

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1338 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

management controls. First, lease-financing agreements may only be executed with the Alaska State Building Authority, a limitation that ensures uniformity and continuity in the state's lease-financing programs.

More importantly, secs. 9 -- 16 expand the responsibilities of the state bond committee (AS 37.15) to ensure that the broader credit implications are adequately assessed before the state enters into a lease-financing agreement. Under sec. 15, for example, proposed AS 37.15.770 authorizes the state bond committee to review any proposed lease-financing in detail and to prohibit or condition the sale of the debt instruments if it is in the best interests of the state to do so.

I observe that sec. 8 of this bill is similar to legislation that I proposed last session in the wake of the controversy surrounding the Anchorage Office Complex. The bill proposed last session (HB 392 and the identical SB 293) provided for project-specific legislative approval before execution of a lease-financing agreement. In the transmittal letter accompanying the initial bill, dated April 19, 1985 (1985 H.J., p. 1001, and 1985 S.J., p. 856), I noted that the provision of project-specific legislative approval posed substantial constitutional problems. Both the constitutional doctrine of separation of powers and the constitutional prohibition against special and local legislation place in serious legal doubt any statutory requirement to seek project-specific approval. And public finance is the worst forum to interject such a substantial legal uncertainty. Accordingly, the present bill does not propose project-specific approval. To do so, in my view, would impermissibly intrude upon the constitutional prerogatives of future governors. Although I believe it inappropriate to require project-specific approval as a matter of law, I reaffirm my personal commitment to seek legislative approval before the executive branch enters into any lease-financing agreement.

II.

The longer of these two bills that I am transmitting makes several changes to the state's support of public school construction. Most notable of the significant changes proposed under this bill is a cap is placed upon the amount of municipal debt obligations for which the state will provide reimbursement. Municipalities issuing debt to finance school construction will pay the interest costs, while the state will pay the principal in equal payments up

to an aggregate amount of \$10,000,000 in any year for debt approved by local voters after March 31, 1986.

The state presently provides, in addition to its municipal grant program, three forms of aid for school construction. Under AS 14.11.010 all school districts may apply to the Department of Education for an appropriation for school construction projects for which the department may request, in order of priority, appropriations from the legislature. If an appropriation for a school construction project is made, the school district may, under AS 14.11.020, request the assumption of the state's responsibility to plan, design, and construct the particular project. The department provides for the assumption of the responsibility by executing a grant agreement with the school district.

AS 14.11.100 provides two additional forms of state aid for public school construction which are only available to municipal school districts. The state reimburses municipal debt service payments in varying percentages which, because of amendments made in ch. 78, SLA 1985, are at least 80 percent. The state also reimburses a municipality for at least 80 percent of its cash payments used for school construction. To receive reimbursement of either debt service or cash payments, the municipality must first quantify the need for the project and provide a description of the project and an estimate of its cost. The Department of Education reviews the project and its justification, and, when appropriate, grants its approval of the project and its estimated costs. The next step is approval of the municipality's voters to sell the bonds. If the local voters approve the sale of the bonds, the state will reimburse the costs of debt service by requesting money in each year's budget.

There are several weaknesses in the state's present programs of financing school construction.

First, there are inadequate procedures to ensure that the estimates of project costs are reasonable. Before 1982, the administration of the school construction grant program was shared by the Department of Education and the Department of Transportation and Public Facilities. Chapter 92, SLA 1982 transferred all responsibility for the state's construction grant program to the Department of Education. This same weakness exists under AS 14.11.100.

The second major failing is that there is no ceiling for the amount of money which the state will be requested to reim-

burse under AS 14.11.100. In the proposed FY 1987 state budget, approximately \$106,000,000 in municipal debt service payments is requested to continue existing level of debt.

During the last session of this legislature, the percentage of reimbursement for debt service costs was increased to 80 percent, although allowable projects were limited to facilities necessary for increased enrollment or to correct health and safety problems. The result of last session's amendments to AS 14.11.100 has been an identification of required projects with approval of the projects closely followed by local bond elections. These recent municipal elections have authorized approximately \$312,500,000 of new municipal debt for which local communities will seek reimbursement from the state for debt service costs. I anticipate, if all of this newly authorized debt is incurred in the near term, that the impact on the debt retirement program could be as much as an additional \$45,000,000 in requested reimbursements in FY 1987. I intend to support this additional funding as soon as the amount is determined and necessary debt management legislation is passed.

I, of course, recognize that there are municipalities in the state which have experienced significant population increases, and which therefore need the construction of new schools. I believe that these existing needs should be met at the current levels of state support. However, the future of state revenues and the need for new schools are uncertain. Consequently, I believe that different approaches need to be applied to the way the state considers all school construction in the state.

With discipline and altered approaches to the school construction, I believe that the state and its municipalities can contain state-supported debt and still allow for adequate state support of school construction.

This bill changes procedures for reviewing and approving school projects.

Section 1 amends AS 14.08.151. These amendments are desirable to clarify the manner in which the state conveys title for school sites to regional education attendance areas.

Section 2 amends AS 14.11.010(b) by requiring the Department of Education to request cost estimates from the Department of Transportation and Public Facilities and to base its

project approval upon that cost estimate. This same requirement is found in sec. 11 in amendments to AS 14.11.102, which relates to project approval for the debt retirement program. Section 14 contains new authority for DOT/PF to estimate construction costs for all school projects financed by appropriations and debt retirement. Included within that authority is the responsibility to establish design standards.

Section 3 of the bill amends AS 14.11.010(c) by adding new criteria, relating to population trends and the condition of facilities, which the Department of Education will consider when approving projects for appropriation. These amendments are also applicable to the debt retirement program under language found in sec. 11.

Section 4 proposes new language that will require school districts requesting state aid to inventory and inspect the schools in their districts and to revise that inventory on a yearly basis. The provisions of this section also require that school districts provide information relating to maintenance and operation costs. This information regarding existing school facilities will enable the state to better analyze new projects that the state will be asked to finance by appropriation or by debt reimbursement.

Sections 5 and 6 limit the state's reimbursement of school debt to principal only for approved projects financed by new municipal debt authorized by local voters after March 30, 1986. If the debt was authorized by local voters before April 1, 1986, the state's reimbursement continues as before. The state's reimbursement of cash payments by municipalities ends for payments made after June 30, 1986.

Section 7 amends AS 14.11.100(b) by offsetting the amount that the municipality receives for debt reimbursement by the amount of interest earned on the proceeds of bonds sold for a particular project. This amendment parallels existing law found in AS 14.11.100(k), which is repealed in sec. 16.

Sections 8, 9, and 10 contain a number of amendments to AS 14.11.100(h), (i), and (j), respectively, which are necessary to reflect the new class of reimbursement under the language proposed in AS 14.11.100(a)(6) in sec. 6 of the bill. Section 10 has a fiscal impact. It amends AS 14.11.100(j)(2) to allow refunding of bonds only in those situations where there is at least a five percent saving in debt service costs. It also amends AS 14.11.100(j)(3) by requiring that the principal on bonds be reimbursed in equal

annual payments over a period of 10 years or a term set by the state bond committee.

Under sec. 12, the Department of Education will continue to allocate money to reimburse municipal debt. However, a cap on reimbursement is placed upon debt authorized by local voters after April 1, 1986. The department may only allocate money for the reimbursement of principal paid on new debt if the new payments, when combined with all other reimbursements under this class of debt, do not exceed the \$10,000,000 or an amount set by the state bond committee. This mechanism will have two results. It puts a cap on state-supported debt, but, with discipline, it will enable municipalities to construct needed school projects in addition to those that are financed by bonds authorized by local voters before April 1, 1986.

Section 13 amends AS 14.11.135(3) by changing the definition of school construction costs. It excludes all financing costs for debt authorized by local voters after March 31, 1986.

Section 14 adds three new sections to AS 35.15. Under the proposed language, the Department of Transportation and Public Facilities will estimate the costs of all school construction projects under common design standards that it will develop.

Section 15 amends AS 37.15 to give the state bond committee the ability to manage state-supported school debt, which is accomplished under two different mechanisms. First, it may establish a higher or lower ceiling for allocations for reimbursement of new authorizations of school debt under AS 14.11.100(a)(6) (found in sec. 6), depending on the state's credit standing as well as on the needs for school construction. Second, it may control the term of the obligations to ensure that their maturity structure does not adversely affect the state's credit standing. While a 10-year term is allowed by the proposed provisions of AS 14.11.100(j)(2) (found in sec. 10), the committee is accorded the ability to set a different term when it is in the state's best interest.

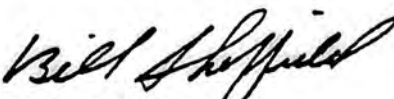
It is our intent with the language in sec. 17 to develop a long range plan for the state's school construction through the end of the century. The necessary components of this plan would include projected enrollments under reasonable population projections, construction costs, design parameters, and financing techniques. It is our hope that,

after the completion of the plan, a rational mechanism can be put in place to provide for the state's public school construction needs which is within the state's ability to pay.

III.

Continued economic prosperity for all sectors of the Alaska economy is in part inextricably tied to more rigorous state debt management. These two bills, as well as legislation relating to responsible limitation on municipal debt, promote more responsible state debt management. Alaska's credit standing is, of course, in part dependent on factors beyond our control. That the state cannot control all relevant factors is no excuse, however, for the inadequate management of those factors within our control. I believe that it is critical that the state become more sensitive to the long-term credit implications of each isolated funding decision. These two bills provide for responsible yet flexible state debt management, and I urge your prompt consideration and approval of these measures.

Sincerely,


Bill Sheffield
Governor



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 15, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to establish a Municipal Financial Emergency Commission that will provide assistance to municipalities that are in default on bonded indebtedness.

Recent controversy surrounding the financial practices of the North Slope Borough has led to a greater sensitivity to the consequences of local financial disorder. While there is absolutely no indication that the present problems of the North Slope Borough will have any effect on the borough's ability to satisfy all debt service obligations, the controversy has led to concern that current law does not provide a role for the state in the event of a municipal default. It bears noting that a municipal default will inevitably affect the state and other municipalities as well. While each municipality's general obligation debt is of course a direct financial burden of only the issuing municipality, the practical fact is that all governmental entities in the state share, to one degree or another, in the consequences of a municipal default. While I reiterate that there is no present prospect of municipal default, it is imperative to establish a procedure to deal with that event before a financial crisis occurs -- not in response to one.

The bill proposes the establishment of the Municipal Financial Emergency Commission which consists of the commissioners of the Departments of Community and Regional Affairs, Revenue, and Administration. Under proposed AS 29.58.420, a municipality must provide notice of a default to the commission, or the municipality may request the assistance of the commission in anticipation of financial distress. Once the commission receives notice of a municipality in financial disarray, the commission must

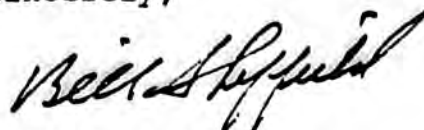
promptly convene and assess the municipality's financial affairs.

Under proposed AS 29.58.410, the commission enjoys extraordinarily broad powers to assure, to the extent possible, the resolution of the financial crisis. The fundamental objective of the commission is to adopt a plan that satisfies debt service obligations in a manner acceptable to municipal creditors. The commission enjoys the power to issue subpoenas and orders as are necessary to undertake this task.

I certainly anticipate that a municipality will act to implement the plan adopted by the commission. However, the bill provides that, in the unlikely event that a municipality fails to implement the plan, or if the commission determines that the municipality remains in financial disarray, the commission may assume full control of the defaulting municipality's financial affairs. This extraordinary intrusion upon local governmental prerogatives can only be exercised in narrowly prescribed instances and, as do all of the commission's powers, the authority of the commission expires upon the successful satisfaction of the default. While certain of these broad powers may approach the legal limit of the state's authority to impair local government powers, I believe that the overwhelming public concern for the financial stability of all Alaskan communities offers a compelling justification for this possible intrusion.

I again emphasize that this bill does not foretell any municipal default. In the area of municipal finance, however, it is not sufficient to act only in response to events. Instead, it is far preferable to establish a mechanism before any default, so that if a municipality does default on a debt service obligation, the repercussions to the state and to other municipalities are limited to the extent possible. With due respect for the prerogatives of local governments, I believe that this bill provides a needed mechanism for state involvement. I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Sheffield", written in a cursive style.

Bill Sheffield
Governor

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1986

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 that will establish a reasonable limit on the authority of a municipality or borough to issue general obligation bond debt.

At present, there is no limit as to the amount of general obligation debt that municipalities may incur. And, while taxing limits are generally prescribed by statute, current law specifically exempts from the taxing limitation any assessments necessary to satisfy debt service obligations. The potential for excessive municipal debt burdens -- a burden that both directly and indirectly affects the state and other municipalities -- is one which simply must be controlled.

I believe that reasonable general obligation bond debt limitations are essential to preserve the financial stability of Alaska municipalities. We are all aware that the level of per capita municipal debt in Alaska far exceeds the national average. To be sure, the lack of basic public services in many areas of the state contributes to the current level of debt. While I am certainly sensitive to the extreme, and at times costly, needs of rural communities, I am equally concerned that excessive municipal debt will only undermine the substantial economic progress enjoyed by all Alaska communities in the last several years.

The problems associated with excessive debt requirements will increase in the future. As state revenues decline,

municipalities will increasingly be responsible for the cost of governmental services, and this inevitable burden will only be further compounded if municipalities are saddled with excessive debt service obligations.

The bill proposes that a municipality may not incur additional general obligation debt if, upon issuance, the municipality's general obligation debt would exceed seven percent of the market value of property which is taxable under state law. The Department of Community and Regional Affairs is currently required by statute to ascertain annually the property value necessary for this limit. That only three communities -- the North Slope Borough, the cities of Nenana and Wrangell -- exceed the seven percent standard is indicative that the limit is reasonable, and will not unfairly limit the prerogatives of local governments.

It is equally important to note what the bill does not do. The bill does not limit in any manner a municipality's authority to levy taxes in order to satisfy debt service obligations. The bill does not limit a municipality's authority to issue revenue or refunding bonds. And finally, the bill does not penalize those municipalities that have issued debt in excess of the seven percent standard.

I believe that the bill provides a needed assurance that municipalities will not incur an unsupportable debt burden. Establishment of a debt ceiling greatly diminishes the prospect of a municipal default. It also prevents a decline in state revenues as municipal assessments are increased to support an ever-increasing debt burden. I urge your prompt passage of this legislation.

Sincerely,

Bill Sheffield
Governor

James
3/4/86 ✓
#2

Original sponsor: Rules/governor

1 IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

2 CS FOR HOUSE BILL NO. 519 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public finance; and providing for
7 an effective date."

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

9 * Section 1. AS 14.40.040 is amended to read:

10 Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is
11 created and established a corporation to be called the University of
12 Alaska. It may in that name

13 (1) sue and be sued;

14 (2) receive and hold real and personal property;

15 (3) contract and be contracted with;

16 (4) adopt, use and alter a corporate seal;

17 (5) borrow money, issue debt, or enter into long-term
18 obligations for the purchase of facilities, goods, or services, which
19 obligations secure, in whole or in part, debt issued by another party,
20 as approved by the state bond committee under AS 37.15.770 and ap-
21 proved by law; an appropriation does not constitute approval by law
22 for purposes of this paragraph;

23 (6) do and have done all matters necessary for the purpose
24 of any function set out [FORTH] in this chapter.

25 * Sec. 2. AS 14.40 is amended by adding a new section to read:

26 Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter
27 into lease-financing agreements only with the Alaska State Housing
28 Authority acting as the Alaska State Building Authority. A lease-
29 financing agreement must provide that lease payments are subject to

1 annual appropriation. If the board intends to enter into an agreement
2 under this subsection, the board shall provide notice to the legisla-
3 ture and to the state bond committee. The notice must include the
4 anticipated annual lease payment, the anticipated principal amount of
5 the debt to be issued by the Alaska State Housing Authority acting as
6 the Alaska State Building Authority, and the anticipated total con-
7 struction or acquisition cost of the project. The board may not enter
8 into an agreement under this section unless the public building to be
9 provided has been approved by law. An appropriation for the project
10 does not constitute approval by law for purposes of this section.

11 * Sec. 3. AS 18.55.100(a)(15) is amended to read:

12 (15) acting as the Alaska State Building Authority arrange
13 or contract for the financing or [, DESIGN, CONSTRUCTION AND] acquisi-
14 tion of public buildings designed by, constructed by, or whose acqui-
15 sition has been approved by the Department of Transportation and
16 Public Facilities for lease to the state in accordance with AS 18.55.-
17 010 - 18.55.290 and AS 37.15.770. ?

18 * Sec. 4. AS 18.55.140 is amended to read:

19 Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS.
20 The authority may issue bonds and notes from time to time in its
21 discretion for any of its corporate purposes and may issue refunding
22 bonds for the purpose of paying or retiring bonds previously issued by
23 it. The authority may not issue bonds for public buildings until the
24 state bond committee has approved the proposal for the issuance of
25 debt under AS 37.15.770 and the building has been approved by law. An
26 appropriation for the building does not constitute approval by law for
27 purposes of this section.

28 * Sec. 5. AS 18.55.140 is amended by adding a new subsection to read:

29 (b) Bonds issued by the authority for public buildings must be

1 issued in the name of the Alaska State Building Authority and are
2 subject to AS 18.55.010 - 18.55.290.

3 * Sec. 6. AS 18.55.288 is amended by adding a new paragraph to read:

4 (4) "bond" means any bond, note, interim certificate,
5 debenture, or other obligation issued by the authority or the author-
6 ity acting as the Alaska State Building Authority under AS 18.55.010 -
7 18.55.290;

8 * Sec. 7. AS 22.05.025 is amended by adding a new subsection to read:

9 (c) The supreme court may enter into lease-financing agreements
10 only with the Alaska State Housing Authority acting as the Alaska
11 State Building Authority. A lease-financing agreement must provide
12 that lease payments are subject to annual appropriation. If the
13 supreme court intends to enter into an agreement under this subsec-
14 tion, the supreme court shall provide notice to the legislature and to
15 the state bond committee. The notice must include the anticipated
16 annual lease payment, the anticipated principal amount of the debt to
17 be issued by the Alaska State Housing Authority acting as the Alaska
18 State Building Authority, and the anticipated total construction or
19 acquisition cost of the project. The supreme court may not enter into
20 an agreement under this subsection unless the public building to be
21 provided has been approved by law. An appropriation for the project
22 does not constitute approval by law for purposes of this section.

23 * Sec. 8. AS 24.23 is amended by adding new sections to read:

24 ARTICLE 2. LEASE AGREEMENTS.

25 Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency
26 may lease necessary office space, and contract for the lease of space,
27 for the use of the Alaska legislature and its employees.

28 Sec. 24.23.110. The Legislative Affairs Agency may enter into
29 lease-financing agreements only with the Alaska State Housing

1 Authority acting as the Alaska State Building Authority. A lease-
2 financing agreement must provide that lease payments are subject to
3 annual appropriation. If the agency intends to enter into an agree-
4 ment under this subsection, the agency shall provide notice to the
5 legislature and to the state bond committee. The notice must include
6 the anticipated annual lease payment, the anticipated principal amount
7 of the debt to be issued by the Alaska State Housing Authority acting
8 as the Alaska State Building Authority, and the anticipated total
9 construction or acquisition cost of the project. The agency may not
10 enter into an agreement under this section unless the public building
11 to be provided has been approved by law. An appropriation for the
12 project does not constitute approval by law for purposes of this
13 section.

14 * Sec. 9. AS 37.05.280 is amended to read:

15 Sec. 37.05.280. LEASES. The department shall lease necessary
16 space, and contract for the lease of space, for the use of the state
17 or an agency of the state, wherever it is necessary and feasible,
18 subject to compliance with the requirements of AS 37.05.220 - 37.05.-
19 280. A [NO] lease or contract for a lease may not provide for a
20 period of occupancy greater than 40 years. A lease agreement must
21 provide that lease payments are subject to annual appropriation. An
22 agency of the state requiring office, warehouse, or other space shall
23 lease the space through the department. [NO CONTRACT OR LEASE EX-
24 ECUTED AFTER JANUARY 1, 1966, WHICH PROVIDES FOR A PAYMENT OR PAYMENTS
25 BY THE STATE IN EXCESS OF \$12,000 ANNUALLY IS VALID UNLESS THE USE OF
26 THE SPACE TO BE PROVIDED FOR BY SUCH CONTRACT OR LEASE HAS BEEN EX-
27 PRESSLY APPROVED BY THE LEGISLATURE BY CONCURRENT RESOLUTION.]

28 * Sec. 10. AS 37.05 is amended by adding a new section to read:

29 Sec. 37.05.285. LEASE FINANCING. The department may enter into

1 lease-financing agreements only with the Alaska State Housing Author-
2 ity acting as the Alaska State Building Authority. A lease-financing
3 agreement must provide that lease payments are subject to annual
4 appropriation. If the department intends to enter into an agreement
5 under this subsection, the department shall provide notice to the
6 legislature and to the state bond committee. The notice must include
7 the anticipated annual lease payment, the anticipated principal amount
8 of the debt to be issued by the Alaska State Housing Authority acting
9 as the Alaska State Building Authority, and the anticipated total
10 construction or acquisition cost of the project. The department may
11 not enter into an agreement under this subsection unless the public
12 building to be provided has been approved by law. An appropriation
13 for the project does not constitute approval by law for purposes of
14 this section.

15 * Sec. 11. AS 37.15.040 is amended to read:

16 Sec. 37.15.040. SALE OF BONDS. Before selling an issue or
17 series of bonds, the state bond committee shall give notice inviting
18 sealed bids in the [SUCH] manner [AS] it may prescribe. If satisfac-
19 tory bids are received, the bonds offered for sale shall be awarded to
20 the highest responsible bidder or bidders. If the state bond commit-
21 tee determines that the bids received are not satisfactory as to price
22 or responsibility of the bidders, it may reject all bids received.

23 * Sec. 12. AS 37.15.110 is amended to read:

24 Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE.
25 There is created within the Department of Revenue a committee known as
26 the "state bond committee," the members of which are the commissioner
27 of commerce and economic development, the commissioner of administra-
28 tion, and the commissioner of revenue. If a member of the committee
29 is absent or otherwise unable to act, the member's designee IN THE

1 DEPARTMENT shall act as a member of the committee in the member's
2 place.

3 * Sec. 13. AS 37.15.130 is amended to read:

4 Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. The commis-
5 sioner of commerce and economic development is the chairman of the
6 state bond committee and the commissioner of revenue is the secretary.
7 A majority of the members of the committee constitute a quorum. The
8 committee shall keep a full, complete, and permanent record of its
9 proceedings. All records and correspondence of the committee shall
10 be kept in the office of the commissioner of revenue. For the purpose
11 of this chapter and AS 44.62.310, public notice of 24 hours or more is
12 adequate notice of a meeting of the committee at which the issuance of
13 bonds is authorized.

14 * Sec. 14. AS 37.15.140 is amended to read:

15 Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. The state bond
16 committee shall adopt the resolution and prepare the documents neces-
17 sary for the issuance, sale, and delivery of state general obligation
18 bonds.

19 * Sec. 15. AS 37.15.140 is amended by adding new subsections to read:

20 (b) The state bond committee shall prepare an annual report to
21 be submitted to the governor and legislature before March 31 of each
22 year. The report must show

23 (1) all outstanding debt of debt-issuing entities of the
24 state;

25 (2) the anticipated effect on the finances and credit of
26 the state, including the effect on long-term debt capacity and credit-
27 worthiness, resulting from that debt;

28 (3) which long-term debt is state supported and which is
29 supported only by revenue attributable to the project being financed

1 by the debt;

2 (4) all long-term capital lease obligations of the state;

3 (5) the volume of short-term debt issued and retired during
4 the year by debt-issuing entities of the state;

5 (6) specific identification of each issue for which the
6 state has pledged some form of indirect support for the debt, includ-
7 ing any moral obligation of the state to support the debt; ^{STATE GUARANTEE BONDS}

8 (7) future bonding and debt capacity implications of legis-
9 lation enacted in the previous legislative session; and

10 (8) the recommended debt issuance capacity of the state for
11 the next two years following the year of the report.

12 (c) The state bond committee may develop written policies con-
13 cerning debt of the state.

14 * Sec. 16. AS 37.15.150 is amended to read:

15 Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SER-
16 VICES. The state bond committee may appoint an executive director who
17 may, with approval of the committee, select and employ additional
18 staff as necessary. Employees of the committee are in the partially
19 exempt service under AS 39.25.120. If the [STATE BOND] committee
20 considers it necessary and advisable, it may procure architectural or
21 engineering, fiscal agent or municipal investment, legal, and other
22 expert or specialized services at reasonable and customary fees to
23 assist it in accomplishing the most advantageous sale of the bonds.
24 The fees may be paid from the proceeds of the sale or advanced from
25 the contingency fund in the Office [OFFICE] of the Governor [GOVERNOR]
26 or otherwise.

27 * Sec. 17. AS 37.15.450(a) is amended to read:

28 (a) The bonds shall be sold in the manner, price or prices,
29 [SUCH] amounts or series, and at the [SUCH] time or times [AS]

1 determined by the committee at either public or private sale. [BEFORE
2 SELLING A SERIES OF BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING
3 SEALED BIDS IN SUCH MANNER AS IT MAY PRESCRIBE. IF SATISFACTORY BIDS
4 ARE RECEIVED, THE BONDS OFFERED FOR SALE SHALL BE AWARDED TO THE
5 HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT THE BIDS
6 RECEIVED ARE NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE
7 BIDDERS, IT MAY REJECT ALL BIDS RECEIVED.] The bonds, or each series
8 of them, shall be sold at such a price so that the effective interest
9 rate over the life of the bonds does not exceed 11 percent per year or
10 that rate of interest which is 125 percent of the rate of the Bond
11 Buyer Index of 20 Municipal Bond Average Yields for the week previous
12 to the date of sale of the bonds, whichever is higher. Interest shall
13 be payable annually or semiannually.

14 * Sec. 18. AS 37.15.460 is amended to read:

15 Sec. 37.15.460. BOND RESOLUTION. The committee is authorized
16 and directed to adopt the bond resolution and prepare all other docu-
17 ments and proceedings necessary for the issuance, sale and delivery of
18 the bonds or any part or series of them. The bond resolution shall
19 fix the principal amount, denomination, date, maturities, place or
20 places of payment, rights of redemption, if any, terms, form, condi-
21 tions and covenants of the bonds or each series of them. The commit-
22 tee shall also determine and provide for the date and manner of sale
23 of the bonds, and shall provide where a [WHETHER THE] notice of sale,
24 if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION
25 REQUIRED BY AS 37.15.450].

26 * Sec. 19. AS 37.15.650(a) is amended to read:

27 (a) The toll facilities bonds are sold in the manner, price or
28 prices, amounts or series, and at the time as determined by the com-
29 mittee, at either public or private sale. [BEFORE SELLING A SERIES OF

1 BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS. IF
2 SATISFACTORY BIDS ARE RECEIVED, THE BONDS OFFERED FOR SALE ARE AWARDED
3 TO THE HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT A
4 BID RECEIVED IS NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE
5 BIDDER, THE COMMITTEE MAY REJECT THE BID RECEIVED.] Bonds, or a
6 series of bonds, may not be sold if the effective interest rate over
7 the life of the bonds exceeds 11 percent per year or that rate of
8 interest that is 125 percent of the rate of the Bond Buyer Index of 20
9 Municipal Bond Average Yields for the week previous to the date of
10 sale of the bonds, whichever is higher. Interest is payable annually
11 or semiannually.

12 * Sec. 20. AS 37.15.660 is amended to read:

13 Sec. 37.15.660. BOND RESOLUTION. The committee is authorized
14 and directed to adopt the bond resolution and prepare all other docu-
15 ments and proceedings necessary for the issuance, sale, and delivery
16 of the bonds or any part or series of them. The bond resolution shall
17 fix the principal amount, denomination, date, maturities, place or
18 places of payment, rights of redemption, if any, terms, form, condi-
19 tions, and covenants of the bonds or each series of them. The commit-
20 tee shall also determine and provide for the date and manner of sale
21 of the bonds, and shall provide where a [WHETHER THE] notice of sale,
22 if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION
23 REQUIRED BY AS 37.15.650].

24 * Sec. 21. AS 37.15 is amended by adding new sections to read:

25 ARTICLE 5. STATE-SUPPORTED DEBT.

26 Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond commit-
27 tee shall review proposals for the issuance of debt by or on behalf of

28 (1) the Alaska State Housing Authority acting as the Alaska
29 State Building Authority for the purpose of providing public

1 buildings; and

2 (2) the University of Alaska.

3 (b) The committee may review the general programs and financing
4 plans of the agency that proposes to issue the debt as well as the
5 specific aspects of the proposed debt issue, including

6 (1) amounts;

7 (2) times;

8 (3) maturities;

9 (4) debt structure and security features;

10 (5) credit enhancements;

11 (6) use of proceeds;

12 (7) official documents;

13 (8) planned rating agency presentations; and

14 (9) selection, retention, or compensation of financial
15 advisors, bond counsel, trustees, underwriters, and other profession-
16 als.

C.O. DEBT

17 (c) The state bond committee shall consider approval of the
18 amount and time of sale of the debt. The committee shall approve the
19 issuance of the debt if, in its judgment, issuance of the debt is in
20 the best interests of the state. The committee may limit approval of
21 the issuance of debt upon compliance with terms established by the
22 committee.

23 (d) At the time of sale of the debt, the state bond committee
24 shall review the bids or pricing of the debt, including discounts,
25 underwriting spreads, and interest rates. If the committee determines
26 that the bids or prices are not satisfactory or that the bidders are
27 not responsible, the agency may not sell the debt.

28 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the
29 state bond committee, in its judgment, determines that the amount or

1 retirement of debt issued by municipalities and subject to reimburse-
2 ment by the state under AS 14.11.100 is not in the best interest of
3 the state, the committee may

4 (1) establish an amount or amounts, for any or all years
5 before the maturity of all of that municipal debt, that may not be
6 exceeded by the Department of Education in approving requests under
7 AS 14.11.103; or

8 (2) establish, under AS 14.11.100(j)(3), a term required
9 for the maturities of municipal debt authorized by local voters after
10 March 31, 1986.

11 * Sec. 22. AS 39.25.120(c) is amended by adding a new paragraph to
12 read:

13 (19) employees of the state bond committee.

14 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

James
3/3/86

Original sponsor: Rules/governor

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

CS FOR HOUSE BILL NO. 519 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to public finance; and providing for
an effective date."

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

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is
created and established a corporation to be called the University of
Alaska. It may in that name

(1) sue and be sued;

(2) receive and hold real and personal property;

(3) contract and be contracted with;

(4) adopt, use and alter a corporate seal;

~~(5) borrow money, issue debt, or enter into long-term
obligations for the purchase of facilities, goods, or services, which
obligations secure, in whole or in part, debt issued by another party,
as approved by the state bond committee under AS 37.15.770;~~

(6) do and have done all matters necessary for the purpose
of any function set out [FORTH] in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

~~Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter
into lease-financing agreements only with the Alaska State Housing
Authority acting as the Alaska State Building Authority. A lease-
financing agreement must provide that lease payments are subject to
annual appropriation. If the board intends to enter into an agreement
under this subsection, the board shall provide notice to the~~

1 legislature and to the state bond committee. The notice must include
2 the anticipated annual lease payment, the anticipated principal amount
3 of the debt to be issued by the Alaska State Housing Authority acting
4 as the Alaska State Building Authority, and the anticipated total
5 construction or acquisition cost of the project. The board may not
6 enter into an agreement under this section unless the public building
7 to be provided has been approved by law. An appropriation for the
8 project does not constitute approval by law for purposes of this
9 section.

10 * Sec. 3. AS 18.55.100(a)(15) is amended to read:

11 (15) acting as the Alaska State Building Authority arrange
12 or contract for the financing or [, DESIGN, CONSTRUCTION AND] acqui-
13 sition of public buildings designed by, constructed by, or whose acqui-
14 sition has been approved by the Department of Transportation and
15 Public Facilities for lease to the state in accordance with
16 AS 18.55.010 - 18.55.290 and AS 37.15.770.

17 * Sec. 4. AS 18.55.140 is amended to read:

18 Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS.
19 The authority may issue bonds and notes from time to time in its
20 discretion for any of its corporate purposes and may issue refunding
21 bonds for the purpose of paying or retiring bonds previously issued by
22 it. The authority may not issue bonds for public buildings until the
23 state bond committee has approved the proposal for the issuance of
24 debt under AS 37.15.770.

25 * Sec. 5. AS 18.55.140 is amended by adding a new subsection to read:

26 (b) Bonds issued by the authority for public buildings must be
27 issued in the name of the Alaska State Building Authority and are
28 subject to AS 18.55.010 - 18.55.290.

29 * Sec. 6. AS 18.55.288 is amended by adding a new paragraph to read:

1 (4) "bond" means any bond, note, interim certificate,
2 debenture, or other obligation issued by the authority or the author-
3 ity acting as the Alaska State Building Authority under AS 18.55.010 -
4 18.55.290;

5 * Sec. 7. AS 22.05.025 is amended by adding a new subsection to read:

6 (c) The supreme court may enter into lease-financing agreements
7 only with the Alaska State Housing Authority acting as the Alaska
8 State Building Authority. A lease-financing agreement must provide
9 that lease payments are subject to annual appropriation. If the
10 supreme court intends to enter into an agreement under this subsec-
11 tion, the supreme court shall provide notice to the legislature and to
12 the state bond committee. The notice must include the anticipated
13 annual lease payment, the anticipated principal amount of the debt to
14 be issued by the Alaska State Housing Authority acting as the Alaska
15 State Building Authority, and the anticipated total construction or
16 acquisition cost of the project. The supreme court may not enter into
17 an agreement under this subsection unless the public building to be
18 provided has been approved by law. An appropriation for the project
19 does not constitute approval by law for purposes of this section.

20 * Sec. 8. AS 24.23 is amended by adding new sections to read:

21 ARTICLE 2. LEASE AGREEMENTS.

22 Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency
23 may lease necessary office space, and contract for the lease of space,
24 for the use of the Alaska legislature and its employees.

25 Sec. 24.23.110. The Legislative Affairs Agency may enter into
26 lease-financing agreements only with the Alaska State Housing Author-
27 ity acting as the Alaska State Building Authority. A lease-financing
28 agreement must provide that lease payments are subject to annual
29 appropriation. If the agency intends to enter into an agreement under

1 this subsection, the agency shall provide notice to the legislature
2 and to the state bond committee. The notice must include the
3 anticipated annual lease payment, the anticipated principal amount of
4 the debt to be issued by the Alaska State Housing Authority acting as
5 the Alaska State Building Authority, and the anticipated total
6 construction or acquisition cost of the project. The agency may not
7 enter into an agreement under this section unless the public building
8 to be provided has been approved by law. An appropriation for the
9 project does not constitute approval by law for purposes of this
10 section.

11 * Sec. 9. AS 37.05.280 is amended to read:

12 Sec. 37.05.280. LEASES. The department shall lease necessary
13 space, and contract for the lease of space, for the use of the state
14 or an agency of the state, wherever it is necessary and feasible,
15 subject to compliance with the requirements of AS 37.05.220 - 37.05.280.
16 A [NO] lease or contract for a lease may not provide for a period of
17 occupancy greater than 40 years. An agency of the state requiring
18 office, warehouse, or other space shall lease the space through the
19 department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966,
20 WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF
21 \$12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED
22 FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE
23 LEGISLATURE BY CONCURRENT RESOLUTION.]

24 * Sec. 10. AS 37.05 is amended by adding a new section to read:

25 Sec. 37.05.285. LEASE FINANCING. The department may enter into
26 lease-financing agreements only with the Alaska State Housing Author-
27 ity acting as the Alaska State Building Authority. A lease-financing
28 agreement must provide that lease payments are subject to annual
29 appropriation. If the department intends to enter into an agreement

1 under this subsection, the department shall provide notice to the
2 legislature and to the state bond committee. The notice must include
3 the anticipated annual lease payment, the anticipated principal amount
4 of the debt to be issued by the Alaska State Housing Authority acting
5 as the Alaska State Building Authority, and the anticipated total
6 construction or acquisition cost of the project. The department may
7 not enter into an agreement under this subsection unless the public
8 building to be provided has been approved by law. An appropriation
9 for the project does not constitute approval by law for purposes of
10 this section.

11 * Sec. 11. AS 37.15.040 is amended to read:

12 Sec. 37.15.040. SALE OF BONDS. Before selling an issue or
13 series of bonds, the state bond committee shall give notice inviting
14 sealed bids in the [SUCH] manner [AS] it may prescribe. If satisfac-
15 tory bids are received, the bonds offered for sale shall be awarded to
16 the highest responsible bidder or bidders. If the state bond
17 committee determines that the bids received are not satisfactory as to
18 price or responsibility of the bidders, it may reject all bids
19 received.

20 * Sec. 12. AS 37.15.110 is amended to read:

21 Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE.
22 There is created within the Department of Revenue a committee known as
23 the "state bond committee," the members of which are the commissioner
24 of commerce and economic development, the commissioner of administra-
25 tion, and the commissioner of revenue. If a member of the committee
26 is absent or otherwise unable to act, the member's designee [IN THE
27 DEPARTMENT] shall act as a member of the committee in the member's
28 place.

29 * Sec. 13. AS 37.15.130 is amended to read:

V

1 Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. The commis-
2 sioner of commerce and economic development is the chairman of the
3 state bond committee and the commissioner of revenue is the secretary.
4 A majority of the members of the committee constitute a quorum. The
5 committee shall keep a full, complete, and permanent record of its
6 proceedings. All records and correspondence of the committee shall
7 be kept in the office of the commissioner of revenue. For the purpose
8 of this chapter and AS 44.62.310, public notice of 24 hours or more is
9 adequate notice of a meeting of the committee at which the issuance of
10 bonds is authorized.

11 * Sec. 14. AS 37.15.140 is amended to read:

12 Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. The state bond
13 committee shall adopt the resolution and prepare the documents neces-
14 sary for the issuance, sale, and delivery of state general obligation
15 bonds.

16 * Sec. 15. AS 37.15.140 is amended by adding new subsections to read:

17 (b) The state bond committee shall prepare an annual report to
18 be submitted to the governor and legislature before March 31 of each
19 year. The report must show

20 (1) all outstanding debt of debt-issuing entities of the
21 state;

22 (2) the anticipated effect on the finances and credit of
23 the state, including the effect on long-term debt capacity and credit-
24 worthiness, resulting from that debt;

25 (3) which long-term debt is state supported and which is
26 supported only by revenue attributable to the project being financed
27 by the debt;

28 (4) all long-term capital lease obligations of the state;

29 (5) the volume of short-term debt issued and retired during

1 the year by debt-issuing entities of the state;

2 (6) specific identification of each issue for which the
3 state has pledged some form of indirect support for the debt, includ-
4 ing any moral obligation of the state to support the debt;

5 (7) future bonding and debt capacity implications of legis-
6 lation enacted in the previous legislative session; and

7 (8) the recommended debt issuance capacity of the state for
8 the next two years following the year of the report.

9 (c) The state bond committee may develop written policies con-
10 cerning debt of the state.

11 * Sec. 16. AS 37.15.150 is amended to read:

12 Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SER-
13 VICES. The state bond committee may appoint an executive director who
14 may, with approval of the committee, select and employ additional
15 staff as necessary. Employees of the committee are in the partially
16 exempt service under AS 39.25.120. If the [STATE BOND] committee
17 considers it necessary and advisable, it may procure architectural or
18 engineering, fiscal agent or municipal investment, legal, and other
19 expert or specialized services at reasonable and customary fees to
20 assist it in accomplishing the most advantageous sale of the bonds.
21 The fees may be paid from the proceeds of the sale or advanced from
22 the contingency fund in the Office [OFFICE] of the Governor [GOVERNOR]
23 or otherwise.

24 * Sec. 17. AS 37.15.450(a) is amended to read:

25 (a) The bonds shall be sold in the manner, price or prices,
26 [SUCH] amounts or series, and at the [SUCH] time or times [AS] de-
27 termined by the committee at either public or private sale. [BEFORE
28 SELLING A SERIES OF BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING
29 SEALED BIDS IN SUCH MANNER AS IT MAY PRESCRIBE. IF SATISFACTORY BIDS

1 ARE RECEIVED, THE BONDS OFFERED FOR SALE SHALL BE AWARDED TO THE
2 HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT THE BIDS
3 RECEIVED ARE NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE
4 BIDDERS, IT MAY REJECT ALL BIDS RECEIVED.] The bonds, or each series
5 of them, shall be sold at such a price so that the effective interest
6 rate over the life of the bonds does not exceed 11 percent per year or
7 that rate of interest which is 125 percent of the rate of the Bond
8 Buyer Index of 20 Municipal Bond Average Yields for the week previous
9 to the date of sale of the bonds, whichever is higher. Interest shall
10 be payable annually or semiannually.

11 * Sec. 18. AS 37.15.460 is amended to read:

12 Sec. 37.15.460. BOND RESOLUTION. The committee is authorized
13 and directed to adopt the bond resolution and prepare all other docu-
14 ments and proceedings necessary for the issuance, sale and delivery of
15 the bonds or any part or series of them. The bond resolution shall
16 fix the principal amount, denomination, date, maturities, place or
17 places of payment, rights of redemption, if any, terms, form, condi-
18 tions and covenants of the bonds or each series of them. The commit-
19 tee shall also determine and provide for the date and manner of sale
20 of the bonds, and shall provide where a [WHETHER THE] notice of sale,
21 if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION
22 REQUIRED BY AS 37.15.450].

23 * Sec. 19. AS 37.15.650(a) is amended to read:

24 (a) The toll facilities bonds are sold in the manner, price or
25 prices, amounts or series, and at the time as determined by the com-
26 mittee, at either public or private sale. [BEFORE SELLING A SERIES OF
27 BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS. IF
28 SATISFACTORY BIDS ARE RECEIVED, THE BONDS OFFERED FOR SALE ARE AWARDED
29 TO THE HIGHEST RESPONSIBLE BIDDER. IF THE COMMITTEE DETERMINES THAT A

1 BID RECEIVED IS NOT SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE
2 BIDDER, THE COMMITTEE MAY REJECT THE BID RECEIVED.] Bonds, or a
3 series of bonds, may not be sold if the effective interest rate over
4 the life of the bonds exceeds 11 percent per year or that rate of
5 interest that is 125 percent of the rate of the Bond Buyer Index of 20
6 Municipal Bond Average Yields for the week previous to the date of
7 sale of the bonds, whichever is higher. Interest is payable annually
8 or semiannually.

9 * Sec. 20. AS 37.15.660 is amended to read:

10 Sec. 37.15.660. BOND RESOLUTION. The committee is authorized
11 and directed to adopt the bond resolution and prepare all other docu-
12 ments and proceedings necessary for the issuance, sale, and delivery
13 of the bonds or any part or series of them. The bond resolution shall
14 fix the principal amount, denomination, date, maturities, place or
15 places of payment, rights of redemption, if any, terms, form, condi-
16 tions, and covenants of the bonds or each series of them. The commit-
17 tee shall also determine and provide for the date and manner of sale
18 of the bonds, and shall provide where a [WHETHER THE] notice of sale,
19 if any, is to be published [ELSEWHERE IN ADDITION TO THE PUBLICATION
20 REQUIRED BY AS 37.15.650].

21 * Sec. 21. AS 37.15 is amended by adding new sections to read:

22 ARTICLE 5. STATE-SUPPORTED DEBT.

23 Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond commit-
24 tee shall review proposals for the issuance of debt by or on behalf of

25 (1) the Alaska State Housing Authority acting as the Alaska
26 State Building Authority for the purpose of providing public build-
27 ings; and

28 (2) the University of Alaska.

29 (b) The committee may review the general programs and financing

1 plans of the agency that proposes to issue the debt as well as the
2 specific aspects of the proposed debt issue, including

- 3 (1) amounts;
4 (2) times;
5 (3) maturities;
6 (4) debt structure and security features;
7 (5) credit enhancements;
8 (6) use of proceeds;
9 (7) official documents;
10 (8) planned rating agency presentations; and
11 (9) selection, retention, or compensation of financial
12 advisors, bond counsel, trustees, underwriters, and other profession-
13 als.

14 (c) The state bond committee shall consider approval of the
15 amount and time of sale of the debt. The committee shall approve the
16 issuance of the debt if, in its judgment, issuance of the debt is in
17 the best interests of the state. The committee may limit approval of
18 the issuance of debt upon compliance with terms established by the
19 committee.

20 (d) At the time of sale of the debt, the state bond committee
21 shall review the bids or pricing of the debt, including discounts,
22 underwriting spreads, and interest rates. If the committee determines
23 that the bids or prices are not satisfactory or that the bidders are
24 not responsible, the agency may not sell the debt.

25 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the
26 state bond committee, in its judgment, determines that the amount or
27 retirement of debt issued by municipalities and subject to reimburse-
28 ment by the state under AS 14.11.100 is not in the best interest of
29 the state, the committee may

1 (1) establish an amount or amounts, for any or all years
2 before the maturity of all of that municipal debt, that may not be
3 exceeded by the Department of Education in approving requests under
4 AS 14.11.103; or

5 (2) establish, under AS 14.11.100(j)(3), a term required
6 for the maturities of municipal debt authorized by local voters after
7 March 31, 1986.

8 * Sec. 22. AS 39.25.120(c) is amended by adding a new paragraph to
9 read:

10 (19) employees of the state bond committee.

11 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
12 10.070(c).
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A M E N D M E N T

Offered in the HOUSE

By Sund

TO: CSHB 521(Loans)

Page 2, line 8:

Delete "seven" and insert "five"

Page 3, line ~~11~~ 11;

Delete "." and insert ";

Page 3, after line ~~11~~ ¹¹ insert the following new paragraph to read:

"⁷(8) school construction debt for which reimbursement by the state is authorized under AS 14.11.100."

DOR

Introduced: 1/27/86
Referred: House Special Committee on State Loans
Community & Regional Affairs and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 521

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the issuance of
municipal general obligation bonds; and
providing for an effective date."

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

Section 1. AS 29.47.190(b) is amended to read:

(b) Before a general obligation bond issue election,
the governing body shall have published a notice of the
total existing bond indebtedness at least once a week for
three consecutive weeks. The first notice must (SHALL) be
published at least 20 days before the date of the
election. A notice must (SHALL) include _____

(1) the current total general obligation bonded
indebtedness, including authorized but unsold bonds, of the
municipality and the current total general obligation
bonded indebtedness, including authorized but unsold bonds,
of any other municipalities which may be payable from taxes
on taxable property in the municipality;

(2) the cost of the debt service on the current

indebtedness;

(3) the total assessed value of taxable property in the municipality;

(4) the full value of taxable property as determined by the Department of Community and Regional Affairs under AS 14.17.140.

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

Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) No general obligation bond authorization shall be finally adopted by a municipality unless the net debt of the municipality at the time of adoption of the bond authorization does not exceed 7 percent of average assessed valuation.

(b) Notwithstanding the provisions in (a) of this section, a bond authorization may be finally adopted if the bond authorization authorizes obligations solely for one of the following:

(1) to meet an expenditure which is the result of a natural disaster;

(2) to meet an expenditure which is necessary to protect the public health;

(3) for a purpose which is self-liquidating; or

(4) to refund existing debt.

(c) For purposes of this section the following terms shall have meanings as follows:

(1) "average assessed valuation" means the average of the full value of taxable property for the last two years as determined by the Department of Community and Regional Affairs under AS 14.17.140.

(2) "bond" or "debt" means bonds, notes, or other obligations.

(3) "bond authorization" means the action completed after the bond election by the governing body of the municipality which authorizes a specific amount of general obligation debt of the municipality for a specified purpose but need not include action to fix the rate or rates of interest on the debt or include action to fix further details of the debt or action to sell the debt.

(4) "self liquidating debt" is debt for which the cash receipts from fees, rents, or other charges (other than taxes) in a fiscal year pledged to pay the debt are sufficient to meet operating and maintenance costs (exclusive of depreciation and obsolescence) and interest and debt redemption charges payable or accruing in such year without recourse to general taxation.

(5) "net debt" means all general obligation debt issued, and all general obligation debt authorized but not issued, after deducting the following general obligation debt issued and authorized but not issued:

(A) bond anticipation notes;

(B) revenue anticipation notes issued

pursuant to Art. IX, Section 10, Alaska Constitution;

(C) self-liquidating debt; and

(D) debt for which there are funds on hand or sinking funds pledged to the payment thereof including the proceeds of any bonds or notes held for that purpose.

* Sec. 3. AS 29.10.200 is amended by adding a new subsection to read, and renumbering existing subsections accordingly:

(42) AS 29.47.195 (limitation on municipal debt)

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

DRAFT

EEW/val
2-13-86

Introduced: 1/27/86
Referred: House Special Committee on
State Loans, Community & Regional
Affairs and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 521

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the issuance of
municipal general obligation bonds; and
providing for an effective date."

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

Section 1. AS 29.47.190(b) is amended to read:

Before a general obligation bond issue election, the governing body shall have published a notice of the total existing bond indebtedness at least once a week for three consecutive weeks. The first notice must (SHALL) be published at least 20 days before the date of the election. A notice must (SHALL) include

(1) the current total general obligation bonded indebtedness, including authorized but unsold bonds of the municipality;

(2) the cost of the debt service on the current indebtedness;

(3) the total assessed value of taxable property in the municipality;

(4) the full value of taxable property as determined
by the Department of Community and Regional Affairs under AS
14.17.140.

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

Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) No general obligation bond authorization shall be finally adopted by a municipality unless the net debt of the municipality at the time of adoption of the bond authorization does not exceed seven percent of average assessed valuation.

(b) Notwithstanding the provisions in (a) of this section, a bond authorization may be finally adopted if the bond authorization authorizes obligations solely for one of the following:

(1) to meet an expenditure which is the result of a natural disaster;

(2) to meet an expenditure which is necessary to protect the public health;

(3) for a purpose which is self-liquidating; or

(4) to refund existing debt.

(c) For purposes of this section the following terms shall have meanings as follows:

(1) "average assessed valuation" means the average of the full value of taxable property for the last two years as determined by the Department of Community and Regional Affairs under AS 14.17.140.

(2) "bond" or "debt" means bonds, notes or other obligations.

(3) "bond authorization" means the action completed after the bond election of the governing body of the municipality which authorizes a specified amount of general

obligation debt of the municipality for a specified purpose but need not include action to fix the rate or rates of interest on the debt or include action to fix further details of the debt or action to sell the debt.

(4) "self liquidating Debt" is debt for which the cash receipts from fees, rents or other charges (other than taxes) in a fiscal year pledged to pay the debt are sufficient to meet operating and maintenance costs (exclusive of depreciation and obsolescence) and interest and debt redemption charges payable or accruing in such year without recourse to general taxation.

(5) "net debt" means all general obligation debt issued, and all general obligation debt authorized but not issued, after deducting the following general obligation debt issued, and authorized but not issued:

(a) as bond anticipation notes in anticipation of bonds;

(b) as revenue anticipation notes issued pursuant to Art. IX, Section 10, Alaska Constitution;

c. as self-liquidating debt; and

d. for which there are funds on hand or sinking funds applicable to the payment thereof only including the proceeds of any bonds or notes held for that purpose and any accounts receivable or amounts which may be payable from the United States, the state or any public instrumentality thereof, which funds are applicable only to the payment of any part of the debt not otherwise deductible.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Table
As of 01/22/86

	<u>Moody's</u>	<u>S&P</u>		<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>
<u>Group 1</u>	Aa1	AA	Connecticut	-.10	-.10	-.10	-.10
	Aaa	AA	Georgia	-.10	-.10	-.10	-.10
	Aaa	AAA	Maryland	-.10	-.10	-.10	-.10
	Aaa	AAA	New Jersey	-.10	-.10	-.10	-.10
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	Utah	-.10	-.10	-.10	-.10
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.10
<u>Group 2</u> <u>(BASE GROUP)</u>	Aa	AA+	California	6.10	7.00	7.50	7.70
	Aaa	AAA	Missouri*	6.10	7.00	7.50	7.70
	Aaa	NR	Oklahoma*	6.10	7.00	7.50	7.70
	Aaa	AA+	Tennessee	6.10	7.00	7.50	7.70
	Aaa	AAA	Texas	6.10	7.00	7.50	7.70
<u>Group 3</u>	Aa	AA	Alabama	+.05	+.05	+.10	+.10
	Aa	AA	Delaware	+.05	+.05	+.10	+.10
	Aa	AA	Montana*	+.05	+.05	+.10	+.10
<u>Group 4</u>	A	A+	New York	6.20	7.20	7.70	7.90
	Aa	AA	Kentucky	+.10	+.10	+.10	+.20
	Aa1	AAA	Maine	+.10	+.10	+.10	+.20
	A1	AA	Massachusetts	+.10	+.10	+.10	+.20
	Aa	AA+	Minnesota	+.10	+.10	+.10	+.20
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.20
	Aa	AA	New Mexico*	+.10	+.10	+.10	+.20
	Aa	AA	Ohio	+.10	+.10	+.10	+.20
<u>Group 5</u>	Aa	AA	Florida	+.15	+.15	+.20	+.25
	Aa	AA	Hawaii	+.15	+.15	+.20	+.25
	Aaa	AA+	Illinois	+.15	+.15	+.20	+.25
	Aa	AA	Nevada	+.15	+.15	+.20	+.25
	Aa	AA-	Rhode Island	+.15	+.15	+.20	+.25
	Aa	AA	Wisconsin	+.15	+.15	+.20	+.25
<u>Group 6</u>	Aa	AA-	Alaska	+.20	+.20	+.40	+.35
	Aa	AA	New Hampshire*	+.20	+.20	+.40	+.35
	A	AA-	Pennsylvania	+.20	+.20	+.40	+.35
	Aa	NR	Vermont	+.20	+.20	+.40	+.35
<u>Group 7</u>	A1	AA-	Louisiana	+.25	+.30	+.50	+.50
	Aa	AA	North Dakota*	+.25	+.30	+.50	+.50
	A1	A+	Oregon	+.25	+.30	+.50	+.50
	A1	AA-	West Virginia	+.25	+.30	+.50	+.50
<u>Group 8</u>	A	AA-	Washington	+.30	+.40	+.60	+.60
<u>Group 9</u>	A	A+	Michigan	+.40	+.60	+.60	+.65
<u>Group 10</u>	Baa1	A	Puerto Rico	+.60	+.80	+.85	+.75

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

** Arizona, Arkansas, Colorado, Idaho, Indiana, Iowa, Kansas, Nebraska, South Dakota, and Wyoming have little or no outstanding state general obligation debt.

*** NR = not rated.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/2/85

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
<u>Group 1</u>	Aaa	AA	Georgia	-.10	-.10	-.10	-.10
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.10
	Aaa	NR	Oklahoma*	-.10	-.10	-.10	-.10
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.10
	Aaa	AAA	Utah	-.10	-.10	-.10	-.10
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.10
<u>Group 2</u> <u>(BASE GROUP)</u>	Aa	AA	Connecticut	7.25	8.40	9.10	9.35
	Aaa	AAA	Missouri*	7.25	8.40	9.10	9.35
	Aa1	AA	Montana*	7.25	8.40	9.10	9.35
	Aaa	AAA	Maryland	7.25	8.40	9.10	9.35
	Aaa	AAA	New Jersey	7.25	8.40	9.10	9.35
	Aaa	AA+	Tennessee	7.25	8.40	9.10	9.35
	Aaa	AAA	Texas	7.25	8.40	9.10	9.35
<u>Group 3</u>	Aa	AA	Alabama	+.10	+.10	+.20	+.10
	Aa	AA	California	+.10	+.10	+.20	+.10
	Aa	AA	Delaware	+.10	+.10	+.20	+.10
	Aa	AA	Florida	+.10	+.10	+.20	+.10
	Aa	AA	Kentucky	+.10	+.10	+.20	+.10
	Aa	AA-	Mississippi*	+.10	+.10	+.20	+.10
	Aa1	AA	New Mexico*	+.10	+.10	+.20	+.10
<u>Group 4</u>	Aa	AA	Louisiana	+.15	+.15	+.30	+.20
	Aa1	AAA	Maine	+.15	+.15	+.30	+.20
	Aa	AA	Minnesota	+.15	+.15	+.30	+.20
	Aa	AA	Nevada	+.15	+.15	+.30	+.20
	Aa	AA-	Rhode Island	+.15	+.15	+.30	+.20
	Aa	AA	Ohio	+.15	+.15	+.30	+.20
	Aa	AA	Wisconsin	+.15	+.15	+.30	+.20
<u>Group 5</u>	A	A+	New York	7.50	8.40	9.40	9.60
<u>Group 6</u>	Aa	AA-	Alaska	+.20	+.20	+.40	+.30
	Aa	AA	Hawaii	+.20	+.20	+.40	+.30
	Aaa	AA+	Illinois	+.20	+.20	+.40	+.30
	A1	AA	Massachusetts	+.20	+.20	+.40	+.30
	A1	AA-	New Hampshire*	+.20	+.20	+.40	+.30
	Aa	AA	North Dakota*	+.20	+.20	+.40	+.30
	A	A+	Pennsylvania	+.20	+.20	+.40	+.30
	Aa	NR	Vermont	+.20	+.20	+.40	+.30
	A1	AA+	West Virginia	+.20	+.20	+.40	+.30
<u>Group 7</u>	A1	AA	Oregon	+.25	+.35	+.55	+.50
<u>Group 8</u>	A	AA-	Washington	+.30	+.45	+.65	+.65
<u>Group 9</u>	Baal	A	Puerto Rico	+.75	+.90	+.90	+.90
<u>Group 10</u>	A	A+	Michigan	+.75	+1.00	+1.00	+1.00

* Yield is estimated because of thin secondary market supply. Estimate is based on previous trading characteristics.

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Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/4/84

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
<u>Group 1</u>	Aaa	AA	Georgia	-.10	-.10	-.10	-.05
	Aaa	AAA	Missouri*	-.10	-.10	-.10	-.05
	Aaa	AAA	North Carolina	-.10	-.10	-.10	-.05
	Aaa	NR	Oklahoma*	-.10	-.10	-.10	-.05
	Aaa	AAA	South Carolina	-.10	-.10	-.10	-.05
	Aaa	AAA	Texas	-.10	-.10	-.10	-.05
	Aaa	AAA	Utah	-.10	-.10	-.10	-.05
	Aaa	AAA	Virginia	-.10	-.10	-.10	-.05
<u>Group 2</u>	Aa1	AA	Montana*	7.40	8.40	9.10	9.35
<u>(BASE GROUP)</u>	Aaa	AAA	Maryland	7.40	8.40	9.10	9.35
	Aa	AA	North Dakota*	7.40	8.40	9.10	9.35
	Aaa	AA+	Tennessee	7.40	8.40	9.10	9.35
	Aaa	AAA	New Jersey	7.40	8.40	9.10	9.35
<u>Group 3</u>	A	A+	New York	7.50	8.50	9.20	9.40
<u>Group 4</u>	Aa	AA	Alabama	+.10	+.10	+.10	+.15
	Aa	AA	California	+.10	+.10	+.10	+.15
	Aa	AA-	Connecticut	+.10	+.10	+.10	+.15
	Aa	AA	Kentucky	+.10	+.10	+.10	+.15
	Aa	AA	Louisiana	+.10	+.10	+.10	+.15
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.15
	Aa1	AA	New Mexico*	+.10	+.10	+.10	+.15
<u>Group 5</u>	Aa	AA-	Alaska	+.15	+.15	+.15	+.25
	Aa	AA	Delaware	+.15	+.15	+.15	+.25
	Aa	AA	Florida	+.15	+.15	+.15	+.25
	Aaa	AA+	Illinois	+.15	+.15	+.15	+.25
	Aa1	AAA	Maine	+.15	+.15	+.15	+.25
	Aa	AA	Minnesota	+.15	+.15	+.15	+.25
	Aa	AA	Ohio	+.15	+.15	+.15	+.25
	Aa	AA+	Wisconsin	+.15	+.15	+.15	+.25
<u>Group 6</u>	Aa	AA	Hawaii	+.20	+.25	+.25	+.35
	Aa	AA	Nevada	+.20	+.25	+.25	+.35
	Aa	AA-	Rhode Island	+.20	+.25	+.25	+.35
	Aa	NR	Vermont	+.20	+.25	+.25	+.35
	A1	AA+	West Virginia	+.20	+.25	+.25	+.35
<u>Group 7</u>	A1	AA-	Massachusetts	+.30	+.45	+.40	+.50
	A1	AA-	New Hampshire*	+.30	+.45	+.40	+.50
<u>Group 8</u>	A1	AA	Oregon	+.45	+.60	+.70	+.55
	A	A+	Pennsylvania	+.30	+.50	+.50	+.55
<u>Group 9</u>	A	AA-	Washington	+.50	+.75	+.80	+.80
<u>Group 10</u>	Baal	A+	Michigan	+.75	+1.00	+1.00	+1.10
<u>Group 11</u>	Baal	A	Puerto Rico	+1.25	+1.40	+1.30	+1.15

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Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
A/O 1/5/83

	Moody's	S&P		5 Years	10 Years	15 Years	20 Years
<u>Group 1</u>	Aaa	AA	Georgia	-.10	-.10	-.15	-.15
	Aa	AA	Idaho*	-.10	-.10	-.15	-.15
	Aaa	AAA	Missouri*	-.10	-.10	-.15	-.15
	Aa1	AA	Montana*	-.10	-.10	-.15	-.15
	Aaa	AAA	North Carolina	-.10	-.10	-.15	-.15
	Aa	AA	North Dakota*	-.10	-.10	-.15	-.15
	Aaa	NR	Oklahoma*	-.10	-.10	-.15	-.15
	Aaa	AAA	South Carolina	-.10	-.10	-.15	-.15
	Aaa	AA+	Tennessee*	-.10	-.10	-.15	-.15
	Aaa	AAA	Texas*	-.10	-.10	-.15	-.15
	Aaa	AAA	Utah*	-.10	-.10	-.15	-.15
	Aaa	AAA	Virginia*	-.10	-.10	-.15	-.15
<u>Group 2</u>							
<u>(BASE GROUP)</u>	Aaa	AAA	Maryland	6.30%	7.50%	8.50%	8.75%
	Aaa	AAA	New Jersey	6.30	7.50	8.50	8.75
<u>Group 3</u>	Aa	AA	Alabama*	+.10	+.10	+.10	+.10
	Aa	AA	Kentucky	+.10	+.10	+.10	+.10
	Aa	AA	Louisiana*	+.10	+.10	+.10	+.10
	Aa	AA-	Mississippi*	+.10	+.10	+.10	+.10
	Aa1	AA	New Mexico*	+.10	+.10	+.10	+.10
<u>Group 4</u>	Aa	AA-	Alaska	+.20	+.20	+.20	+.20
	Aa	AA+	California	+.20	+.20	+.20	+.20
	Aa	AA	Florida	+.20	+.20	+.20	+.20
	Aaa	AAA	Illinois	+.20	+.20	+.20	+.20
	Aa1	AAA	Maine	+.20	+.20	+.20	+.20
	Aa	AA	Minnesota*	+.20	+.20	+.20	+.20
	Aa	AA	Nevada	+.20	+.20	+.20	+.20
	Aa	AA+	Wisconsin	+.20	+.20	+.20	+.20
<u>Group 5</u>	Aa	AA-	Connecticut	+.25	+.30	+.35	+.35
	Aa	AA	Delaware	+.25	+.30	+.35	+.35
	Aa	AA	Hawaii	+.25	+.30	+.35	+.35
	Aa	AA	Ohio	+.25	+.30	+.35	+.35
	Aa	AA-	Rhode Island	+.25	+.30	+.35	+.35
	Aa	NR	Vermont	+.25	+.30	+.35	+.35
	A1	AA+	West Virginia	+.25	+.30	+.35	+.35
<u>Group 6</u>	A1	NR	New Hampshire*	+.40	+.40	+.50	+.65
	A1	AA	Oregon	+.50	+.50	+.50	+.65
<u>Group 7</u>	A	A+	Pennsylvania	+.40	+.40	+.50	+.75
<u>Group 8</u>	A1	AA-	Massachusetts	+.50	+.50	+.60	+.85
	A	AA-	Washington	+.50	+.50	+.60	+.85
<u>Group 9</u>	A	A+	New York	+1.95	+1.40	+1.00	+1.00
<u>Group 10</u>	Baa1	A+	Michigan	+1.00	+1.10	+1.20	+1.25
<u>Group 11</u>	Baa1	A	Puerto Rico	+2.70	+3.25	+2.50	+2.50

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*** NR = not reviewed.

**** State comparative trading relationships are subject to change at any moment due to extreme market volatility and heavy supply of new issue state general obligation debt in the primary market.

Marilyn Madden
Sr. Fixed Income Analyst
Fixed Income Research Department

Merrill Lynch
State General Obligation Bonds
Comparative Value Trading Chart
4/0 1/5/82

	Moody's	S&P	Merrill Lynch Trading Equivalent		5 Years	10 Years	15 Years	20 Years
<u>Group 1</u>								
	Aa	Aa	NR	Idaho*	-.10	-.15	-.20	-.20
	Aaa	AAA	High-Range Triple A	Missouri*	-.10	-.15	-.20	-.20
	Aa1	AA	Low-Range Triple A	Montana*	-.10	-.15	-.20	-.20
	Aaa	AAA	Mid-Range Triple A	North Carolina*	-.10	-.15	-.20	-.20
	Aaa	NR	NR	North Dakota*	-.10	-.15	-.20	-.20
	Aaa	NR	NR	Oklahoma*	-.10	-.15	-.20	-.20
	Aaa	AAA	High-Range Triple A	Texas*	-.10	-.15	-.20	-.20
	Aaa	AAA	Mid-Range Triple A	Utah*	-.10	-.15	-.20	-.20
	Aaa	AAA	High-Range Triple A	Virginia*	-.10	-.15	-.20	-.20
<u>Group 2</u>								
	Aa	AA	NR	Alabama*	-.05	-.05	-.10	-.10
	Aaa	AA	NR	Georgia	-.05	-.05	-.10	-.10
	Aa	AA	NR	Kentucky*	-.05	-.05	-.10	-.10
	Aa	AA	NR	New Mexico*	-.05	-.05	-.10	-.10
	Aaa	AAA	High-Range Double A	South Carolina*	-.05	-.05	-.10	-.10
	Aaa	AA+	NR	Tennessee*	-.05	-.05	-.10	-.10
<u>Group 3</u> (BASE GROUP)								
	Aa	AA	Mid-Range Double A	Louisiana*	10.00%	11.10%	11.90%	12.30%
	Aaa	AAA	High-Range Double A	Maryland	10.00	11.10	11.90	12.30
	Aaa	AA+	Mid-Range Double A	Minnesota*	10.00	11.10	11.90	12.30
	Aa	AA-	Mid-Range Double A	Mississippi*	10.00	11.10	11.90	12.30
	Aaa	NR	High-Range Double A	New Hampshire*	10.00	11.10	11.90	12.30
	Aaa	AAA	NR	New Jersey	10.00	11.10	11.90	12.30
	Aaa	AA+	High-Range Double A	Wisconsin	10.00	11.10	11.90	12.30
<u>Group 4</u>	Aaa	AAA	Mid-Range Double A	Illinois	+.10	+.10	+.10	+.10
<u>Group 5</u>								
	Aa	AA-	Mid-Range Double A	Alaska	+.10	+.10	+.15	+.15
	Aa	AA+	Low-Range Double A	California	+.10	+.10	+.15	+.15
<u>Group 6</u>								
	Aa	AAA	High-Range Double A	Maine	+.10	+.15	+.20	+.20
	Aa	AA	Mid-Range "Aa/AA"	Nevada	+.10	+.15	+.20	+.20
	Aa	AA+	NR	Ohio	+.15	+.15	+.20	+.20
	Aa	AA	NR	Rhode Island	+.10	+.15	+.20	+.20
	Aa	Nh	Low-Range Double A	Vermont	+.10	+.15	+.20	+.20
<u>Group 7</u>	A1	AA+	Low-Range Double A	West Virginia	+.15	+.15	+.20	+.30
<u>Group 8</u>								
	Aa	AA-	High-Range "A1/A+"	Connecticut	+.20	+.20	+.30	+.40
	Aa	AA	Low-Range Triple A	Florida	+.10	+.15	+.25	+.40
<u>Group 9</u>								
	A	AA-	Mid-Range "A1/A+"	New York	+.15	+.15	+.20	+.45
	Aa	AA	High-Range Double A	Oregon	+.20	+.30	+.40	+.45
<u>Group 10</u>								
	A1	AA	High-Range Single A	Delaware	+.40	+.60	+.60	+.70
	Aa	AA	Mid-Range "A1/A+"	Hawaii	+.40	+.60	+.60	+.70
<u>Group 11</u>								
	A	A+	Low-Range "A1/A+"	Pennsylvania	+.60	+.65	+.65	+.85
	A1	AA	High-Range "A1/A+"	Washington	+.60	+.65	+.65	+.85
<u>Group 12</u>								
	A1	AA-	Low-Range "A1/A+"	Massachusetts	+.75	+.75	+.75	+1.00
	A	A+	Mid-Range "Baal/BBB+"	Michigan	+.75	+.75	+.75	+1.00
<u>Group 13</u>	Baal	A	Mid-Range "Baal/BBB+"	Puerto Rico	+2.00	+3.15	+2.60	+2.20

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Marilyn Madden
 Sr. Fixed Income Analyst
 Fixed Income Research Department

Alex J. Marcinkiewicz
 Asst. Vice President
 Municipal Bond Department

Introduced: 1/27/86
Referred: House Special Committee on
State Loans, Judiciary and Finance

(LAWSON)
(TOWNSEND) A.S.H.A.
WILLIAMSON
DE REAL ESTATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 519

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to public finance; and providing for
an effective date."

7

8

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

9

* Section 1. AS 14.40.040 is amended to read:

10

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is

11

created and established a corporation to be called the University of

12

Alaska. It may in that name

13

(1) sue and be sued;

14

(2) receive and hold real and personal property;

15

(3) contract and be contracted with;

16

(4) adopt, use and alter a corporate seal;

17

(5) borrow money, issue debt, or enter into long-term obli-

18

gations for the purchase of facilities, goods, or services, which

19

obligations secure, in whole or in part, debt issued by another party,

20

as approved by the state bond committee under AS 37.15.770;

21

(6) do and have done all matters necessary for the purpose

22

of any functions set forth in this chapter.

23

* Sec. 2. AS 14.40 is amended by adding a new section to read:

24

Sec. 14.40.255. LEASE-FINANCING. The Board of Regents may enter

25

into lease-financing agreements only with the Alaska State Housing

26

Authority acting as the Alaska State Building Authority. A lease-

27

financing agreement must provide that lease payments are subject to

28

annual appropriation. If the board intends to enter into an agreement

29

under this subsection, the board shall provide notice to the

1 legislature and to the state bond committee. The notice must include
2 the anticipated annual lease payment and the anticipated principal
3 amount of the debt to be issued by the Alaska State Housing Authority
4 acting as the Alaska State Building Authority. The board may not
5 enter into an agreement under this section until the state bond com-
6 mittee has approved the proposal for the issuance of debt under
7 AS 37.15.770.

8 * Sec. 3. AS 18.55.100(a)(15) is amended to read:

9 (15) acting as the Alaska State Building Authority arrange
10 or contract for the financing or [, DESIGN, CONSTRUCTION AND] acquisi-
11 tion of public buildings designed by, constructed by, or whose acqui-
12 sition has been approved by the Department of Transportation and
13 Public Facilities for lease to the state in accordance with AS 18.55.-
14 010 -- 18.55.290 and AS 37.15.770.

15 * Sec. 4. AS 18.55.140 is amended to read:

16 Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS.

17 (a) The authority may issue bonds and notes from time to time in its
18 discretion for any of its corporate purposes and may issue refunding
19 bonds for the purpose of paying or retiring bonds previously issued by
20 it. The authority may not issue bonds for public buildings until the
21 state bond committee has approved the proposal for the issuance of
22 debt under AS 37.15.770.

23 (b) Bonds issued by the authority for public buildings must be
24 issued in the name of the Alaska State Building Authority and are
25 subject to AS 18.55.010 -- 18.55.290.

26 * Sec. 5. AS 18.55.288 is amended to read:

27 Sec. 18.55.288. DEFINITIONS. In AS 18.55.010 -- 18.55.290[:]

28 (1) "authority" means the Alaska State Housing Authority;

29 (2) "bond" means any bond, note, interim certificate,

1 debenture, or other obligation issued by the authority or the author-
2 ity acting as the Alaska State Building Authority under AS 18.55.-
3 010 -- 18.55.290 ["PUBLIC BUILDINGS" MEANS A PUBLICLY OWNED STRUCTURE
4 LEASED TO THE STATE FOR GOVERNMENTAL, PUBLIC OR EDUCATIONAL USE];

5 (3) "project site" means area devoted for a public housing
6 project;

7 (4) "public buildings" means a publicly owned structure
8 leased to the state for governmental, public, or educational use.

9 * Sec. 6. AS 22.05.025 is amended to read:

10 Sec. 22.05.025. COURT FACILITIES. (a) The supreme court has
11 authority over all matters relating to the planning, design, construc-
12 tion, maintenance, occupancy, leasing, and operation of all court
13 facilities and shall cooperate and coordinate with the Department of
14 Transportation and Public Facilities so that court facility construc-
15 tion projects are carried out in accordance with the statutes and
16 regulations applicable to state public works projects.

17 (b) The supreme court may enter into lease-financing agreements
18 only with the Alaska State Housing Authority acting as the Alaska
19 State Building Authority. A lease-financing agreement must provide
20 that lease payments are subject to annual appropriation. If the
21 supreme court intends to enter into an agreement under this subsec-
22 tion, the supreme court shall provide notice to the legislature and to
23 the state bond committee. The notice must include the anticipated
24 annual lease payment and the anticipated principal amount of the debt
25 to be issued by the Alaska State Housing Authority acting as the
26 Alaska State Building Authority. The supreme court may not enter into
27 an agreement under this subsection until the state bond committee has
28 approved the proposal for the issuance of debt under AS 37.15.770.

29 (c) In this section, "court facility" means a state facility in

1 which 75 percent or more of the net usable space is occupied by the
2 court system and other justice-related agencies.

3 * Sec. 7. AS 24.23 is amended by adding a new article to read:

4 ARTICLE 2. LEASE AGREEMENTS.

5 Sec. 24.23.100. LEASE OF SPACE. The Legislative Affairs Agency
6 may lease necessary office space, and contract for the lease of space,
7 for the use of the Alaska legislature and its employees. The Legisla-
8 tive Affairs Agency shall adopt regulations that establish procedures
9 for the lease of space which are substantially comparable to the pro-
10 cedures under AS 37.05.280 governing the lease of space for state
11 agencies.

12 Sec. 24.23.110. The Legislative Affairs Agency may enter into
13 lease-financing agreements only with the Alaska State Housing Author-
14 ity acting as the Alaska State Building Authority. A lease-financing
15 agreement must provide that lease payments are subject to annual
16 appropriation. If the agency intends to enter into an agreement under
17 this subsection, the agency must provide notice to the legislature and
18 to the state bond committee. The notice must include the anticipated
19 annual lease payment and the anticipated principal amount of the debt
20 to be issued by the Alaska State Housing Authority acting as the
21 Alaska State Building Authority. The agency may not enter into an
22 agreement under this section until the state bond committee has ap-
23 proved the proposal for the issuance of debt under AS 37.15.770.

24 * Sec. 8. AS 37.05.280 is amended to read:

25 Sec. 37.05.280. LEASES. (a) The department shall lease neces-
26 sary space, and contract for the lease of space, for the use of the
27 state or an agency of the state, wherever it is necessary and feasi-
28 ble, subject to compliance with the requirements of AS 37.05.220 --
29 37.05.280. No lease or contract for a lease may provide for a period

1 of occupancy greater than 40 years. An agency of the state requiring
2 office, warehouse, or other space shall lease the space through the
3 department. [NO CONTRACT OR LEASE EXECUTED AFTER JANUARY 1, 1966,
4 WHICH PROVIDES FOR A PAYMENT OR PAYMENTS BY THE STATE IN EXCESS OF
5 \$12,000 ANNUALLY IS VALID UNLESS THE USE OF THE SPACE TO BE PROVIDED
6 FOR BY SUCH CONTRACT OR LEASE HAS BEEN EXPRESSLY APPROVED BY THE
7 LEGISLATURE BY CONCURRENT RESOLUTION.]

8 (b) The department may enter into lease-financing agreements
9 only with the Alaska State Housing Authority acting as the Alaska
10 State Building Authority. A lease-financing agreement must provide
11 that lease payments are subject to annual appropriation. If the de-
12 partment intends to enter into an agreement under this subsection, the
13 department shall provide notice to the legislature and to the state
14 bond committee. The notice must include the anticipated annual lease
15 payment and the anticipated principal amount of the debt to be issued
16 by the Alaska State Housing Authority acting as the Alaska State
17 Building Authority. The department may not enter into an agreement
18 under this subsection until the state bond committee has approved the
19 proposal for the issuance of debt under AS 37.15.770.

20 * Sec. 9. AS 37.15.040 is amended to read:

21 Sec. 37.15.040. SALE OF BONDS. Before selling an issue or
22 series of bonds, the state bond committee shall give notice inviting
23 sealed bids in such manner as it may prescribe. If satisfactory bids
24 are received, the bonds offered for sale shall be awarded to the
25 highest responsible bidder or bidders. If the state bond committee
26 determines that the bids received are not satisfactory as to price or
27 responsibility of the bidders, it may reject all bids received.

28 * Sec. 10. AS 37.15.110 is amended to read:

29 Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE.

1 There is created within the Department of Revenue a committee known as
2 the "state bond committee," the members of which are the commissioner
3 of commerce and economic development, the commissioner of administra-
4 tion, and the commissioner of revenue. If a member of the committee
5 is absent or otherwise unable to act, the member's designee [IN THE
6 DEPARTMENT] shall act as a member of the committee in the member's
7 place.

8 * Sec. 11. AS 37.15.130 is amended to read:

9 Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. The commis-
10 sioner of commerce and economic development is the chairman of the
11 state bond committee and the commissioner of revenue is the secretary.
12 A majority of the members of the committee constitute a quorum. The
13 committee shall keep a full, complete, and permanent record of its
14 proceedings. All records and correspondence of the committee must
15 [SHALL] be kept in the office of the commissioner of revenue. For the
16 purpose of this chapter and AS 44.62.310, public notice of 24 hours or
17 more is adequate notice of a meeting of the committee at which the
18 issuance of bonds is authorized.

19 * Sec. 12. AS 37.15.140 is amended to read:

20 Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state
21 bond committee shall adopt the resolution and prepare the documents
22 necessary for the issuance, sale, and delivery of state general obli-
23 gation bonds.

24 (b) The state bond committee shall prepare an annual report to
25 be submitted to the governor and legislature before March 31 of each
26 year. The report must show (1) all outstanding debt of debt-issuing
27 entities of the state; (2) the anticipated effect on the finances and
28 credit of the state, including the effect on long-term debt capacity
29 and creditworthiness, resulting from that debt; (3) which long-term

1 debt is state supported and which is supported only by revenue attri-
2 butable to the project being financed by the debt; (4) all long-term
3 capital lease obligations of the state; (5) the volume of short-term
4 debt issued and retired during the year by debt-issuing entities of
5 the state; (6) specific identification of each issue for which the
6 state has pledged some form of indirect support for the debt, includ-
7 ing any moral obligation of the state to support the debt; (7) future
8 bonding and debt capacity implications of legislation enacted in the
9 previous legislative session; and (8) the recommended debt issuance
10 capacity of the state for the next two years following the year of the
11 report.

12 (c) The state bond committee may develop written policies con-
13 cerning debt of the state.

14 * Sec. 13. AS 37.15.150 is amended to read:

15 Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SER-
16 VICES. The state bond committee may appoint an executive director who
17 may, with approval of the committee, select and employ additional
18 staff as necessary. Employees of the committee are in the partially
19 exempt service under AS 39.25.120. If the [STATE BOND] committee
20 considers it necessary and advisable, it may procure architectural or
21 engineering, fiscal agent or municipal investment, legal, and other
22 expert or specialized services at reasonable and customary fees to
23 assist it in accomplishing the most advantageous sale of the bonds.
24 The fees may be paid from the proceeds of the sale or advanced from
25 the contingency fund in the Office [OFFICE] of the Governor [GOVERNOR]
26 or otherwise.

27 * Sec. 14. AS 37.15.450(a) is amended to read:

28 (a) The bonds shall be sold in such amounts or series and at
29 such time or times as determined by the committee. Before selling a

1 series of bonds, the committee shall give notice inviting sealed bids
2 in such manner as it may prescribe. If satisfactory bids are re-
3 ceived, the bonds offered for sale must [SHALL] be awarded to the
4 highest responsible bidder or bidders. If the committee determines
5 that the bids received are not satisfactory as to price or respon-
6 sibility of the bidders, it may reject all bids received. The bonds,
7 or each series of them, must [SHALL] be sold at such a price so that
8 the effective interest rate over the life of the bonds does not exceed
9 11 percent per year or that rate of interest which is 125 percent of
10 the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields
11 for the week previous to the date of sale of the bonds, whichever is
12 higher. Interest must [SHALL] be payable annually or semiannually.

13 * Sec. 15. AS 37.15 is amended by adding a new article to read:

14 ARTICLE 5. STATE-SUPPORTED DEBT.

15 Sec. 37.15.770. STATE AGENCY DEBT. (a) The state bond commit-
16 tee shall review proposals for the issuance of debt by or on behalf of

17 (1) the Alaska State Housing Authority acting as the Alaska
18 State Building Authority for the purpose of providing public build-
19 ings; and

20 (2) the University of Alaska.

21 (b) The committee may review the general programs and financing
22 plans of the agency that proposes to issue the debt as well as the
23 specific aspects of the proposed debt issue, including

24 (1) amounts;

25 (2) times;

26 (3) maturities;

27 (4) debt structure and security features;

28 (5) credit enhancements;

29 (6) use of proceeds;

1 (7) official documents;
2 (8) planned rating agency presentations; and
3 (9) selection, retention, or compensation of financial
4 advisors, bond counsel, trustees, underwriters, and other profession-
5 als.

6 (c) The state bond committee shall consider approval of the
7 amount and time of sale of the debt. The committee shall approve the
8 issuance of the debt if, in its judgment, issuance of the debt is in
9 the best interests of the state. The committee may limit approval of
10 the issuance of debt upon compliance with terms established by the
11 committee.

12 (d) At the time of sale of the debt, the state bond committee
13 shall review the bids or pricing of the debt, including discounts,
14 underwriting spreads, and interest rates. If the committee determines
15 that the bids or prices are not satisfactory or that the bidders are
16 not responsible, the agency may not sell the debt.

17 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the
18 state bond committee, in its judgment, determines that the amount or
19 retirement of debt issued by municipalities and subject to reimburse-
20 ment by the state under AS 14.11.100 is not in the best interests of
21 the state, the committee may

22 (1) establish an amount or amounts, for any or all years
23 before the maturity of all of that municipal debt, which may not be
24 exceeded by the Department of Education in approving requests under
25 AS 14.11.103; or

26 (2) establish, under AS 14.11.100(j)(3), a term required
27 for the maturities of municipal debt authorized by local voters after
28 March 31, 1986.

29 * Sec. 16. AS 39.25.120(c) is amended by adding a new paragraph to

1 read:

2 (19) employees of the state bond committee.

3 * Sec. 17. This Act takes effect immediately in accordance with AS 01.-

4 10.070(c).

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February 3, 1986

Representative John Sund
Alaska State Legislature
Pouch V (MS3100)
Juneau, Alaska 99811

Re: House Bill No. 521

Dear Representative Sund:

In case I cannot testify at your Loans Committee hearing on House Bill 521, I would like to submit this letter in the record to point out some of the technical deficiencies in this Bill.

The Bill creates a limit on municipal general obligation bonded debt. The limit created is that general obligation bonded debt cannot exceed 7% of the full property value of the municipality as determined by the Department of Community and Regional Affairs under AS 14.17.140. Exceptions are refunding bonds or self-supporting debt even though such debt may also be general obligation debt of the municipality.

For the purposes of this letter and for your hearing record this week, I call to your attention the following shortcomings of House Bill 519:

1. It is generally conceded that "authorization" debt limits are more efficient and effective than the "issuance" debt limit proposed here. An authorization debt limit provides that the authorizing document may not finally be adopted if the debt authorized would cause debt to exceed a certain percentage of assessed valuation. This is desirable to permit effective and efficient planning of municipal improvements so that expenditures may be made with assurances that they will be bond funded.

REMANCUN 6

Representative John Sund
February 3, 1986
Page 2.

2. In common with other States the New Jersey Local Bond Law (NJSA 40:A) provides for an average of assessed valuation over the last three years. Under House Bill 519 the debt limit may change annually and perhaps suddenly when the Department of Community and Regional Affairs makes its AS 14.17.140 determination. An average figure of two or more years is suggested.

3. The attempt to provide for the overlapping indebtedness situation in section 2(b) is defective. This provision will not work as an independent municipality cannot share the debt limit of another municipality. Conceivably each will be pitted in a race against each other to exhaust the authorized indebtedness limitation which applies to both.

4. Many debt limit provisions have a list of exceptions which would permit indebtedness raised to meet the effects of a natural disaster or to prevent a menace to public health as well as for refund purposes or when the debt is "self-liquidating". Despite the fact that other legislation introduced expands the power of the State Bond Committee, this Bill fails to permit exceptions to the debt limit for cases of public emergency upon the approval of any official body or person.

#521 (1%)

5. The bill does not define "bond" and we are left to speculate whether or not short-term notes including revenue anticipation notes are included within the overall limit.

6. The Bill does not specify the extent to which it controls home rule municipalities, if at all.

7. Finally the Bill should have an effective date as of July 1 or October 1 so that public bond issuing planning can proceed without being impeded.

PASSAGE - CERTAIN

Very truly yours,

Eric E. Wohlforth

Eric E. Wohlforth

*REVENUE -
(ADMINISTRATION)
STATE DEBT LIMIT*

EEW/val

HB-521

DRAFTING

DEBT-LIMIT BILL

Debt Outstanding

<u>Years Ended June 30</u>	<u>Alaska G.O. Debt</u>	<u>University of Alaska</u>	<u>ASHA</u>	<u>Certificates of Participation ^{1/}</u>	<u>Total</u>
1977	\$530,008,000	\$19,246,000	\$93,190,000	\$	\$ 642,444,000
1978	596,213,000	18,605,000	88,575,000		703,393,000
1979	670,503,000	17,893,000	83,730,000		772,126,000
1980	573,186,000	22,251,000	78,550,000		673,987,000
1981	701,178,000	21,363,000	73,015,000		795,556,000
1982	842,413,000	20,305,000	67,125,000		929,843,000
1983	946,183,000	19,191,000	60,985,000		1,026,359,000
1984	924,008,000	18,316,000	54,440,000		996,764,000
1985	846,008,000	17,396,000	47,470,000	6,000,000	916,874,000
1986	738,148,000	16,660,000	40,055,000	51,265,000	846,128,000

¹ Seward Student Service Center and Spring Creek Correctional Center.