	11,163,096	11,119,079	(144,015)	0		0
KLAMUCK	11,110,076	11,164,072	153,999	153,999		153,999
KODIAK	111,196,619	109,577,044	(17,624,595)	0	110,000	0
KULUK	13,971,964	13,195,936	(1476,048)	0		0
LAKE & POLKOWILLA	14,374,911	14,183,013	(1919,898)	0		0
LOWER KUSKOKWIM	121,252,024	122,616,920	(1637,125)	0		0
LOWER YUKON	17,607,877	19,062,339	11,454,661	11,454,661		11,454,661
MAT-SU	126,844,201	127,330,112	1485,911	1485,911		1485,911
NEVADA	11,089,637	11,107,585	117,949	117,949		117,949
NOPE	15,096,333	14,646,689	(1431,644)	0		0
NORTH SLOPE	16,298,391	17,280,281	(1,021,119)	0		0
NORTHWEST ARCTIC	111,010,798	110,908,349	(1104,630)	0		0
PELICAN	1538,337	1539,641	121,306	121,306		121,306
PETERSBURG	12,567,630	12,997,431	1449,622	1449,622		1449,622
PHILLOP	1442,137	11,103,903	1281,863	1281,863		1281,863
RAILBELT	13,274,177	12,637,767	(1037,730)	0		0
SAND POINT	1452,067	1496,332	1144,265	1144,265		1144,265
SITKA	15,103,366	15,928,171	177,807	177,807		177,807
SKAGWAY	1627,275	1671,729	1244,454	1244,454	1251,326	171,907
SOUTHEAST ISLAND	13,671,030	13,713,017	171,987	171,987		171,987
SOUTHWEST REGION	14,010,176	14,649,887	1639,711	1639,711		1639,711
ST. MARY'S	11,371,778	11,049,008	(1322,770)	0		0
TANANA	11,008,258	11,191,314	(116,966)	0		0
UNALASKA	11,111,392	11,263,614	1134,023	1134,023		1134,023
VALDEZ	13,110,044	13,178,433	148,410	148,410		148,410
WRANGELL	12,106,785	12,678,573	1371,790	1371,790		1371,790
YAKUTAT	11,135,097	11,128,712	(16,385)	0	139,300	0
YUKON FLATS	14,600,245	14,309,949	(1798,276)	0		0
YUKON-KOTLIK	15,736,111	15,677,989	(1313,122)	0		0
YUPIIT	13,391,463	12,734,899	(1454,564)	0		0
CCS	12,062,376	12,183,696	1121,320	1121,320		1121,320
TOTAL	1408,801,277	1408,801,276	0	110,173,688	11,176,146	19,563,564

