

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

9045 SENATE STATE AFFAIRS

SB

203

ENATE COMMITTEE REI RT

First Committee of Referral

FURTHER: Finance

DATE: 1/8/96

Date of 5-Day Notice: 3/21/96
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/19/96

The State Affairs Committee considered SENATE BILL NO. 203

"An Act establishing the Legislative Task Force on Recycling Industries Development in Alaska; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR* _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
CHAIR: <i>[Signature]</i>	✓				

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
LAA	3/26		9.5
C&ED	3/27	✓	
DOT/PE	3/21	✓	
DEL	3/26	✓	
Gov. - Admin Sv	3/21	✓	
Corrections	3/22	✓	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

NO. _____
BILL VERSION: SB203
PUBLISHED DATE: _____

Revision Date: _____
Title: "An Act establishing the Legislative Task Force on Recycling Industries Development..."
Sponsor: Senator Duncan
Requestor: Senate State Affairs

Department Affected: Legislative Affairs Agency
BRU: Legislative Operating Budget Council and Subcommittees
Component: Legislative Operating Budget Council and Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	5.0	5.0	5.0	0	0	0
CONTRACTUAL	4.5	4.5	4.5	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	9.5	9.5	9.5	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	9.5	9.5	9.5	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	9.5	9.5	9.5	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

SB 203 establishes the Legislative Task Force on Recycling Industries Development in Alaska. It is anticipated that the 13 member Task Force will conduct meetings, 3 of which will require travel, to study the recycling industry in Alaska. The Task Force will prepare 3 separate reports. The three reports are due March 1, 1997, January 1, 1998, and January 1, 1999.

Prepared By: Karla Schofield, Deputy Director
Division: Administrative Services

Karla Schofield

Phone: 465-3852
Date: 3/26/96

Approved By: Pamela A. Venti, Executive Director
Agency: Legislative Affairs Agency

Pamela A. Venti

Date: 3/26/96

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies).

Personal Services

**Per Year
FY 97,98,99**

The cost for 1 staff person to support the task force will be absorbed within existing Legislative budgets.

0.0

Travel

It is anticipated that meetings of the Task Force will be audio teleconferenced. It will be necessary for the Task Force to travel once a year to Anchorage. Travel costs for the 4 members from the Executive Branch will be absorbed within Executive Branch Department budgets. Travel for the 2 Legislative members of the Task Force will be absorbed within existing Legislative budgets.

Travel for the 7 public members of the Task Force:

5.0

Contractual

Phones	2.5	
Postage	1.0	
Advertising	<u>1.0</u>	
	4.5	

4.5

Cost of audio teleconferencing meetings, printing reports and office space will be absorbed within existing Legislative budgets.

0.0

Supplies & Equipment

Costs of supplies and equipments will be absorbed within existing budgets.

0.0

9.5

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 203

Revision Date: _____
 Title: An Act establishing a task force on recycling
industries
 Sponsor: Senators Duncan & Ellis
 Requestor: Senate State Affairs

Department: Commerce and Economic Development
 BRU: Various
 Component: Various

COMPONENT SERIAL NO. _____

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL	00	00	00	00	00	00
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES						
--------------------	--	--	--	--	--	--

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund	00	00	00	00	00	00
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	00	00	00	00	00	00

Estimate of any current year (FY 96) cost: \$ 00

POSITIONS	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Guy Bell, Director
 Division: Division of Administrative Services
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: (907) 465-2500
 Date: March 27, 1996
 Date: 3-27-96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. S.B. 203

Revision Date: March 21, 1996 Dept. Affected: DOT&PF
 Title: An Act establishing the Legislative Task Force on BRU: Engineering and Operations
Recycling Industries in Alaska Component: Engineering and Operations
 Sponsor: Senator Duncan
 Requester: Senate State Affairs COMPONENT SERIAL NO. #547

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Given that the task force will be using available information, can hire employees to provide administrative services and that DOT&PF will most likely not play a major role on the task force beyond supplying its own experience and expertise plus reviewing reports, we feel the department's fiscal costs will be minimal.

Prepared by: Nate Johnson/Loren Rasmussen, B.E. Acting Director Phone: 465-2980
 Division: Engineering and Operations Date: 3/21/96
 Approved by: Joseph L. Perkins Date: 3/21/96
 Agency: Department of Transportation and Public Facilities

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 203

Revision Date: _____ Dept. Affected: Office of the Governor
 Title: "An Act establishing the Legislative Task Force
on Recycling Industries Development in Alaska;...." BRU: Executive Operations
 Sponsor: Senators Duncan, Ellis Component: Executive Office
 Requester: Senate State Affairs COMPONENT SERIAL NO. 6

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: Michael A. Nizich, Director
 Division: Division of Administrative Services
 Approved by Commissioner: Jim Ayers, Chief of Staff
 Agency: Office of the Governor

Phone: 465-3876
 Date: 3/21/96
 Date: 3/21/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 203

Revision Date: _____ Dept. Affected: Department of Corrections
 Title: "An Act establishing the Legislative Task Force
on Recycling Industries Development in Alaska..." BRU: All
 Sponsor: Senator Duncan Component: _____
 Requester: Senate State Affairs COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: 3 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill develops a task force on recycling industries development, which is composed of thirteen (13) members. Section 2 (d)(4) states that one of the thirteen members is to be a representative from the Department of Corrections, who is knowledgeable about the state's correctional industries.

The Department of Corrections can absorb the anticipated time and cost necessary for a staff member to participate in the duties of the recycling industries development task force.

Prepared by: Jerry Shriner Phone: 465-4652
 Division: Office of the Commissioner Date: 3/22/96
 Approved by Commissioner: Margaret H. Puck Date: 3/22/96
 Agency: Department of Corrections

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ALASKA CENTER *for the* ENVIRONMENT

519 West 8th Avenue, Suite 201 • Anchorage, Alaska 99501
(907) 274-3621 • fax: 274-8733

April 11, 1996

Senator Bert Sharp, Chair
State Affairs Committee
State Capitol
Juneau, AK 99801-1182

Dear Senator Sharp and members of the State Affairs Committee:

The Alaska Center for the Environment, representing a membership of 1800, supports Senate Bill 203 to establish a Legislative Task Force on Recycling Industries Development. We'd also like to recognize and thank Senator Duncan for his vision on the importance of recycling in our state.

Developing recycling industries is an opportunity to diversify Alaska's economic base and benefit our environment. According to a US Environmental Protection Agency report prepared by the Institute for Local Self-Reliance on the manufacturing of recyclables, the advantages are many. These include:

- 1) reducing our dependence on landfill and incinerator facilities,
- 2) offering communities local economic development potential, with manufacturing holding a majority of the economic pay-off of the entire recycling process,
- 3) providing jobs and revenue to recycling collection, processing, and manufacturing,
- 4) requiring less energy, water, and natural resources, than their virgin-based counterparts as well as creating less solid waste, air and water pollution.

As you may already know, Alaskans recycle only 7.5% of our solid waste which falls remarkably short of the national average of 22%. With a commitment to promote in-state markets, this will undoubtedly increase. Recycled materials such as aluminum, newspaper and even grass clippings are not trash at all, but a valuable resource just waiting to be used. Through the years communities that have recycling programs have been able to divert millions of tons of resources from disposal. By developing markets locally value is added to a resource at every point along the recycling loop, and it is to the advantage of these communities to add as much of that value as possible within its borders.

There are already some projects going on in Alaska that would benefit from SB203. For instance, there is the Anchorage Regional Composting Facility which turns yard waste into a rich garden soil. The Alaska Center for Appropriate Technology is producing a prototype of a medium density fiberboard. This building product is in high demand worldwide and uses about 90% waste paper and a mix of virgin wood fiber and recovered wood from pallets and construction debris. They would like to build a production plant in the Mat-Su Valley.

The time has come for Alaska to support innovative ways to recycle, conserve our resources, and spur economic growth. I hope all of you have the vision of Senator Duncan and many others in the state to support SB203 and other efforts to recycle.

Sincerely,

Holly Kane

Holly Kane
Green Star Technical Coordinator

ALASKA TIRE RECYCLING, INC.



P.O. Box 221802
Anchorage, Alaska 99522-1802
(907) 344-1668

Senator Jim Duncan
State Capital
Desk 1180
Juneau, Alaska 99811

Attention: Mrs. Roxanne Stewart

RE: Recycling of Auto/Truck Tires

Dear Roxanne,

As a follow up to our conversation by phone last week about Senator Duncan's interest in some type of possible Legislation to help Anchorage's solid waste and support of recycling, I am introducing our corporation and some concerns and information.

Alaska Tire Recycling, Inc. has started an automobile, truck and utility vehicle tire recycling center in Alaska. The company is an Alaskan Corporation and the owners, managers and employees are all residents of Alaska.

The company is actively offering the commercial and residential community of Alaska an opportunity to become involved in the recycling of waste automotive tires and enhancing the environment of Alaska.

In 1996 the company will install a recycling plant that will shred and process the tires into crumb rubber and shredded rubber. The crumb rubber will be recycled in the federal highway program as an addition to the asphalt used in highway construction and maintenance. The shredded rubber will be consumed in frost blanket material under highways and as additives to fuel in cogeneration plants.

Alaska Tire Recycling, Inc. was founded in the belief that the recycling of the waste automotive tires in Alaska will be a valuable public service, and that all Alaskan residents can and will gladly participate in.

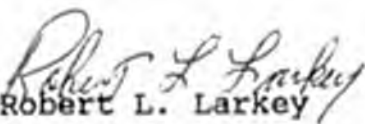
As you know, 44 of our sister states has adapted Legislation to help curb the flow of exhausted auto and truck tires that litter our landfills. This rubber is being used for many products and in highway systems. We feel it is very important to learn from our sister states before our landfills become overloaded with this waste, and better our landscape (federal excise dollars and a recyclable material). Although our landfills are needed, what we can keep out of them enhance our Beautiful State.

For example, Alaska Tire Recycling has been active for five months recovering exhausted tire from 4 major stores and some Chevron stations in Anchorage. We have taken in some 16,000 tires and have not even scratched the surface yet.

Again, we appreciate Senator Duncan's concern in this area and any assistance that we may be to your office please feel free to contact us.

Included is some information that may be of help to you.

Sincerely,


Robert L. Larkey

HOW TO RETIRE BILLIONS OF WASTE TIRES

The same qualities that keep an automobile tire rolling for thousands upon thousands of miles make disposing of worn-out tires a headache. Resilient and weatherproof, tires just don't go away. An estimated 3 billion scrap tires dot the landscape in legal and illegal dumps.

Besides being unsightly, scrap tires in dumps breed rodents and mosquitoes. They also pose a fire hazard. Tire-pile fires create a massive stew of toxic waste and are hard to extinguish. A tire fire in Virginia 10 years ago burns for nine months straight.

Nor is land filling a good solution. Tires are bulky and, with time, can work their way up out of the ground.

Some people recommend a greater use of recapped tires. Truck and airplane tires are often recapped. But for passenger cars, it's hard to be sure of handling characteristics, wear life or safety with recaps.

Now some industries are warming to the use of scrap tires as a substitute for coal. A typical automobile tire contains more energy than a gallon of gasoline, and some 20 percent more energy per pound than coal. And tires burn cleaner than most grades of coal.

One of the most ambitious applications is a 30-megawatt power plant in Sterling Conn., which burns whole tires to make electricity. As the tires burn, at close to 3,000 degrees Fahrenheit, the heat destroys most organic pollutants. Fly-ash is filtered out and sold (as a zinc-rich additive to animal feed), as are tons of steel slag from the tires' steel belts. Sophisticated emissions controls minimize the impact on the environment. And the plant gets paid up to \$60 per ton to accept the tires, making for some compelling economics.

About 14 million tires each year find their way to pulp and paper mills, where they're added to wood waste and burned to make steam. The rubber makes the wood waste burn hotter and cleaner.

In cement kilns, substituting tires for coal can save up to 90 percent of fuel costs. Since the two main waste products, iron oxide and ash, are normal additives in cement, having them "free" is a nice dividend.

Rubber roadways? While rubberized asphalt costs 15 or 20 percent more initially, it should last longer than normal blacktop. In the most widely used process, a little rubber is added to the asphalt "binder."

ALASKA TIRE RECYCLING, INC.

Post Office Box 221802

Anchorage, Alaska 99522-1802

Telephone (907) 344-1668

Alaska Tire Recycling Inc.

THE FUTURE

Waste Pollution Shrinking resources Vanishing species. All issues of great concern. We worry, for future generations even more that for ourselves. Yet not many of us will ever have a truly significant opportunity to better the world our children and grandchildren will inherit. Our personal efforts at recycling, as wholehearted as they may be, exert a minimal influence at best.

Now there is a real opportunity. A chance to make a decision with immediate and positive environmental impact. A chance to reclaim resources, to reduce adverse effects on the environment...even to create a new revenue source.

Today's car and truck tires are virtually indestructible. Every year, we discard millions of them...but only because the treads are worn. All the other component parts are still usable. The challenge is not to dispose of used tires in less harmful ways, but to reclaim them for the valuable resources they are.

Already, there are proven uses for recycled tires. Paper cement and other industries show good track records with tire derived fuel. Rubber asphalt paving systems are safer and more durable. Rubber chips in sewage composting work better and cost less than wood. Light aggregates including rubber chips are showing up on construction sites, play-grounds and equestrian arenas. Other applications include molded products, rubber and plastic compounds mats, carpet tiles and more, Much more.

The potential is there. As tires wear out, there is less and less need to let the world wear out as well. Our bequest to the future can be, will be, new ways to replenish it.



SENATOR JIM DUNCAN
ALASKA STATE LEGISLATURE


Alaska State Senate

State Capitol • Room 119 • Juneau, Alaska 99801-1182 • (907) 465-4766 • Fax 465-4748

Memorandum

Date: February 23, 1996

To: Senator Bert Sharp, Chair
State Affairs Committee

From: Senator Jim Duncan 

Subject: SB 203, An Act establishing the Legislative Task Force on
Recycling Industries Development in Alaska

I request that you schedule SB 203, establishing a Legislative Task Force on Recycling Industries Development in Alaska (RID Alaska), for a hearing in the State Affairs Committee as soon as possible.

SB 203 would establish a Legislative Task Force on Recycling Industries Development in Alaska. The objective of this bill is to develop a statewide plan for in-state industrial uses for recycled materials. The late twentieth century is a time of environmental awareness. For many decades now, other states have adopted public policy to address the needs of our environment. It is time for the Alaska Legislature to adopt its own policy and look at possibilities for manufacturing with recycled products.

Integrating recycling markets and economic development is essential to the success of a state-wide recycling program. Development of such a program will likely have to originate in urban markets and branch out as the program matures.

Throughout Alaska, there are many independent, small-scale recycling programs. RID Alaska will provide a comprehensive system to unite and support these independent groups and make recycling on the whole more efficient, economically sound, and environmentally beneficial.

The RID Alaska Task Force, as designated in the text of the bill, is made up of thirteen representatives. Among these representatives there will be members of non-profit groups, businesses, and state and federal agencies. Their focus will be on what type of products can be recycled, where feasible markets for these products are located, and how much financial support, if any, is needed. In addition to research and analysis, the task force will keep the legislature informed of their progress.

RID Alaska is not just a developmental plan, it is sign of Alaska's growth as a state. I would welcome your support for this plan and request that you schedule this bill for a hearing in the State Affairs Committee as soon as possible.

Attachments

SB 203

An Overview of Objectives

Purpose: To create a task force to generate ideas and policies to facilitate successful recycling programs in the state of Alaska. The Legislative Task Force on Recycling Industries Development in Alaska (*RID Alaska*), made up of thirteen members, has the following objectives:

1. identify those products that may be recycled,
2. identify both the inside and outside markets that may use these recycled materials,
3. identify the methods by which we may develop the inside and outside markets,
4. estimate financial support for the program, and
5. report to the legislature on progress made.

End Result: To make recycling economically and environmentally feasible. The following are desirable outcomes of *RID Alaska*:

1. increased awareness of protecting our environment,
2. a stable market and economy for recycled materials,
3. community involvement in recycling programs, and
4. decreased stress on our local landfills and waste disposal programs.

DEPT. OF ENVIRONMENTAL CONSERVATION

OFFICE OF THE COMMISSIONER
410 Willoughby Ave., Suite 105
Juneau, AK 99801-1795
Internet Address: <http://www.state.ak.us/dec/home.htm>

Telephone: (907) 465-5066
Fax: (907) 465-5070

February 14, 1996

MC596 11A

The Honorable Jim Duncan
State Capitol - Room 19
Juneau, AK 99801-1182

Dear Senator Duncan:

Thank you for the opportunity to comment on Senate Bill 203, establishing a task force on recycling industries. We consider it an important step to creating and sustaining recycling industries in the state and meeting our responsibilities under AS 46.06.021. The legislation will also help educate Alaskans about the connection between jobs, recycling, and resource conservation.

One of the Department's major objectives for 1996 is to promote a 1/2 increase in recycling rates in Alaska (or ten percent (10%)). Currently, we recycle about seven and one-half percent (7.5%) of the waste generated in the state. This is well below the national average of about twenty two percent (22%). There are many reasons why our recycling rate is lower, including geographic, transportation, and other logistical obstacles. Many organizations and communities throughout the state are working together to overcome these obstacles. Senate Bill 203 would add support to these efforts and help us meet our Department objectives.

Increasing our recycling rates requires many actions such as: 1) increasing public understanding of the true costs of waste disposal; 2) making recycling more convenient for the public; 3) ensuring that recyclable material can be collected and transported to recycling markets in an affordable manner; 4) identifying end-uses for materials that are diverted from land disposal facilities; and 5) buying recycled products. Senate Bill 203 provides a path to address these steps and avoid the downfall of many recycling efforts -- failure to find and support end-use markets for waste materials collected for recycling.

Through a number of pilot initiatives (see Attachment #1) we are exploring the extent to which end-use markets can be developed in Alaska. We believe that a means to addressing some of the state's pressing solid waste management problems is, among other actions, increasing opportunities for the private sector to reprocess waste material into feedstock for existing in-state business ventures and/or new Alaska-made products. Implementation for these opportunities provides a value-added public benefit by reducing raw materials costs for business, enhancing resource conservation, and increasing the potential for creating jobs through recycling.

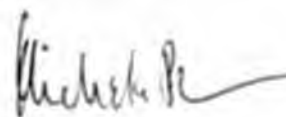
February 14, 1996

The Environmental Protection Agency reports that recycling is estimated to create almost five times as many jobs as landfilling. Jobs created by the recycling industry draw from a full spectrum of the labor market -- ranging from low-skilled jobs to highly skilled jobs. Recycling creates jobs that haul, process, and broker waste materials to employment in companies that use these materials to manufacture existing and new products. Recycling requires material sorters, truck drivers, sales representatives, engineers, and chemists. Senate Bill 203 could help the state identify potential opportunities to help stimulate economic development and create jobs while enhancing environmental quality.

Two areas that may improve the ability for the legislation to meet its goal is to consider including a representative from the Alaska Science and Technology Foundation (ASTF) on the task force and a representative of the Alaska Human Resources Investment Council (AHRIC). ASTF may be able to provide financial support and leverage private sector partners to help develop recycling industries and conduct demonstration projects. AHRIC may be able to provide for critical job training and skills development to increase employment opportunities for Alaska residents in the recycling industry sector.

Thanks again for the opportunity to comment on Senate Bill 203. Please feel free to call upon me or David Wigglesworth (907) 269-7582, who manages the Department's pollution prevention program, if we can assist you.

Sincerely,



Michele Brown
Commissioner

ATTACHMENT #1

The Department is working on a number of projects to demonstrate potential in-state markets for recycled materials.

On-going Projects:

- 1) Working with the Alaska Center for Appropriate Technology to manufacture medium density fiberboard products made from post consumer waste paper and waste wood. A fully operational facility could employ twenty people. The project team has successfully developed a prototype fiberboard product that exceeds industry standards. This summer the team will conduct a full scale production run and begin to field test the product.
- 2) Working with UniSea, Inc. and the Pollution Prevention Research Center to increase utilization of fish waste through the use of electrocoagulation technology. This technology has potential to enhance the reprocessing of fish waste back into fish meal products. A pilot test has been conducted this fall and results will be forthcoming in a final report. Initial results indicate that the technology holds promise and additional work will be done this summer.

Projects in Developments:

- 1) The Department is working with the Municipality of Anchorage and the Anchorage Recycling Center to field test the use of glass as a substitute for C-33 sand in septic filtration. Currently waste glass collected in Alaska has little or no market value. This project could begin to provide an in-state market. The project is being modeled after a similar initiative in the state of Washington.
- 2) The Department is preparing to conduct a pilot demonstration this summer which would manufacture fishing lures from waste HDPE plastic (e.g. milk jugs). This is a proven small scale manufacturing process currently operating in California and employs ten people. We are coordinating with Alaska Village Initiatives and the California-based company to conduct this project.

"EVERYTHING IN ALASKA IS BIGGER"

- WASTE GENERATION PER PERSON
 - National average of 3.5 lbs./day/person
 - Alaska average of 6.2 lbs./day/person
 - Average in Japan is 2.2 lbs.
 - Average in NW Territories is 2.5 lbs.
- 285,000 TONS OF WASTE DISPOSED IN ANCHORAGE IN 1994

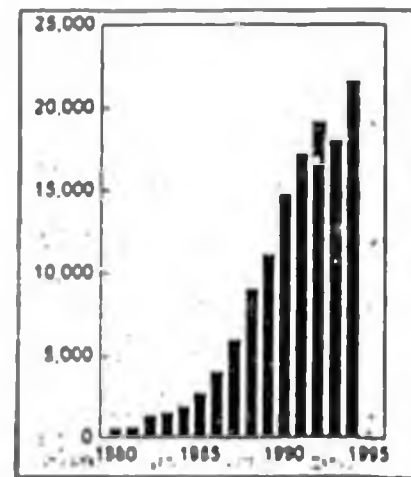
If I offered you a dollar for each pound of waste you create what would you do with it? You probably wouldn't throw it away! You'd save it! Without thinking many of us choose not to because we throw most of it away. By doing so we cannot achieve the potential savings and investment options that recycling and resource conservation offer.

Trash to Treasures II - Creating Jobs Through Recycling offers the chance for government, industry, and communities to once again join forces to increase recycling rates in the state, build markets for recycled products, and sustain these efforts in tough fiscal times. On behalf of ADEC and the Governor's Office, I am very pleased to take part in this event. I hope that the next few days are productive for all participants.

When we look back to recycling in 1980 and compare it today, it is very encouraging to observe a steady increase in the tonnage of materials recycled in southcentral Alaska. This chart shows the materials recycled by the Anchorage Recycling Center. ARC collects and/or receives materials from Anchorage, Eagle River, and some from the Mat-Su Valley, Kenai, and other locations.

MATERIALS RECYCLED BY THE ANCHORAGE RECYCLING CENTER 1980 - 1995 (IN TONS)

- Newspaper
- Cardboard
- Office paper
- Glass
- Non-ferrous metals
- Other



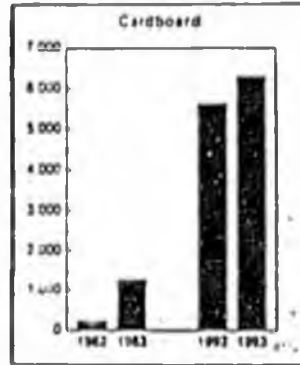
From "Trash to Treasure
II Conference: Jobs
through recycling."
AK Center for Appt. Tech
1995

STATISTICS/INFORMATION RE:
RECYCLING IN ALASKA

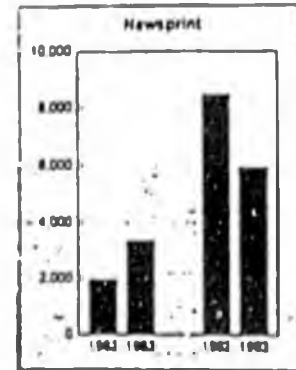
This graph shows recycling trends for specific waste types: Cardboard and Newsprint. Drop in newsprint is in part due to the closure of the Anchorage Times.

ESTIMATED RECYCLING TRENDS (Southcentral, AK)

CARDBOARD (TONS)



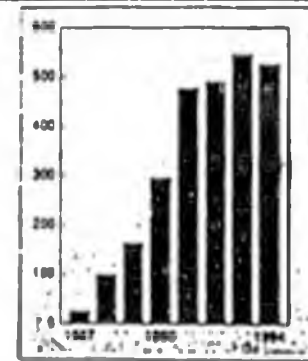
NEWSPRINT (TONS)



This chart shows the paper materials recycled in the City of Juneau. This program is operated by the Mendenhall Flying Lions Club in cooperation with Gastineau Human Services. In 1994, 188 tons of white paper, 45 tons computer paper, and 292 tons of newsprint were recycled.

MATERIALS RECYCLED BY CITY OF JUNEAU PAPER RECYCLING PROGRAM 1987 - 1994 (IN TONS)

- Newspaper
- Office paper
- Computer paper



OTHER STATEWIDE RECYCLING/PREVENTION EFFORTS

There is also a growing trend of statewide recycling and pollution prevention efforts as evidenced by these selected projects:

North Slope - Scrap Metal Lift

32,304 tons of scrap over last 4 years

Prince William Sound

226 tons of Municipal Solid Waste recycled in 1994

Southwest Alaska

17 towns recycle 3,930 pounds of lead-acid batteries in 1994 under a matching grant from ADEC

We also see a growing waste reduction and recycling infrastructure. The business community and chambers of commerce develop innovative programs operated by ALPAR and Green Star.

Alaskans for Litter Prevention and Recycling

- Can-Do-Kids aluminum recycling program: more than 6,250 kids have participated since the program started in 1986.
- Youth Litter Patrol program participation increased from 11 communities in 1983 to 45 communities in 1993.

Green Star Program

- Over 321 Alaskan businesses and organizations enrolled in this voluntary program.
- Nationwide program started in Alaska

Participation in all these programs is increasing. There are now four Chapters of the Green Star program in Alaska. One soon to be implemented on the North Slope. Several chapters have been established outside of the state including Spokane, WA and Midland, TX. Governor Knowles has requested all state agencies to participate. Department of Defense agencies are now participating.

The Alaska Materials Exchange is becoming an important part of the waste management infrastructure in Alaska. It has shown results in a very short period of time.

Alaska Materials Exchange Program (AME)

- Saved program users \$368,000 in first 8 months of operation (June, 1994 - February, 1995)
- Private/public partnership
- Exchanges are occurring statewide

FACTORS INFLUENCING RECYCLING IN ALASKA

- Environmental & Economic Impacts
- Growing Business Interest
 - reduce costs
 - demonstrate leadership
 - investment in mills and processing centers
- Consumer Demand
 - buy recycled campaigns
 - more convenient to participate
- Private/Public Partnerships

Private/public partnerships play a significant role in fostering recycling and waste reduction programs in the state. I'd like to touch on this point in a little more detail.

Alaska Materials Exchange is supported by ARCO, BP, Alyeska, Alaska Support Industry Alliance, Anchorage Chamber.

Green Star sponsors include: PTI Communications, KTUU, Marathon, MAPCO, Golden Valley Electric, Key Bank-Alaska, Peninsula Sanitation, Alaska Center for the Environment, Usibelli Coal Mine, and others.

Alaskans for Litter Prevention and Recycling provide needed leadership under Bob Easterling, Board President.

SeaLand and TOTE provide critical back-haul services for recyclables.

Anchorage Refuse & Culhane family keep recycling alive in Anchorage.

Defense Agencies lend staff support to ADEC.

ARDORs/Native groups provide critical link to rural Alaska.

EPA provides vital staff and resource support.

Chambers of Commerce house Green Star Programs.

This slide shows selected ADEC activities during early 1980's.

ADEC Leadership

- 1980 Litter Prevention & Recycling Act set a source for ADEC. Legislation directs ADEC to:

- create a program of public awareness to make littering unacceptable
- encourage the recovery of resources from litter
- stimulate recovery of materials and energy through recycling centers and other means

- 1990 Waste Reduction & Recycling Planning Act reinforces State involvement. The Act directs the Department to:

- promote source reduction and recycling over waste treatment and disposal
- provide technical assistance and consultation services
- conduct education outreach and provide solid and hazardous waste reduction planning grants
- ensure that solid waste permittees consider source reduction and recycling

It is interesting to note that ADEC played an important role in the development of some important programs which operate today.

Initiates Youth Litter Patrol with ALPAR. Provides \$230,000 which ALPAR matches with \$120,000.

Fund start-up of Anchorage Recycling Center (when it was a part of the Alaska Center for the Environment) and other recycling programs.

Publishes "Recycle Alaska" - school curriculum.

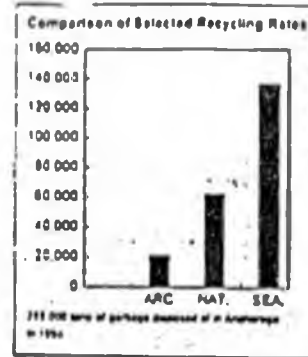
Increases awareness of litter laws through outreach and education.

ADEC continues to help facilitate and implement waste reduction and recycling programs as evidenced by:

- Issuing SW planning grants to support community and regional efforts
- Helping create programs like the Materials Exchange, Green Star, Oil and Gas P2 Committee, and an Interagency P2 Initiative with the Federal Sector
- Responding to 3,931 assistance requests from 1990-1994
- Involvement in 290 outreach events from 1990-1994
- Providing funds to support market development efforts including:
 - a) Composting facility
 - b) ACAT project
- Partnering with UniSea to increase utilization of fish
- Incorporating reduction and recycling into SW permit process

WHAT DOES THE FUTURE HOLD?

- Can We Increase Rates?
 - 7.5% recycling rate in Anchorage
 - = 21,584 tons (1994)
- Applying other rates to Anchorage
 - 22% national average recycling rate
 - = 62,700 tons
 - 48% average recycling rate in Seattle
 - = 136,800 tons



- Market Development
 - Increase interest in recycling and increase collection
 - strive to reduce collection and processing costs to make recycling more competitive
 - Increase in-state and out-of-state market opportunities
 - Harness innovation of development community
 - Link jobs and the environment
 - Anchorage Recycling Center employs about 40 people
 - Composting facility employs 3 people
- Continued Need for Partners
 - No one group can do it alone
 - We are all necessary components of the system
 - Fiscal realities require that we work together
- Public Support
 - Recycling needs continued and visible support
 - Budgets driven by public wants and needs
 - Cultivate and recognize community champions
- Call to Action
 - Sustain partnerships
 - Procure recycled products
 - Implement the Green Star program
 - Grow recycling industries and markets
 - Track progress and effectiveness
 - Enhance waste prevention efforts

We need to increase recycling rates. The cost for disposal is still low compared to recycling costs. As market prices swing so does recycling profitability. How can we provide more assurance to recycling industries?

We need to work together to overcome transportation and other barriers to recycling. We need to work with communities to increase awareness of the true cost of solid waste management to help stimulate recycling and reduction. We need to look at our own policies to see where recycling incentives can be created. We need to work together to build support for recycling and waste reduction.

In 1982 ADEC general fund support for waste reduction and recycling totaled \$721,500. In 1995 ADEC general fund support for these same programs total \$8,400.

We have done a good job attracting federal resources and private sector support.

What's Working in Market Development

At the National Recycling Coalition's 13th Annual Congress & Exposition this fall in Portland, Ore., recycling and economic development officials from across the country discussed "What's Working in Market Development." During the three-hour session, facilitated by Jerry Huntley of The Society of the Plastics Industry, Inc., officials developed a definition for market development, tools and resources they can use to develop markets, and tips for market development officials and manufacturers to help each other. Here is a brief summary:

Market development is a multi-faceted strategy that applies numerous tools and resources to:

- Foster manufacturing and resources to stimulate outlets for recycled products and recyclable materials
- Foster a long-term and stable balance between supply and demand of recovered materials and recycled products
- Bring jobs to communities (capture economic value of recycling)

Participants listed tools and resources that could eliminate barriers and advance opportunities in five areas:

Financial Assistance

--Grants for equipment, material testing, market investigation, and product performance

- Low-interest/other loans for equipment
- Tax credits/exemptions for equipment
- Enterprise zones/tax incentives for siting
- Work with public bonding agencies to obtain bonds for major plants and equipment to use recycled material
- Float proposals to lenders and foundations to help form a revolving loan fund for recycling and composting businesses
- Place taxes/fees on landfill disposal/incineration and/or virgin materials

Technical Assistance

--Work with existing targeted industries to

retrofit facilities to use recovered materials

--Publish studies on the performance of experimental recycled products

--Conduct quality control evaluation

--Risk assumption by local governments with new products

--Site location/permitting

--Information on suitable technologies

Business Assistance

--Product/business concept evaluation

--Business training courses for recycling entrepreneurs that include business fundamentals, expert recycling information and funding sources for recycling enterprises

--Establish business development staff to expand recycling operations in the state

--Establish waste exchanges

--Negotiate contracts for marketing recyclables

--Assess recycling practices of businesses

--Offer legal assistance

--Provide feedstock supply

--Infrastructure ability

Informational/Educational Services

--Provide waste generation/recycling data and data interpretation

--Publish market analysis (supply/demand assessment)

--Assess economic and environmental benefits of recycling businesses during a defined time period

--Publish market development newsletter

--Launch print, radio and billboard ad campaigns to promote the concept of buying recycled

--Compile recycled product directory

--Compile energy, land, water, job and feedstock needs for manufacturers that use recycled materials

--Set up research project with research universities and industry associations

--Hold targeted buy recycled workshops

Resource Referral Services

--Refer other sources of financial, business and recycling assistance information

Participants also brainstormed on how market development officials and manufacturers can help each other:

How Market Development Officials Can Help

- Demonstrate public sector commitment to recycling businesses
- Provide expertise through staff that understands recycling markets
- Be sure that staff provides responses in a timely manner
- Help negotiate in the regulatory arena
- Educate elected officials
- Open zoning codes for recycling businesses
- Offer tax incentives or other business development incentives
- Create new and find different financing strategies
- Work with bankers to increase their understanding of recycling investment opportunities and barriers
- Share or try to diminish risks that businesses may not be able to
- Finance development of market development/business plans
- Assist in business training for new enterprises
- Channel existing economic development resources for recycling, i.e., have small business group or local economic development agency help recycling
- Fund/publicize demonstration projects
- Do product-specific materials testing
- Provide technology transfer
- Generate supply and demand data and analyses in forms that businesses can use
- Network on supply/put businesses in contact with suppliers of materials
- Set up affirmative procurement programs/change specifications to accommodate recycled product information to consumers and other buyers
- Set up environmental criteria for codes,

Continued on page 2

Market Development Efforts Across the U.S.

Federal

The U.S. Environmental Protection Agency (EPA) and the Service Corps of Retired Executives Association (SCORE) are implementing a joint program to offer management assistance to recycling and reuse businesses. SCORE, sponsored by the U.S. Small Business Administration, is a nationwide network of approximately 13,000 retired business owners and executives who volunteer for one-on-one counseling and workshops for owners and potential owners of small businesses. SCORE is sponsored by the U.S. Small Business Administration. The program is starting as a pilot in Delaware, Maryland, Arizona, Iowa, Nebraska, Ohio, Oklahoma, Oregon and Washington, DC. Contact: Susan Bower, 800-634-0245.

Reports

Keep America Beautiful, Inc., (KAB) has published "The Role of Integrated Solid Waste Management to the Year 2000," a study conducted by Franklin Associates, Ltd., that highlights existing and projected recycling and composting rates. KAB estimates that recycling and composting will move from 21% of total municipal solid waste generated in 1992 to a potential national average range of 25% to 35% in 2000. Contact: 203/323-8987.

The Institute for Local Self-Reliance has released five manuals prepared for the National Capital Area Project in the Washington, DC area. Funded in part by the U.S. Environmental Protection Agency, the manuals provide guidance to citizens, government, and private enterprise on developing a comprehensive recycling and materials policy. Publications include:

- *Preparing a Business Plan for a Small-Scale Recycling-Related Venture*
 - *Recycling Economic Development Through Scrap-Based Manufacturing*
 - *Creating Local Recycling Markets*
 - *Minimizing Waste, Maximizing Recycling*
 - *Expanding Scrap-Based Manufacturing through the Community Joint-Venture Process*
- Contact: 202/232-4108.

What's Working

i.e. certification, specifications

- Foster partnerships that leverage current efforts
- Conduct or fund market investigation/assessment studies to determine potential demand, price, specifications, and distributions of innovative/alternative products
- Provide ongoing encouragement and advocacy for recycling entrepreneurs to help compensate for frustrations typically associated with pioneering efforts
- Evaluate program effectiveness and efficiency
- Understand what services/resources currently exist and how recycling businesses might take advantage of them
- Be creative; it's an emerging industry

How Manufacturers Can Help

- Be truthful and follow through
- Communicate regularly to help market development officials understand markets
- Don't be afraid to say what does and doesn't work; communicate and support
- Give leadership to other entrepreneurs
- Be a resource for the officials
- Network with other industries
- Work with existing manufacturers
- Establish environmental positions at trade associations/companies

continued from page 1

- Become involved with state recycling organizations
- Cooperate on public education
- Try to understand political realities
- Don't expect agencies to move political agendas
- Support market development politically
- Support funding of agendas for market development programs/resources
- Support financing mechanisms for market development agencies and money
- Look for synergistic opportunities
- Supply quality information/find ways to provide regional supply information without sacrificing confidentiality
- Provide products at low/no cost to demonstrate use
- Develop consistent specifications
- Make quality products
- Take time to understand public procurement needs and process
- Use locally recovered post-consumer materials
- Be open to learning/changing materials use practices
- Buy recycled
- Stick to basic business principles, i.e., focus on business viability first and recycling second

National Recycling Coalition's

Market Development

NewsLink

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Market Development NewsLink provides information about recycling market development activities across the U.S., to integrate recycling with economic development efforts. Copyright 1995 by the National Recycling Coalition; it is unlawful to duplicate this publication without permission from NRC. Printed on recycled paper: 50% total recycled content, 20% post-consumer.



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Revision Date: _____ Dept. Affected: Revenue
 Title: Clean Water Fund Bonds BRU: Revenue Operations
 Component: Treasury
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

All cost of issuance, administration, and debt service on the bonds will be paid from the Alaska Clean Water Fund. The proceeds of the bond issue will be deposited in the Clean Water Fund, thereby increasing the money available for loans to municipalities. There is no estimated fiscal impact on other State funds.

Prepared by: Ross Kinney Phone: 465-2300
 Division: Treasury Division Date: February 28, 1996
 Approved by Commissioner: Wilson L. Condon Date: February 28, 1996
 Agency: Department of Revenue

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO.

CS FOR SENATE BILL NO.

207 (CRA)

Revision Date: _____
Title: _____

Department Affected: Environmental Conservation

Sponsor: _____
Requestor: _____

BRU: Facility Construction & Operation
Component: Facility Construction & Operation

COMPONENT SERIAL NO. _____

Expenditures/Revenues:

(Thousands of Dollars)

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
OPERATING EXPENDITURES						
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS.CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipt	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Clean Water Fund	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

- Projected bond costs have not yet been determined. Please see attached explanations

The department supports this bill that authorizes the sale of revenue bonds to be used by the Alaska Clean Water Fund to fund construction of public wastewater systems, nonpoint source water pollution control projects, including solid waste management systems, and estuary conservation and management projects.

Prepared by: Larry Jones
Division: Director, Division of Administrative Services

Phone: 465-5010
Date: 2/28/96

Approved by Commissioner: 
Agency: Department of Environmental Conservation

Date: 3/28/96

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Alaska Clean Water Fund - Bond Sales / Reasons why costs can not be determined:

The proceeds from the sale of bonds is to supplement available loan funds. Therefore, bonds will only be sold if the demand for construction loans exceeds the amount available in the Alaska Clean Water Fund (ACWF). However, the sale will have to be timed to allow a certain amount of the ACWF to be held as collateral for the bonds sold. Further considerations in the timing of the sale of bonds includes several financial issues such as rebate as it applies to selling bonds.

The department is working closely with the State Bond Committee, the Bond Committee's bond counsel and financial advisors to ensure all of these concerns are adequately addressed and that a bond sale only occurs when it is advantageous to the state. Consequently, the costs related to the sale of the bonds is unknown at this time. Finally, costs associated with the sale of bonds are usually paid from the proceeds of the bond sale.

FISCAL NOTE

No. 2

Bill Version: SB 207

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO.

(S) Publish Date: 1/8/96

Revision Date: _____
Title: Clean Water Fund Bonds
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Environmental Conservation
BRU: Facility Construction & Operation
Component: Facility Construction & Operation

COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS,CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
--------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

1002 F. Serial Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 CF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 CF	0.0	0.0	0.0	0.0	0.0	0.0
1005 CF Program Receipt	0.0	0.0	0.0	0.0	0.0	0.0
1006 CF MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Clean Water Fund	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ _____

POSITIONS

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

ANALYSIS (Attach a separate page if necessary)

- Projected bond costs have not yet been determined. Please see attached explanations.

The department supports this bill that authorizes the sale of revenue bonds to be used by the Alaska Clean Water Fund to fund construction of public wastewater systems, nonpoint source water pollution control projects, including solid waste management systems, and estuary conservation and management projects.

Prepared by: Larry Jones
Division: Director, Division of Administrative Services

Phone: 465-5010
Date: 1/2/96

Approved by Commissioner: [Signature]
Agency: Department of Environmental Conservation

Date: 1/4/96

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STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date	Dept. Affected	Revenue
Title	BRU	Revenue Operations
Sponsor	Component	Treasury Management
Requester	COMPCENT SERIAL NO.	

Expenditures/Revenues Thousands of Dollars:

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	00	00	00	00	00	00
CAPITAL	00	00	00	00	00	00
REVENUE FUND SOURCE						

FUNDING Thousands of Dollars:

1002 Federa. Receipts						
1003 GF Match						
1004 GF						
1005 GF Program Receipts						
1006 GF INTIA						
Other						
TOTAL	00	00	00	00	00	00

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

Estimate of current (FY 98) impact: 00

ANALYSIS: (attach a separate page if necessary)

All costs of issuance, administration, and debt service on the bonds will be paid from the Alaska Clean Water Fund. The proceeds of the bond sale will be deposited in the Clean Water Fund, thereby increasing the money available for loans to municipalities. There are estimated fiscal impacts on other State funds.

Prepared by: Robert R. Blaine *R.R. Blaine* Phone: 465 3750

Division: Treasury Management Date: 1/3/96

Approved by: Commissioner *[Signature]* Date: 1/3/96

Agency: Department of Revenue

Alaska Clean Water Fund - Bond Sales / Reasons why costs can not be determined:

The proceeds from the sale of bonds is to supplement available loan funds. Therefore, bonds will only be sold if the demand for construction loans exceeds the amount available in the Alaska Clean Water Fund (ACWF). However, the sale will have to be timed to allow a certain amount of the ACWF to be held as collateral for the bonds sold. Further considerations in the timing of the sale of bonds includes several financial issues such as rebate as it applies to selling bonds.

The department is working closely with the State Bond Committee, the Bond Committee's bond counsel and financial advisors to ensure all of these concerns are adequately addressed and that a bond sale only occurs when it is advantageous to the state. Consequently, the costs related to the sale of the bonds is unknown at this time. Finally, costs associated with the sale of bonds are usually paid from the proceeds of the bond sale.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. _____ CS FOR SENATE BILL NO. _____
207 (CRA)

Revision Date: _____
Title: _____
Sponsor: _____
Requestor: _____

Department Affected: Environmental Conservation
BRU: Facility Construction & Operation
Component: Facility Construction & Operation

COMPONENT SERIAL NO. _____

Expenditures/Revenues	(Thousands of Dollars)					
	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
OPERATING EXPENDITURES						
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS.CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

1002 General Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MTA	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Clean Water Fund	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ _____

POSITIONS

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

ANALYSIS (Attach a separate page if necessary.)

- Projected bond costs have not yet been determined. Please see attached explanations.

The department supports this bill that authorizes the sale of revenue bonds to be used by the Alaska Clean Water Fund to fund construction of public wastewater systems, nonpoint source water pollution control projects, including solid waste management systems, and estuary conservation and management projects.

Prepared by: Larry Jones
Division: Director, Division of Administrative Services

Phone: 465-5010
Date: 2/28/96

Approved by Commissioner: [Signature]
Agency: Department of Environmental Conservation

Date: 2/28/96

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPT. OF ENVIRONMENTAL CONSERVATION
OFFICE OF THE COMMISSIONER**

410 Willoughby Avenue
Juneau, Alaska 99801-1795

Phone: 465-5066

Fax: 465-5070

February 21, 1996

OK
Done

The Honorable Bert Sharp, Chairman
Senate Committee on State Affairs
Alaska State Legislature
Juneau, Alaska 99801

**SUBJECT: Request for hearing on Senate Bill 207
(As amended by Senate Community & Regional Affairs Committee)**

Dear Senator Sharp:

The Governor's Office and the Department of Environmental Conservation request that public hearings be scheduled for Senate Bill 207, as amended. This bill is important for Alaskans for many reasons. It affords a way for our communities to obtain low-cost financing for their water pollution projects far into the future. This proposal will accomplish this goal without any significant general funding required and in fact, at some point in the future, could eliminate the need for legislative appropriations. Alaskan communities are simultaneously faced with many federal regulatory burdens and diminishing financial resources. It is important that we provide them with financial tools to deal with the many problems that they encounter. This bill would provide one of these financial tools.

We have attached a short analysis of the bill for your convenience in understanding the intent of the Legislation. At this time, the Alaska Clean Water Fund has the required collateral to support the proposed revenue bond leveraging plan. If legislation is enacted this session, adequate collateral would remain to ensure a large enough bond issue to meet anticipated demand. Delay in enacting this legislation will reduce the program's effectiveness in meeting our water pollution capital project needs. For this reason, we ask that the hearings be scheduled as soon as possible. If you wish to discuss this legislation, please call Keith Kelton at 465-5135. Thank you for your consideration.

Sincerely,


Michele Brown
Commissioner

MB/KK:lp (to: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100)
Enclosure: Bill Analysis
cc: Pat Pouchot, Office of the Governor

**SENATE BILL 207
HOUSE BILL 401**

DEPARTMENT OF ENVIRONMENTAL CONSERVATION BILL SUMMARY

This bill will authorize the State Bond Committee to issue and sell State revenue bonds to provide funds for the Department of Environmental Conservation (DEC) to offer low-interest loans to municipalities. The municipalities would use these funds to finance the construction of public wastewater treatment systems, solid waste management systems, nonpoint source water pollution control projects and estuary conservation and management projects. DEC already operates the Alaska clean water fund, a revolving loan program that is funded by federal grants and State appropriations. The demand for these subsidized loans has been growing with the increase in federal requirements placed upon the local communities and the concurrent reduction in State revenues in the last few years. It is estimated that the demand for loans will exhaust the available supply of funds by the summer of 1998.

One solution to this problem is to leverage the Alaska clean water fund, that is, to increase the amount of money available to finance water pollution control projects by using the fund as collateral to secure State-issued revenue bonds. Programs similar to this proposal are currently in place in 21 states. Communities collect user fees for their sewerage and solid waste projects to provide the money to make their annual loan payments to the Department. Under this leveraging concept, the annual loan repayments would be used to pay back the bond investors. Nationwide, in the six years of operation of the clean water loan funds, there has never been a loan default. With such an excellent repayment history, the program risk is very small. A sizable corpus of money in the fund would provide extra security for the bonds and would also result in lower program costs which could be passed onto the municipalities. If this bill could be enacted this session, an adequate amount would be available in the corpus to accomplish this. Delays in passage will reduce the amount available to leverage and minimize the effectiveness of the legislation.

This type of bond sales program has been previously authorized to the State bond committee. In fact, this legislation is patterned after the statute created for the International Airport bond sales done by the committee for the Department of Transportation. The State bond committee has the expertise to properly conduct a bond sales issue. DEC has the expertise to properly run the clean water fund program. This legislation provides a simple, efficient method to assist the incorporated communities of the State by ensuring that low-cost loans for essential projects will be available well into the future, while reducing the demand for general-funded capital projects.



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

February 29, 1996

Senator Bert Sharp
Chairman, State Affairs
State Capitol
Juneau, AK 99811

Dear Senator Sharp:

On behalf of the members of the Alaska Municipal League, I am writing in support of SB 207, which authorizes the issuance and sale of revenue bonds to fund sewer and water projects. This would provide funds for low-interest loans to municipalities to finance construction of public wastewater treatments systems, solid waste management systems, and nonpoint source water pollution control projects.

With the increase in federal requirements placed upon local communities and the reduction in state assistance, it is essential that municipalities have the resources to fund these critical projects. Having safe water and solid waste facilities is a fundamental necessity for all Alaskans.

We appreciate your prompt consideration of this important piece of legislation.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Kevin Ritchie', written over a light-colored background.

Kevin C. Ritchie
Executive Director

CC: Senate State Affairs Committee

c:\jk\legislat\sb207.doc

CITY OF UNALASKA

P.O. BOX 610
UNALASKA, ALASKA 99585 0610
(907) 531-1251 FAX (907) 531-1417



February 29, 1996

The Honorable Bert Sharp
Chair, Senate State Affairs
Room 514
State Capitol
Juneau, Alaska 99901 1192

RE: SB 207

Dear Senator Sharp:

I am writing to express our support for Senate Bill No. 207. This bill authorizes the State Bond Committee to issue and sell State revenue bonds for the Alaska Department of Environmental Conservation (DEC) to offer low-interest loans to municipalities. The municipalities would use these funds to finance the construction of public wastewater treatment systems, solid waste management systems, nonpoint source water pollution control projects estuary conservation and management projects.

Like communities throughout Alaska, the City of Unalaska is facing crippling financial impacts resulting from new "unfunded federal mandates" for utility systems. The largest of the federally mandated projects in Unalaska include: constructing a lined landfill and baler facility at a cost of \$8.0 million; and upgrading the wastewater treatment plant at a cost of up to \$6.3 million. Implementation of the above unfunded federal mandates, without state or federal assistance, will be devastating to our community.

Matching grants coupled with low-interest loan programs for utility upgrades are essential to the City's ability to bring our public utility systems into compliance with new Federal and State environmental standards. Most federal mandates are unfunded or underfunded. This means the federal government adopts legislation without appropriating funds required to implement the legislation. The problem for paying for these federal mandates is left to local residents and

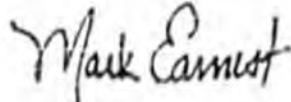
The Honorable Senator Sharp
February 29, 1996
Page 2

businesses through increased local taxes and fees. Alaska communities are dependent upon State participation in its water, wastewater, and solid waste system upgrades through a combination of grants and loans to comply with federal and state environmental regulations.

Again, the City of Unalaska supports SB 207. Thank you for your consideration of our position on this important legislation.

Very truly yours,

CITY OF UNALASKA



Mark Earnest
City Manager

cc: Mayor Kelty and members of the Council

Testimony before Senate State Affairs Committee

My name is Diana Bennett. I am the Finance Manager of the Anchorage Water and Wastewater Utility (AWWU), a department of the Municipality of Anchorage. I am here today to speak in favor of Senate Bill 207 and its companion bill in the House, number 401, bills authorizing the State of Alaska to issue revenue bonds for the purpose of funding wastewater and other water quality improvement projects thru the Alaska Clean Water loan fund.

Although AWWU shares a common workforce and management, it is actually two separate utilities for regulatory purposes, establishing separate rates for service and incurring separate debt for capital projects. The wastewater utility relies substantially, almost entirely, on the Alaska Clean Water loan fund to finance its comprehensive capital improvement plan. We anticipate borrowing \$4-6 million annually from the loan program. I hope the funds will be available to do so.

The low interest loan program has been extremely popular and well received throughout the country. The Anchorage Wastewater Utility has borrowed \$8.8 million from the low interest loan program, at rates substantially lower than would be possible in the regular bond market. We estimate this has saved the ratepayers at least \$400,000 over the past four years, in addition to the flexibility the program affords us. In the years this Alaskan program has been in existence, the Alaska Department of Environmental Conservation (ADEC) has made loans totaling \$53 million. There is still a tremendous need for low cost funding throughout the state. ADEC received requests for \$13 million in loans for the current fiscal year.

The bill under discussion will allow what many other states have done and leverage this initial capitalization money from the federal government. Increasing the amount of funds available allows projects to be completed sooner than if we have to wait for our projects to move above the "cut line". This is a good way to increase

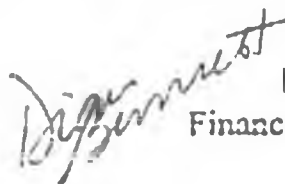
the pool of money available for necessary water quality projects, without putting any other programs at risk. The burden for repayment remains with the communities requiring the funds. There is a strong incentive for them (us) to make our payments.

Without increasing the availability of funds, at the current request level of \$13 million, the state will run out of money to loan in only 2 years. The loans are being repaid, but the repayment stream has not reached equilibrium yet, and when it does it will only be, I believe, \$4 - 5 million - well below the projected need. The communities around the State need this source of low interest money to help finance sorely needed water quality improvements.

The revenue bonds will be backed, not by the full faith and credit of the state, but by the revenue coming from repayment of the loans. In the history of the low interest loan program, there has never been a default - not in the entire United States. In fact, in Alaska, there has

never been a late payment! These bonds will be extremely safe. The State will not be required to "bail out" any agency over this.

You may have seen a Municipality of Anchorage memo listing some recommended changes to this bill. The Utility is substantially in favor of the bill as was originally written, however, we were asked to comment on the bill, with an eye to any proposed changes. This Utility works closely with ADEC and we have agreed among our two groups that this bill, with or without any or all of the suggested revisions is extremely workable, and will benefit the whole state of Alaska. I urge you to pass this bill. Thank you for your time.



February 28, 1996
Diana Bennett, CPA
Finance Manager, AWWU
3000 Arctic Blvd.
Anchorage, Alaska
(907) 786-5623



PRESTON GATES & ELLIS
ATTORNEYS

January 18, 1996

Ms. Michele Brown
Acting Commissioner
Department of Environmental Conservation
State of Alaska

The State Bond Committee
c/o Mr. Forrest Browne, Debt Manager
Treasury Division, Department of Revenue
State of Alaska

Re: Leveraging the Clean Water Act Revolving Fund Loan Program

Dear Ms. Brown and Members of the Committee:

We have been requested to evaluate the Alaska Clean Water Fund ("ACWF") revolving fund loan program for the purpose of making recommendations as to how the program can be structured to accommodate and provide for the sale of bonds ("Bonds"), the proceeds of which would be reinvested in the program. In so doing, we have been asked to consider the legal issues such a program may raise and to analyze the different options available for achieving such a program. We have also been requested to confirm that any format we propose complies with federal law requirements for the issuance of bonds the interest on which may be excluded from federal income tax. Concern has also been expressed that it comply with federal law relating to the federal Clean Water Act.

Finally, we were asked to assist in drafting necessary implementing legislation. Such legislation has been prepared through the efforts of the Department of Law, the Department of Environmental Conservation, the staff of the State Bond Committee, the financial advisor to the State Bond Committee and this firm. This legislation has been introduced in the Legislature as Senate Bill No. 207 and House Bill No. 401 (herein together, the "Bill").

In undertaking this task, we have reviewed the constitution and statutes of the State of Alaska relating to the ACWF (a state revolving fund or "SRF" under federal law) and have reviewed federal law relating to tax exemption of state and local governmental obligations and the Clean Water Act. We have reviewed relevant court decisions and opinions of the attorney general of the state, information relating to the operation of the revolving loan program and have met and

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had discussions with staff members of the State Bond Committee, the Department of Environmental Conservation ("DEC") and the Department of Law.

We respond as follows:

SUMMARY OF CONCLUSIONS

We believe that the Bonds may be issued by the State Bond Committee as provided in the Bill, without violation of Article IX, Section 8, of the State Constitution requiring an election approving the issuance of bonds. We also believe that under the Bill the program can be structured to allow leveraging of the ACWF by the issuance of Bonds, with the commitment of funds necessary to such a structure without violation of Article IX, Section 7, of the State Constitution restricting the dedication of revenues of the state. Finally, under the Bill, such a financing program can be structured to allow the Bonds to be issued on a tax-exempt basis. These conclusions are, of course, dependent on the final language of the legislation adopted, and the ultimate terms and provisions of the financing plan as adopted by the State Bond Committee.

LEGAL ANALYSIS

Regardless of the administrative structure chosen to implement a program of leveraging the ACWF by the issuance of bonds, there are two fundamental legal issues which must be addressed. They are the questions of (1) whether or not a vote of the people is required for the issuance of such bonds and (2) whether or not the issuance of such bonds can be structured in such a way as to comply with the constitutional prohibition against dedication or earmarking of revenues of the State.

One important point should be made before discussing the legal issues. In order for a bond counsel to be able to give an opinion approving an issue of bonds, he or she must be able to say that no reasonable argument can be made against the validity of such bonds. This is a strict standard and is sometimes difficult to meet even if one thinks that a court would be likely to uphold validity on a particular issue. The following discussion is the result of our effort to evaluate each issue in the light of the "no reasonable argument" standard.

Issuing State Bonds Without an Election

Article IX, Section 8, of the State Constitution provides as follows:

"No state debt shall be contracted unless authorized by law for capital improvements . . . and ratified by a majority of the qualified voters of the State who vote on the question."

Section 11 of Article IX provides:

"The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation when the only security is the revenues of the enterprise or corporation."

Thus, Article IX, Section 8, requires that State bonds be issued only for capital purposes and only with an approving vote of the electorate. These restrictions are removed with respect to the issuance of revenue bonds issued by "a public enterprise or public corporation of the State when the only security is the revenues of the enterprise or corporation." Although the Bill proceeds would not be used for capital facilities belonging to the state and no election is contemplated, these restrictions do not apply if one of the above exceptions can be invoked.

One approach would be to create or use a separate public corporation for the purpose of leveraging the revolving fund program. The Bonds can also be issued directly by the State, as contemplated by the Bill, through the State Bond Committee which now administers the issuance of other State debt, if to do so constitutes "the issuance of revenue bonds by a public enterprise . . . of the State when the only security is the revenues of the enterprise" There is little law on the subject of whether or not such a loan program can constitute a "public enterprise" for purposes of meeting the revenue bond exception to public vote requirements. Many cases recognize the validity of issuing such bonds for a public improvement, such as a utility system or an airport which generates revenue sufficient to secure the bonds. There is authority that the issuance of bonds primarily for reinvestment to make a profit (arbitrage bonds) is not a valid public purpose. See State v City of Orlando, 576 So 2d 1315, 1317 (Fla. 1991). Such arbitrage schemes are, however, quite different from the program contemplated here--the loaning of money to municipalities for clean water related public improvements. Under present federal law and DEC practice, such loans cannot bear interest at a rate greater than the Bonds so it is unlikely a profit could be made. We believe that the leveraging of the revolving fund program through the issuance of Bonds should be considered by the courts to be a public enterprise. While there seems to have been little litigation on this point, the existence of other similar State revolving fund programs financed in part by the issuance of revenue bonds, as well as the existence of a number of general purpose bond banks and industrial development authorities in Alaska and nationally, gives credence to the "public enterprise" characterization of such a program as being within the custom and practice nationally in municipal finance.

The proceedings of the Alaska Constitutional Convention further support the characterization of the Bonds as the revenue bonds of a public enterprise of the State. The minutes of the convention record the following exchange:

"HELLENTHAL. . . . In Section 11 where the Committee deals with the non-applicability of the restrictions on debt, in the case of revenue bonds issued by public corporations of the state, first, public enterprises of the state, second, and

thirdly, any political subdivision. Does the committee mean by that language that any political subdivision can issue revenue bonds either through a public corporation or through a public enterprise, or directly, like the City of Anchorage did with its Eklutna project, and in the event that they choose to issue them directly without employing the device of the public corporation, with those bonds being exempt from the restrictions applicable to debt?

NERLAND: That was the intention of the Committee, Mr. Hellenthal."

This language makes clear the intent of the drafters that bonds to fund a public enterprise may be issued directly by the State without employing the device of a public corporation.

Case law defines "enterprise" broadly. "Enterprise" is not restricted to a scheme for making money but includes any object that is consistent with the interests of society and may engage the attention of men and invite their cooperation." under the holding in Maxwell vs Akin, 89 F. 178, 180 C.C.C.D. Ore. 1898. Case law interpreting "enterprise," as it appears in federal statutes, does so very broadly. See Marshall v. McAlester Corp., 438 F. Supp. 1005, 1012 (E.D. Okla. 1977) ("enterprise" under the Fair Labor Standards Act).

Based on the foregoing, it appears that characterizing the revolving loan program as a public enterprise of the State should successfully bring into play the exceptions of Article IX, Section 11. Care should still be taken however in actually implementing the legislation to avoid the implication that the Bonds are, in any way, secured by the general funds or revenue of the State. To this end, it may be necessary to segregate in separate accounts the money paid into the fund out of general State funds and other ACWF moneys such as grants or loan repayments, to make clear that only federal grants, loan repayments and earnings thereon secure the Bonds, to create reserves that secure the Bonds only out of "revenues of the enterprise" and to make whatever other provisions are necessary to clarify the applicability of the revenue bond concept.

Dedicated Funds

In order to structure, in conjunction with the ACWF, a revenue bond financing vehicle, it is necessary to provide for, or authorize the issuing agency to provide for, the pledging or dedication of the revenue stream and other moneys which are to secure and pay the Bonds. The Bill does this. This is usually not a problem for a state or municipality. However, Alaska is subject to the requirements of Article IX, Section 7, of the State Constitution which provides:

"The proceeds of any state tax or license shall not be dedicated to any special purpose, except . . . when required by the federal government for state participation in federal programs."

The following questions are raised: May the State dedicate loan repayments (principal and interest) under the ACWF revolving fund program to be deposited in the ACWF? May the State pledge to the payment and security of the Bonds the loan repayments (principal and interest), federal grants received, State matching money and interest earned on ACWF money? May reserve funds or accounts be created out of funds other than revenue of the revolving fund loan program and pledged to secure and pay Bonds?

Dedications Required By Federal Law

In order to continue to qualify for participation in the federal funding program established by the Clean Water Act, implementing state legislation must be consistent with the Clean Water Act and relevant federal regulations. The proceeds of state bonds secured by the state revolving fund (the ACWF) are required to be paid into such fund. (33 U.S.C.A. Section 1383 (d)(4)) Repayment of loans out of a SRF must also be paid into the fund. (33 U.S.C.A. Section 1383(d)(1)(D)) Federal capitalization grants and state matching moneys are also required to be paid into the SRF. (33 U.S.C.A. Section 1382 (b) (1), (2)) Although there does not appear to be federal legislation specifically mandating the retention of interest earnings in the SRF, the regulations state that "SRF balances must be available in perpetuity and must be used solely to provide loans and other authorized forms of financial assistance" to assist communities in maintaining water quality. 40 CFR Section 35.3115 (1994) The Initial Guidance for State Revolving Funds contains similar language referring to "All funds within the SRF," as does 33 U.S.C.A. Section 1383 (c).

Thus it appears that federal legislation mandates that all of the major sources of money in the ACWF be deposited in that Fund and that moneys in the Fund may not be withdrawn except to be applied to provide financial assistance to local governments or state agencies for the purposes specified in the Act. One of the methods of giving financial assistance is to use such moneys to pay and secure bonds issued to provide funds for the same purposes. While federal law does not mandate that moneys in the SRF be used only for so securing bonds, as opposed to other authorized means of assisting communities, the discretion that Article IX, Section 7, intended to permanently vest in the legislature with respect to state revenues is almost totally eclipsed by these requirements of federal law which are "required for state participation in" this federal program. Also, the case of *State v. Alex*, 646 P.2d 203, 209 (Alaska 1982) indicates that once moneys are in a given fund, Art. IX, Section 7, does not preclude their dedication to secure revenue bonds to which they relate. Thus, we believe that, as authorized by the Bill, the dedication of revenue sources in the Alaska Clean Water Act to the ACWF and the proposed dedication of money in the ACWF (other than state matching money or, possibly, the portion of loan repayments representing the loan of state matching money) to pay and secure bonds meet the requirements of Article IX, Section 7.

Tax Analysis

Under the Bill, a program may be structured in which tax-exempt bonds are issued by the State to acquire tax-exempt obligations of local governmental units. The debt obligations issued by the local governmental units must be tax-exempt governmental obligations and may not be tax-exempt private activity bonds. Care must be taken to ensure that the underlying projects do not have private business users in excess of that permitted by the Internal Revenue Code (the "Code") and that any private business management contracts for the facility meet the IRS guidelines in effect at the time the State bonds are issued.

The Code generally treats bonds as taxable "arbitrage bonds" if the bond proceeds are used to acquire "investment property" that has a yield that is materially higher than the bond yield. The term "investment property" includes securities (such as the obligations issued by local governmental units) but excludes from this treatment tax-exempt obligations that are not private activity bonds. Also, it is unlikely that any of the local obligations acquired would bear interest at a higher rate than the Bonds.

It is important that there be more projects to be financed than the non-bond resources available from the State and the federal government. Internal Revenue Service regulations generally prohibit the State from issuing more bonds, issuing bonds earlier, or allowing them to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes for which the bonds are issued. A review of the DEC projection in this regard indicates that this issue should not pose a problem. The State's goal in the program is to leverage additional borrowed money into more project financing. It is important to demonstrate that additional projects may be financed (and financed sooner) than could be financed if the State were just to use the state and federal resources available to demonstrate that the State is not issuing more bonds than are necessary or issuing them earlier than necessary.

Programs such as this usually require that debt service reserves be established to secure the bonds. If money derived from the State funds or from the federal government are pledged to secure the State bonds, that money will be subject to the Code rules relating to bonds and may be subject to the arbitrage rebate requirements if invested in excess of the bond yield.

The bond proceeds generally may be invested at yields in excess of the bond yield for a period of three years by the local governmental units. While the bond proceeds are held by the State and before they are used to acquire the local governmental unit obligations, the IRS regulations allow for a six-month investment period for State bond proceeds. This six-month temporary period is subtracted from the three-year period available to the local governmental units. In addition, there is a three-month temporary investment period for repayments that are expected to be recycled into purchase of new local obligations.

Ms. Michele Brown
The State Bond Committee
January 18, 1996
Page 7

The Code also contains specific requirements for "pooled financing bonds." In general, the State must reasonably expect that as of the close of the three-year temporary investment period, at least 95% of the net bond proceeds will have been used to acquire the local governmental unit obligations. In addition, the payment of legal and underwriting costs associated with the issuance of the bonds may not be contingent and at least 95% of such costs must be paid not later than 180 days after the State bond issuance.

We hope that the forgoing is of assistance. Please call with any questions or comments.

Very truly yours,

PRESTON GATES & ELLIS

By


Forrest W. Walls

FWW:wp

cc: Ms Marie Sansone
Mr. Butch White
Mr. Chester Johnson
Mr. Mike Burns
Mr. Lee Sharp
Mr. Bill Mantle
Ms. Cynthia Weed

FWW:wp DOC

Government Finance Associates, Inc.

71 Broadway, Suite 1301
New York, New York, 10006
(212) 809-5700
FAX (212) 809-6317

January 19, 1996

TO: MIKE BURNS
BUTCH WHITE
MARIE SANSONE
FORREST BROWNE

FROM: GOVERNMENT FINANCE ASSOCIATES, INC.

SUBJECT: ELIMINATION OF STATE INTERCEPT, EFFECT ON
ALASKA'S PROPOSED SRF FINANCING PROGRAM

We have been asked to evaluate the impact of removing the state intercept from the proposed SRF leveraging and bonding structure. In this connection, it is necessary to review the effects on both the underlying credit features and the projected financing costs for the program. In order to appropriately respond to this subject, background material should be presented, as follows.

DESIRED RATING: Generally speaking, as a result primarily of (i) the large cash infusions from the Federal and state governments, (ii) provisions of the local loan repayment arrangements, and (iii) the state creation and oversight, SRF's have been highly rated. For example, as indicated in the attachment, of the 25 active leveraged state SRFs, sixteen are rated double-A or better, without taking into account bond insurance. The other nine are rated single-A, or they are assigned insured ratings. Because of the high credit standing of these structures, only a few have chosen to be insured, since any rating in the double-A or higher categories makes bond insurance unnecessary. In most cases, insured bonds trade no better than a weak double-A. Additionally, double-A ratings, on an uninsured basis, give a borrower substantially greater flexibility, as a result of the lower cost of capital that the rating affords and the reduced number of restrictions that apply to uninsured debt. Taking these factors into consideration, combined with the inherent strengths of the Alaska SRF, we recommend that the State establish a goal of achieving no less than an uninsured rating of double-A.

USE OF STATE INTERCEPT: As shown in the attachment, of the sixteen active leveraged SRFs rated double-A or better, half of them use the state intercept of local aid to provide underlying security. The state intercept mechanism has been employed for numerous purposes over the years. In the 1970's, for example, states that created bond banks to reduce the cost of capital for localities often applied the state intercept to help secure the bonds that were sold by the respective state bond banks. As a policy matter, the rating agencies have concerns about the pooling of local credits, with disparate credit

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standing, in the absence of some generic, extra credit support. State intercepts have often been used to address these rating agency misgivings about local credit pools and to "homogenize" the various credits within the pools. On occasion, state "moral obligation" pledges have been invoked for this purpose, but Moody's, in particular, gives little weight to the concept after "moral obligation" agencies in New York State had very serious credit problems in the 1970's, including a default on certain notes by one "moral obligation" agency. The state intercept is a well-established and favorably accepted credit device.

DIFFERENCE IN COST OF CAPITAL BETWEEN "A" AND DOUBLE "A" SRF'S:

In our opinion, if the State does not make special arrangements, as discussed further below, to compensate for the loss of the state intercept, it is highly likely that a rating of single-A will be given to the State's SRF, as opposed to the more desirable double-A. If this development occurs, then the Alaska SRF will experience a more costly interest expense on the bonds it sells in the credit markets. We estimate that the current difference in interest costs between a single-A and double-A credit, over twenty years, on \$10 million is equal to \$271,000 in gross dollars. Compounding this difference over several years of SRF issuances, for \$100 million, it would amount to \$2.3 million over twenty years.

It should be noted that we are currently experiencing low interest rates. In a higher interest rate environment, this difference between single-A and double-A credits could be (and has been) as great as 50 basis points. In that situation, the difference in capital costs between a single A and double A could aggregate as much as \$7.0 million over twenty years. One could argue that the difference could be reduced through bond insurance, which is correct, but it is relevant to emphasize the following in this respect. First, bond insurance is rather expensive, often as much as one-half of one percent of total debt service. Second, bond insurers frequently require programmatic restrictions that even the rating agencies do not mandate.

ALTERNATIVES TO STATE INTERCEPT: As discussed above and as more fully exhibited in the enclosures, there are options for Alaska in achieving a double-A rating for the leveraged SRF over and above the use of the state intercept. The alternatives tend to fall into three categories. First, as demonstrated by the Arkansas, Colorado, and Minnesota programs, a supplemental reserve could be created that further secures the cash flow through excess revenues and unreleased fund balance. Second, overcollateralization of financed loans could also be accomplished through lower ratios of SRF debt to the program's fund balance and other unreserved monies; Missouri, Pennsylvania and Texas have followed this course. Third, other programs, such as Arizona and Nevada, have applied high general obligation bond ratings to secure the SRF debt; Arizona apparently issues uninsured debt only for high rated localities, such as Phoenix, and Nevada SRF debt is further secured by the State's general obligation pledge. Based on our understanding of the desire for flexibility in the Alaska program, we do not think that the third option is realistic for the Alaska context.

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CONCLUSION: The state intercept mechanism is a common feature for many, highly rated SRF structures. If the State wishes to eliminate the state intercept but still achieve a double-A rating, on an uninsured basis, for its leveraged SRF program, it will be necessary for operational adjustments to be made by the State. These adjustments could include, but would not necessarily be limited to, the establishment of supplemental reserve funds and significant overcollateralization of assets (lower debt to equity ratios). In effect, the Alaska program would be required to limit its flexibility in certain respects. The State will need to balance these additional restrictions and effect on the SRF's future programmatic flexibility against any perceived disadvantages of the use of a state intercept.

As a final comment, we would like to emphasize that in the absence of substantial reasons to the contrary, the use of the state intercept, as a result of its frequent use for other states that have received a double-A rating, will facilitate discussions with rating agencies and will be met with an historically favorable acceptance by the credit markets. These factors should result in a lower cost of capital for the Alaska SRF. We suggest that if Alaska desires to eliminate the state intercept, we should first discuss its elimination with the rating agencies to determine the replacement security feature that the agencies would possibly require in order for Alaska to achieve a double-A rating. Of course, if Alaska is satisfied with the single-A rating, then it becomes a matter of the additional cost of capital that would be incurred through the elimination of the state intercept.

STATE REVOLVING FUNDS

Issuer	RATINGS			State Intercept
	Moody's	S & P	Fitch	
Alabama Water Pollution Control Authority	NR	NR	NR	No
Wastewater Management Authority of Arizona	Aa	AA+	NR	No
Arkansas Development Finance Authority	NR	AA	NR	No
Colorado Water Resources and Power Development Authority	Aa	AA/AA+	NR	No
State of Connecticut	Aa	AA+	AA	Yes
Indiana Bond Bank	NR	A	NR	Yes
Iowa Finance Authority	NR	A	NR	No
Kansas Development Finance Authority	Aa1	AA+	NR	Yes
Kentucky Infrastructure Authority	A	A	NR	No
Maine Municipal Bond Bank	NR	A+	NR	No
Maryland Water Quality Financing Administration	Aa	AA	AA-	Yes
Massachusetts Water Pollution Abatement Trust	Aa1/Aa	AAA/AA-A+	AA+/AA	Yes
Michigan Municipal Bond Authority	Aa	AA	NR	Yes
Minnesota Public Facilities Authority	Aa	AAA	NR	No
Missouri State Environmental Improvement And Resources Authority	Aa1/Aa	NR	NR	No
New Jersey Wastewater Treatment Trust	Aa	AA	NR	Yes
State of Nevada	Aa	AA	NR	No
New York State Environmental Facilities Corporation	Aaa/Aa	AAA/A-A-	AAA/AA	Yes
North Dakota Municipal Bond Bank	A1	NR	NR	No
Ohio Water Development Authority	A	A	NR	No
Pennsylvania Infrastructure Investment Authority	NR	AA	NR	No
Rhode Island Clean Water Finance Agency	NR	NR	NR	No
South Dakota Conservancy District	A	NR	NR	No
Texas Water Development Board	Aa	AAA	NR	No
State of Wisconsin	Aa	AA	AA+	Yes

STATES THAT HAVE NO STATE INTERCEPT

Alabama	No uninsured ratings.
Arizona	Uninsured ratings are only for Phoenix, whose double-A general obligation ratings flow to the ratings on Arizona's SRF bonds.
Arkansas	Double-A Standard and Poor's rating; without state intercept, State is required to use supplemental reserve fund, which is utilized if earnings fall below required coverage.
Colorado	Double-A from both Mood's Investors Service and Standard & Poor's; without state intercept, State is required to use supplemental reserve fund, which is utilized if earnings fall below required coverage.
Iowa	Rated only single-A by Standard & Poor's.
Kentucky	Rated only single-A by both Moody's Investors Service and Standard & Poor's.
Maine	Rated only "A-" by Standard & Poor's; enjoys state moral obligation.
Minnesota	Similar to both Arkansas and Colorado, Minnesota has a supplemental reserve, but the debt is also secured by moral obligation pledge.
Missouri	Reserve fund equals 70% of outstanding loans, as opposed to lower conventional reserve fund levels for most other programs.
Nevada	Backed by State's general obligation pledge.
North Dakota	Rated "A1" by Moody's Investors Service.
Ohio	Rated only single-A by both Moody's Investors Service and Standard & Poor's.
Pennsylvania	Double-A Standard & Poor's rating; overcollateralization with over one-half of the program funds coming from the State of Pennsylvania.
Rhode Island	No uninsured ratings.
South Dakota	Rated only single-A by Moody's Investors Service.
Texas	Substantial overcollateralization; expectation that debt service coverage on pool will rise to over 8.0 times during the life of the bonds.

CS FOR SENATE BILL NO. 207(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 2/26/96

Referred: STA, JUD, FIN

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the issuance and sale of revenue bonds to fund public
2 wastewater systems, nonpoint source water pollution control projects, including
3 solid waste management systems, and estuary conservation and management
4 projects; authorizing the use of the Alaska clean water fund to pay and secure
5 the bonds and to pay costs related to issuance and administration of the bonds;
6 authorizing certain measures to secure payment of the bonds; and amending
7 Rule 3, Alaska Rules of Civil Procedure."

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

9 * Section 1. POLICY AND PURPOSES. The legislature finds that the expenditures,
10 transfers, and applications of money, and the use of the public credit through the issuance of
11 revenue bonds, as authorized by this Act, will serve a public purpose by allowing the financing
12 of needed public water quality improvements substantially sooner than would otherwise be
13 possible.

1 * Sec. 2. AS 37.15 is amended by adding new sections to read:

2 ARTICLE 3A. ALASKA CLEAN WATER FUND BONDS.

3 Sec. 37.15.560. BOND AUTHORIZATION. (a) For purposes of providing part
4 of the money to be used to provide financial assistance to municipalities and other
5 *[State approved]* qualified entities for the purposes stated in AS 46.03.032(d), including the costs of bond
6 issuance and administration, the issuance and sale of revenue bonds of the state is
7 authorized, subject to (b) of this section. The bonds are to be issued by the state bond
8 committee, as provided in AS 37.15.560 - 37.15.605, as part of the Alaska clean water
9 fund revolving loan fund program (AS 46.03.032), a public enterprise of the state. The
10 net proceeds of the sale of the bonds, remaining after any payment of costs of issuance
11 and administration, shall be paid into the Alaska clean water fund. Accrued interest paid
12 on the bonds shall be paid into the Alaska clean water fund for transfer to the Alaska
13 clean water fund revenue bond redemption fund (AS 37.15.565).

14 (b) The state bond committee may not issue more than \$15,000,000 in revenue
15 bonds during a fiscal year, excluding refunding bonds. The total amount of revenue
16 bonds outstanding at any one time may not exceed \$150,000,000, including principal and
17 interest owed on the bonds.

18 (c) The bonds do not constitute a general obligation of the state. Authorization
19 by the voters of the state or the legislature is not required.

20 (d) The state bond committee may enter into agreements with other state
21 agencies as necessary or convenient to implement AS 37.15.560 - 37.15.605.

22 (e) The state bond committee may contract for the services of underwriters,
23 paying agents, trustees, bond printers, rating agencies, bond insurance, credit
24 enhancement providers, accountants, financial advisors, and bond counsel, and other
25 services as are necessary to accomplish the bond issuance and sale.

26 Sec. 37.15.565. BOND REDEMPTION FUND. (a) There is established a
27 special fund of the state, known as the "Alaska clean water fund revenue bond
28 redemption fund," which is a trust fund for paying and securing the payment of the
29 principal of and interest and redemption premium, if any, on the bonds and which shall
30 be at all times completely segregated and set apart from all other funds of the state. The
31 committee, on behalf of the state, may obligate and bind the state to set aside and pay
32 into the bond redemption fund, on a monthly or other periodic basis, any part or parts

1 of, or all of, or a fixed proportion of, or a fixed amount of the money in the Alaska clean
2 water fund (AS 46.03.032) sufficient to pay the principal of and interest and redemption
3 premium, if any, on the bonds and, if it considers it necessary, to set aside and maintain
4 reserves for this purpose. The bond redemption fund shall be drawn upon only for the
5 purpose of paying the principal of and interest and redemption premium, if any, on the
6 bonds, together with related trustee fees, if any.

7 (b) Money in the bond redemption fund may be invested in the same manner and
8 on the same conditions as permitted for investment of money belonging to the state or
9 held in the treasury under AS 37.10.070; however, the committee may agree with the
10 bondholders to further limit these investments. Earnings on investments must be retained
11 in the bond redemption fund.

12 (c) Separate accounts may be created in the bond redemption fund for the
13 purposes of paying and securing the bonds. The accounts may be combined for purposes
14 of investment.

15 Sec. 37.15.570. BOND TERMS. (a) The bonds may be issued and sold at
16 public or negotiated sale in the manner, in the amounts or series, and at the time or times
17 that the committee determines. The bonds, or each series of them, shall be sold at the
18 price and upon the terms, conditions, and covenants set by the committee after
19 considering market conditions. Interest rates may be fixed or variable.

20 (b) The bonds mature at the time or times fixed by the committee. The bonds
21 may be subject to redemption before their fixed maturities, as determined by the
22 committee, with or without a premium or premiums. The bonds may be in
23 denominations determined by the committee; may be issued in fully or partially
24 registered form; must be payable as to principal and interest at the place or places
25 determined by the committee; must be signed on behalf of the state in the manner
26 provided by the committee; must be issued under and subject to the terms, conditions,
27 covenants, and protective features safeguarding payment of the bonds and relating to the
28 funding of projects as found necessary by the committee, including covenants requiring
29 the setting aside and maintenance of certain reserves to secure the payment of principal
30 and interest, all under regulations and conditions of the committee.

31 (c) The committee may pledge to the payment of the principal of and interest
32 on bonds issued by the committee part or all of the legally available money or other

1 assets on hand in the Alaska clean water fund (AS 46.03.032); part or all of the revenue
2 of the Alaska clean water fund, including federal capitalization grants, the proceeds of
3 loan repayments, and interest on money in the fund; the proceeds of the sale of bonds;
4 and money on hand in the bond redemption fund. Revenue of the Alaska clean water
5 fund, if so pledged, must be paid into the Alaska clean water fund. The committee may
6 provide for the issuance of additional bonds, secured by a pledge of money and revenue,
7 ranking junior to, senior to, or on a parity with, outstanding bonds, upon conditions
8 prescribed in the bond resolution. A pledge of loan repayments securing bonds may be
9 made applicable to specific loans from the Alaska clean water fund or, on a pooled basis,
10 to all loan repayments received.

11 (d) If the committee finds it reasonably necessary, the committee may select a
12 trustee or trustees for the holders of the bonds, or any series of them, for the
13 safeguarding and disbursement of any of the money in the bond redemption fund created
14 by AS 37.15.565, or for duties with respect to the enforcement, authentication, delivery,
15 payment, and registration of the bonds as the committee may determine. The committee
16 shall fix the rights, duties, powers, and obligations of the trustee or trustees.

17 (e) In its determination of all matters and questions relating to the issuance and
18 sale of the bonds and the fixing of their maturities, terms, conditions, and covenants as
19 provided in (a) - (d) of this section, the decisions of the committee shall be those that
20 are reasonably necessary for the best interests of the state and its inhabitants and that will
21 accomplish the most advantageous sale of the bonds, with due regard, however, for the
22 continued funding under AS 46.03.032 of the categories of projects identified in
23 AS 46.03.032(d). Decisions of the committee, as expressed in a bond resolution, are
24 final and are conclusively considered to comply with the requirements of AS 37.15.560 -
25 37.15.605 and AS 46.03.032.

26 (f) A bond resolution may provide that the bonds issued must contain a recital
27 that they are issued under AS 37.15.560 - 37.15.605 and AS 46.03.032, and a bond
28 containing this recital is conclusively considered to be valid and to have been issued in
29 conformity with AS 37.15.560 - 37.15.605 and AS 46.03.032.

30 Sec. 37.15.573. BOND RESOLUTION. The committee shall authorize the
31 issuance of bonds by adopting a resolution and shall prepare all other documents and
32 proceedings necessary for the issuance, sale, and delivery of the bonds or any part or

1 series of them. The bond resolution must fix the principal amount, denominations, date,
2 maturities, manner of sale, place or places of payment, rights of redemption, if any,
3 terms, form, conditions, and covenants of the bonds or each series of them. A bond
4 resolution may state terms, conditions, amounts, and other limitations on loans to be
5 made from the Alaska clean water fund (AS 46.03.032) from the relevant bond proceeds.

6 Sec. 37.15.575. STATE AID INTERCEPT. If a municipality is in default on
7 the payment of principal or interest on a loan from the Alaska clean water fund
8 (AS 46.03.032), the committee may provide written notice of default to the state agency
9 that is the custodian of money that is payable to the municipality. If the committee
10 determines to provide notice, a separate written notice shall be given in each instance of
11 default. Notwithstanding any other provision of law, at any time after receipt of written
12 notice of default, the agency head shall withhold payment of the money from the
13 municipality. The agency head shall pay over the withheld money to the committee for
14 deposit in the Alaska clean water fund for the purpose of paying or securing the principal
15 and interest on the loan.

16 Sec. 37.15.580. PLEDGE OF THE STATE. The state pledges to and agrees
17 with the holders of bonds issued by the committee under AS 37.15.560 - 37.15.605 and
18 AS 46.03.032 that the state will not limit or alter the rights and powers vested in the
19 committee by AS 37.15.560 - 37.15.605 and AS 46.03.032 to fulfill the terms of any
20 contract made by the committee with the holders, or in any way impair the rights and
21 remedies of the holders until the principal amount of the bonds, together with the interest
22 on them with interest on unpaid installments of interest, are fully met and discharged.
23 The committee may include this pledge and agreement of the state in a contract with the
24 holders.

25 Sec. 37.15.583. ENFORCEMENT BY BONDOWNER. (a) The owner or
26 owners of not less than 10 percent of the aggregate principal amount of any series or
27 issue of bonds or the trustee for the owners of the bonds or any series of them may, by
28 appropriate proceedings in state court, require and compel the transfer, setting aside, and
29 payment of money and the enforcement of all of the terms, conditions, and covenants as
30 required and provided in AS 37.15.560 - 37.15.605, AS 46.03.032, and the bond
31 resolution.

32 (b) A proceeding under (a) of this section may be commenced and conducted

1 only in the Superior Court for the State of Alaska, First Judicial District at Juneau.

2 Sec. 37.15.585. AMOUNTS REQUIRED FOR PAYMENTS. The committee
3 shall, before June 30 of each year or from time to time within the year, as appropriate,
4 commencing with the year in which the bonds are issued, certify to the commissioners
5 of revenue and environmental conservation the amounts required in the current fiscal
6 year and the next ensuing fiscal year by the bond resolution or resolutions to be paid out
7 of the Alaska clean water fund into the bond redemption fund and to be paid into and
8 maintained in any reserve fund or account or other fund or account created by the bond
9 resolution or resolutions, and shall also certify to the commissioners the last date or dates
10 upon which payments may be made.

11 Sec. 37.15.587. PURPOSES AND SUFFICIENCY OF REVENUE. The
12 proceeds of bonds may be used for the purposes described in AS 46.03.032(d). Bonds
13 may not be issued unless the committee first finds that revenue to be derived from
14 repayment of loans from the Alaska clean water fund will be sufficient, together with
15 other available money, to comply with all the covenants of the bond resolutions.

16 Sec. 37.15.590. REFUNDING. (a) The committee may refund the bonds or any
17 part of them at or before their maturities or redemption dates by the issuance of
18 refunding revenue bonds of the state if, in the opinion of the committee, refunding is
19 advantageous to and in the best interests of the state and its inhabitants.

20 (b) The issuance of refunding bonds need not be authorized by the voters of the
21 state or by an act of the legislature. The committee shall adopt the resolution or
22 resolutions and prepare all other documents and proceedings necessary for the issuance,
23 exchange or sale, and delivery of the refunding. All provisions of AS 37.15.560 -
24 37.15.605 and AS 46.03.032 applicable to revenue bonds are applicable to the refunding
25 bonds and to the issuance, sale, or exchange of them, except as otherwise provided in
26 this section.

27 (c) Refunding bonds may be issued in a principal amount sufficient to provide
28 money for the advance or current refunding of all bonds to be refunded and interest on
29 the refunded bonds and, in addition, for the payment of all costs of issuance and
30 administration of the refunding bonds. These expenses also include the difference in
31 amount between the par value of the refunding bonds and any amount less than par for
32 which the refunding bonds are sold; the premium, if any, necessary to be paid in order

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1 to call or retire the outstanding bonds and the interest accruing on them to date of the
2 call or retirement; and other such costs. The committee is authorized to incur such
3 expenses.

4 (d) The committee may contract with a refunding trustee to hold the proceeds
5 of refunding bonds in trust until the proceeds, together with earnings on the proceeds,
6 are applied to pay the principal of, premium, if any, and interest on the bonds to be
7 refunded. Until the refunding bond proceeds are applied, the proceeds may be invested
8 in direct obligations of, or obligations guaranteed by, the United States or an agency or
9 corporation of the United States whose obligations constitute direct obligations of, or
10 obligations guaranteed by, the United States.

11 Sec. 37.15.595. BONDS AS LEGAL INVESTMENTS. The bonds are legal
12 investments for all banks, trust companies, savings banks, savings and loan associations,
13 and other persons carrying on a banking business, all insurance companies and other
14 persons carrying on an insurance business, and all executors, administrators, trustees, and
15 other fiduciaries. The bonds may be accepted as security for deposits of all money of
16 the state and its political subdivisions.

17 Sec. 37.15.603. REGULATIONS. The committee may adopt regulations
18 necessary to implement the provisions of AS 37.15.560 - 37.15.605.

19 Sec. 37.15.605. DEFINITIONS. In AS 37.15.560 - 37.15.605,

20 (1) "bond redemption fund" means the Alaska clean water fund revenue
21 bond redemption fund established in AS 37.15.565;

22 (2) "bond resolution" means the resolution or resolutions adopted by the
23 committee under AS 37.15.573 authorizing the issuance of bonds;

24 (3) "bonds" means the Alaska clean water fund revenue bonds authorized
25 in AS 37.15.560 - 37.15.605;

26 (4) "commissioner of revenue" means the principal executive officer of
27 the Department of Revenue as provided in AS 44.25.010, or a successor;

28 (5) "commissioner of environmental conservation" means the principal
29 executive officer of the Department of Environmental Conservation as provided in
30 AS 44.46.010, or a successor;

31 (6) "committee" means the state bond committee created in AS 37.15.110
32 or any other committee, body, department, or officer of the state that succeeds to the

1 rights, powers, duties, and obligations of the state bond committee by lawful act of the
2 legislature;

3 (7) "costs of issuance and administration" means all costs associated with
4 issuance and administration of Alaska clean water fund revenue bonds and refunding
5 bonds, including costs of bond printing, official statements, financial advisors, travel
6 costs, rating agencies, bond insurance, letters and lines of credit for credit enhancement,
7 underwriters, legal services, paying agents, bond registrars, bond and escrow trustees,
8 arbitrage rebate, and all other costs, including administrative costs, both direct and
9 indirect.

10 * Sec. 3. AS 46.03.032(a) is amended to read:

11 (a) There is established as a separate fund the Alaska clean water fund, which
12 is distinct from any other money or fund in the treasury, and which consists of money
13 appropriated by the legislature to meet federal matching requirements, federal
14 capitalization grants, loan repayments, interest received from loan repayments, [AND]
15 interest received from investment of money in the Alaska clean water fund, and the
16 proceeds and accrued interest received from the sale of revenue bonds issued under
17 AS 37.15.560 - 37.15.605 and secured by the Alaska clean water fund. Separate
18 accounts may be created in the Alaska clean water fund. The accounts may be
19 combined for purposes of investment.

20 * Sec. 4. AS 46.03.032(b) is amended to read: *[Proposed language for section 4 shall be*

21 (b) The department shall administer the Alaska clean water fund consistent with
22 the requirements of this section and AS 37.15.560 - 37.15.605. *the proposed language shall be*

23 * Sec. 5. AS 46.03.032(c) is amended to read:

24 (c) The department may accept and make use of all capitalization grants
25 provided by the federal government under 33 U.S.C. 1251 - 1387 (the federal Clean
26 Water Act), as amended [EY P.L. 100-4].

27 * Sec. 6. AS 46.03.032(d) is repealed and reenacted to read:

28 (d) Except as otherwise limited by federal law, the Alaska clean water fund may
29 be used

30 (1) for the following categories of projects:

31 (A) planning, designing, building, constructing, and rehabilitating
32 a public wastewater collection, treatment, or discharge system;

1 (B) implementing a management program for controlling water
2 pollution from nonpoint sources under 33 U.S.C. 1329, including planning,
3 designing, building, constructing, and rehabilitating a solid waste management
4 system; and

5 (C) developing and implementing an estuary conservation and
6 management program under 33 U.S.C. 1330;

7 (2) to provide the following types of financial assistance for the
8 categories of projects listed in (1) of this subsection:

9 (A) making loans to municipalities and other qualified entities; *[State agencies]*

10 (B) buying or refinancing the debt obligations of a municipality
11 or other qualified entity; *[State agencies]*

12 (C) providing collateral security for or purchasing insurance for
13 a municipal or other qualified entity debt obligation; and *[State agencies]*

14 (3) to pay and secure the payment of the principal of and interest on
15 revenue bonds issued by the state and to pay the costs of issuance and administration of
16 the bonds, so long as the proceeds of the bond sale are deposited in the Alaska clean
17 water fund.

18 * Sec. 7. AS 46.03.032(f) is repealed and reenacted to read:

19 (f) The department

20 (1) may spend money from the Alaska clean water fund to pay the costs

21 of

22 (A) administering the fund; and

23 (B) the department in conducting activities under this section and
24 AS 37.15.560 - 37.15.605, including the costs of issuance and administration as
25 defined in AS 37.15.605;

26 (2) shall spend money from the Alaska clean water fund to pay

27 (A) into the bond redemption fund (AS 37.15.565), and into any
28 other bond redemption fund or account created by a relevant bond resolution, the
29 amount certified by the state bond committee under AS 37.15.585; and

30 (B) the costs of the state bond committee in conducting activities
31 under this section and AS 37.15.560 - 37.15.605, including the costs of issuance
32 and administration as defined in AS 37.15.605.

1 • Sec. 8. AS 46.03.032(g) is amended to read:

2 (g) A municipality ^[or state agencies] or other qualified entity wishing to borrow money from the

3 Alaska clean water fund shall demonstrate to the satisfaction of the department that it
4 [THE MUNICIPALITY]

5 (1) has sufficient legal authority to incur the debt for which it is
6 applying; and

7 (2) will establish and maintain a dedicated source of revenue or other
8 acceptable revenue source for repayment of the loan and sufficient reserves for the
9 loan as may be necessary.

10 • Sec. 9. AS 46.03.032(j) is amended to read:

11 (j) Except as necessary to comply with the covenants of a bond resolution
12 under AS 37.15.573, a [A] loan made by the department shall be made according to the
13 standards, criteria, and procedures established by regulations under this section. A loan
14 made from the Alaska clean water fund may be subject to the state aid intercept
15 provisions of AS 37.15.575. Except as necessary to comply with the covenants of
16 a bond resolution under AS 37.15.573, in [IN] making a loan from the Alaska clean
17 water fund for a solid waste management system [FACILITY], the department shall give
18 priority to a project that will alleviate severe health or environmental concerns in the
19 community or region proposing the system [FACILITY]. In addition, the department
20 may consider

21 (1) the extent of local or regional support for the proposed system
22 [FACILITY]; and

23 (2) the extent to which the applicant can demonstrate that the full range
24 of solid waste management options has been reasonably considered and that the proposed
25 system [FACILITY] is consistent with the promotion of the solid and hazardous waste
26 management practices established in AS 46.06.021 [IN THE FOLLOWING ORDER OF
27 PRIORITY:

28 (A) WASTE SOURCE REDUCTION;

29 (B) RECYCLING OF WASTE;

30 (C) WASTE TREATMENT; AND

31 (D) WASTE DISPOSAL].

32 • Sec. 10. AS 46.03.032(k) is amended to read:

15G could not
apply to
state aid
to support
bond

1 (k) The department shall prepare reports required by the federal government in
2 conjunction with federal capitalization grant award conditions. The department shall
3 also prepare reports and notices, including notices of default, required by the state
4 bond committee in conjunction with bonds issued under AS 37.15.560 - 37.15.605.

5 The department shall also prepare a biennial report on the Alaska clean water fund and
6 notify the legislature that it is available on or before the first day of each first regular
7 session of the legislature.

8 • Sec. 11. AS 46.03.032(o) is amended to read:

9 (o) In this section,

10 (1) "other qualified entity" means an intermunicipal or interstate
11 agency as those terms are used in 33 U.S.C. 1383, and may include an authority,
12 corporation, instrumentality, enterprise, or other entity formed through an
13 agreement between a municipality and one or more other governmental entities
14 under AS 29.35.010(13) or under art. X, sec. 13, Constitution of the State of
15 Alaska, or between a municipality and a regional housing authority under
16 AS 18.55.996(h);

17 (2) "solid waste management system [FACILITY]" includes capital
18 improvements and equipment used for the purpose of solid and hazardous waste source
19 reduction, recycling, treatment, or disposal.

20 • Sec. 12. AS 46.03.032 is amended by adding a new subsection to read:

21 (p) Regulations adopted by the department under this section that would affect
22 issuance or repayment of revenue bonds under AS 37.15.560 - 37.15.605 may not be
23 inconsistent with those statutes or with regulations adopted by the state bond
24 committee under those statutes. To the extent that regulations adopted by the
25 department are inconsistent with AS 37.15.560 - AS 37.15.605, with regulations
26 adopted by the state bond committee under those statutes, or with the covenants of a
27 bond resolution adopted under AS 37.15.573, the provisions of AS 37.15.560 -
28 37.15.605, the regulations adopted under those statutes, and the covenants of the bond
29 resolution govern.

30 • Sec. 13. The provisions of AS 37.15.583(b), enacted by sec. 2 of this Act, have the effect
31 of changing Rule 3, Alaska Rules of Civil Procedure, by limiting, to the Superior Court for
32 the State of Alaska, First Judicial District at Juneau, the venue district in which a proceeding

1 under AS 37.15.583(a), enacted by sec. 2 of this Act, may be commenced and conducted.
2 * Sec. 14. The provisions of AS 37.15.583(b), enacted by sec. 2 of this Act, take effect
3 only if sec. 13 of this Act receives the two-thirds majority vote of each house required by
4 art. IV, sec. 15, Constitution of the State of Alaska.

A M E N D M E N T

OFFERED IN THE SENATE
TO: SB 207

BY SENATOR TORGERSON

- 1 Page 6, line 6, after "in":
- 2 Insert "the current fiscal year and"

- 3 Page 8, line 12, after "letters":
- 4 Insert "and lines"

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: SB 207

1 Page 2, line 7, after "authorized":

2 Insert ", subject to (b) of this section"

3 Page 2, after line 13:

4 Insert a new subsection to read:

5 "(b) The state bond committee may not issue more than \$15,000,000 in
6 revenue bonds during a fiscal year, excluding refunding bonds. The total amount of
7 revenue bonds outstanding at any one time may not exceed \$150,000,000, including
8 principal and interest owed on the bonds."

9 Reletter the following subsections accordingly.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: SB 207

1 Page 7, lines 19 - 21:

2 Delete all material.

3 Page 8, lines 27 - 28:

4 Delete "The provisions of this section shall be liberally construed in order to
5 carry out the purposes for which they were enacted."

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: SB 207

1 Page 2, line 5:

2 Delete "state agencies"

3 Insert "other qualified entities"

4 Page 9, line 18:

5 Delete "state agencies"

6 Insert "other qualified entities"

7 Page 9, line 20:

8 Delete "state agency"

9 Insert "other qualified entity"

10 Page 9, line 22:

11 Delete "state agency"

12 Insert "other qualified entity"

13 Page 10, line 11:

14 Delete "state agency"15 Insert "other qualified entity"

16 Page 11, line 20, following "(1)":

17 Insert "other qualified entity" means an intermunicipal or interstate agency as
18 those terms are used in 33 U.S.C. 1383, and may include an authority, corporation,
19 instrumentality, enterprise, or other entity formed through an agreement between a
20 municipality and one or more other governmental entities under AS 29.35.010(13) or

1 under art. X, sec. 13, Constitution of the State of Alaska, or between a municipality and
2 a regional housing authority under AS 18.55.996(b):

3 (2)"

4 Page 11, lines 22 - 25:

5 Delete ";

6 (2) "state agency" means a department, authority, public
7 corporation, instrumentality, or other administrative unit of the executive branch
8 of state government"

CS FOR SENATE BILL NO. 207(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the issuance and sale of revenue bonds to fund public
2 wastewater systems, nonpoint source water pollution control projects, including
3 solid waste management systems, and estuary conservation and management
4 projects; authorizing the use of the Alaska clean water fund to pay and secure
5 the bonds and to pay costs related to issuance and administration of the bonds;
6 authorizing certain measures to secure payment of the bonds; and amending
7 Rule 3, Alaska Rules of Civil Procedure."

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

9 * Section 1. POLICY AND PURPOSES. The legislature finds that the expenditures,
10 transfers, and applications of money, and the use of the public credit through the issuance of
11 revenue bonds, as authorized by this Act, will serve a public purpose by allowing the financing
12 of needed public water quality improvements substantially sooner than would otherwise be
13 possible.

1 * Sec. 2. AS 37.15 is amended by adding new sections to read:

2 ARTICLE 3A. ALASKA CLEAN WATER FUND BONDS.

3 Sec. 37.15.560. BOND AUTHORIZATION. (a) For purposes of providing part
4 of the money to be used to provide financial assistance to municipalities and other
5 qualified entities for the purposes stated in AS 46.03.032(d), including the costs of bond
6 issuance and administration, the issuance and sale of revenue bonds of the state is
7 authorized, subject to (b) of this section. The bonds are to be issued by the state bond
8 committee, as provided in AS 37.15.560 - 37.15.605, as part of the Alaska clean water
9 fund revolving loan fund program (AS 46.03.032), a public enterprise of the state. The
10 net proceeds of the sale of the bonds, remaining after any payment of costs of issuance
11 and administration, shall be paid into the Alaska clean water fund. Accrued interest paid
12 on the bonds shall be paid into the Alaska clean water fund for transfer to the Alaska
13 clean water fund revenue bond redemption fund (AS 37.15.565).

14 (b) The state bond committee may not issue more than \$15,000,000 in revenue
15 bonds during a fiscal year, excluding refunding bonds. The total amount of revenue
16 bonds outstanding at any one time may not exceed \$150,000,000, including principal and
17 interest owed on the bonds.

18 (c) The bonds do not constitute a general obligation of the state. Authorization
19 by the voters of the state or the legislature is not required.

20 (d) The state bond committee may enter into agreements with other state
21 agencies as necessary or convenient to implement AS 37.15.560 - 37.15.605.

22 (e) The state bond committee may contract for the services of underwriters,
23 paying agents, trustees, bond printers, rating agencies, bond insurance, credit
24 enhancement providers, accountants, financial advisors, and bond counsel, and other
25 services as are necessary to accomplish the bond issuance and sale.

26 Sec. 37.15.565. BOND REDEMPTION FUND. (a) There is established a
27 special fund of the state, known as the "Alaska clean water fund revenue bond
28 redemption fund," which is a trust fund for paying and securing the payment of the
29 principal of and interest and redemption premium, if any, on the bonds and which shall
30 be at all times completely segregated and set apart from all other funds of the state. The
31 committee, on behalf of the state, may obligate and bind the state to set aside and pay
32 into the bond redemption fund, on a monthly or other periodic basis, any part or parts

1 of, or all of, or a fixed proportion of, or a fixed amount of the money in the Alaska clean
2 water fund (AS 46.03.032) sufficient to pay the principal of and interest and redemption
3 premium, if any, on the bonds and, if it considers it necessary, to set aside and maintain
4 reserves for this purpose. The bond redemption fund shall be drawn upon only for the
5 purpose of paying the principal of and interest and redemption premium, if any, on the
6 bonds, together with related trustee fees, if any.

7 (b) Money in the bond redemption fund may be invested in the same manner and
8 on the same conditions as permitted for investment of money belonging to the state or
9 held in the treasury under AS 37.10.070; however, the committee may agree with the
10 bondholders to further limit these investments. Earnings on investments must be retained
11 in the bond redemption fund.

12 (c) Separate accounts may be created in the bond redemption fund for the
13 purposes of paying and securing the bonds. The accounts may be combined for purposes
14 of investment.

15 Sec. 37.15.570. BOND TERMS. (a) The bonds may be issued and sold at
16 public or negotiated sale in the manner, in the amounts or series, and at the time or times
17 that the committee determines. The bonds, or each series of them, shall be sold at the
18 price and upon the terms, conditions, and covenants set by the committee after
19 considering market conditions. Interest rates may be fixed or variable.

20 (b) The bonds mature at the time or times fixed by the committee. The bonds
21 may be subject to redemption before their fixed maturities, as determined by the
22 committee, with or without a premium or premiums. The bonds may be in
23 denominations determined by the committee; may be issued in fully or partially
24 registered form; must be payable as to principal and interest at the place or places
25 determined by the committee; must be signed on behalf of the state in the manner
26 provided by the committee; must be issued under and subject to the terms, conditions,
27 covenants, and protective features safeguarding payment of the bonds and relating to the
28 funding of projects as found necessary by the committee, including covenants requiring
29 the setting aside and maintenance of certain reserves to secure the payment of principal
30 and interest, all under regulations and conditions of the committee.

31 (c) The committee may pledge to the payment of the principal of and interest
32 on bonds issued by the committee part or all of the legally available money or other

1 assets on hand in the Alaska clean water fund (AS 46.03.032); part or all of the revenue
2 of the Alaska clean water fund, including federal capitalization grants, the proceeds of
3 loan repayments, and interest on money in the fund; the proceeds of the sale of bonds;
4 and money on hand in the bond redemption fund. Revenue of the Alaska clean water
5 fund, if so pledged, must be paid into the Alaska clean water fund. The committee may
6 provide for the issuance of additional bonds, secured by a pledge of money and revenue,
7 ranking junior to, senior to, or on a parity with, outstanding bonds, upon conditions
8 prescribed in the bond resolution. A pledge of loan repayments securing bonds may be
9 made applicable to specific loans from the Alaska clean water fund or, on a pooled basis,
10 to all loan repayments received.

11 (d) If the committee finds it reasonably necessary, the committee may select a
12 trustee or trustees for the holders of the bonds, or any series of them, for the
13 safeguarding and disbursement of any of the money in the bond redemption fund created
14 by AS 37.15.565, or for duties with respect to the enforcement, authentication, delivery,
15 payment, and registration of the bonds as the committee may determine. The committee
16 shall fix the rights, duties, powers, and obligations of the trustee or trustees.

17 (e) In its determination of all matters and questions relating to the issuance and
18 sale of the bonds and the fixing of their maturities, terms, conditions, and covenants as
19 provided in (a) - (d) of this section, the decisions of the committee shall be those that
20 are reasonably necessary for the best interests of the state and its inhabitants and that will
21 accomplish the most advantageous sale of the bonds, with due regard, however, for the
22 continued funding under AS 46.03.032 of the categories of projects identified in
23 AS 46.03.032(d). Decisions of the committee, as expressed in a bond resolution, are
24 final and are conclusively considered to comply with the requirements of AS 37.15.560 -
25 37.15.605 and AS 46.03.032.

26 (f) A bond resolution may provide that the bonds issued must contain a recital
27 that they are issued under AS 37.15.560 - 37.15.605 and AS 46.03.032, and a bond
28 containing this recital is conclusively considered to be valid and to have been issued in
29 conformity with AS 37.15.560 - 37.15.605 and AS 46.03.032.

30 Sec. 37.15.573. BOND RESOLUTION. The committee shall authorize the
31 issuance of bonds by adopting a resolution and shall prepare all other documents and
32 proceedings necessary for the issuance, sale, and delivery of the bonds or any part or

1 series of them. The bond resolution must fix the principal amount, denominations, date,
2 maturities, manner of sale, place or places of payment, rights of redemption, if any,
3 terms, form, conditions, and covenants of the bonds or each series of them. A bond
4 resolution may state terms, conditions, amounts, and other limitations on loans to be
5 made from the Alaska clean water fund (AS 46.03.032) from the relevant bond proceeds.

6 Sec. 37.15.575. STATE AID INTERCEPT. If a municipality is in default on
7 the payment of principal or interest on a loan from the Alaska clean water fund
8 (AS 46.03.032), the committee may provide written notice of default to the state agency
9 that is the custodian of money that is payable to the municipality. If the committee
10 determines to provide notice, a separate written notice shall be given in each instance of
11 default. Notwithstanding any other provision of law, at any time after receipt of written
12 notice of default, the agency head shall withhold payment of the money from the
13 municipality. The agency head shall pay over the withheld money to the committee for
14 deposit in the Alaska clean water fund for the purpose of paying or securing the principal
15 and interest on the loan.

16 Sec. 37.15.580. PLEDGE OF THE STATE. The state pledges to and agrees
17 with the holders of bonds issued by the committee under AS 37.15.560 - 37.15.605 and
18 AS 46.03.032 that the state will not limit or alter the rights and powers vested in the
19 committee by AS 37.15.560 - 37.15.605 and AS 46.03.032 to fulfill the terms of any
20 contract made by the committee with the holders, or in any way impair the rights and
21 remedies of the holders until the principal amount of the bonds, together with the interest
22 on them with interest on unpaid installments of interest, are fully met and discharged.
23 The committee may include this pledge and agreement of the state in a contract with the
24 holders.

25 Sec. 37.15.583. ENFORCEMENT BY BONDOWNER. (a) The owner or
26 owners of not less than 10 percent of the aggregate principal amount of any series or
27 issue of bonds or the trustee for the owners of the bonds or any series of them may, by
28 appropriate proceedings in state court, require and compel the transfer, setting aside, and
29 payment of money and the enforcement of all of the terms, conditions, and covenants as
30 required and provided in AS 37.15.560 - 37.15.605, AS 46.03.032, and the bond
31 resolution.

32 (b) A proceeding under (a) of this section may be commenced and conducted

1 only in the Superior Court for the State of Alaska, First Judicial District at Juneau.

2 Sec. 37.15.585. AMOUNTS REQUIRED FOR PAYMENTS. The committee
3 shall, before June 30 of each year or from time to time within the year, as appropriate,
4 commencing with the year in which the bonds are issued, certify to the commissioners
5 of revenue and environmental conservation the amounts required in the current fiscal
6 year and the next ensuing fiscal year by the bond resolution or resolutions to be paid out
7 of the Alaska clean water fund into the bond redemption fund and to be paid into and
8 maintained in any reserve fund or account or other fund or account created by the bond
9 resolution or resolutions, and shall also certify to the commissioners the last date or dates
10 upon which payments may be made.

11 Sec. 37.15.587. PURPOSES AND SUFFICIENCY OF REVENUE. The
12 proceeds of bonds may be used for the purposes described in AS 46.03.032(d). Bonds
13 may not be issued unless the committee first finds that revenue to be derived from
14 repayment of loans from the Alaska clean water fund will be sufficient, together with
15 other available money, to comply with all the covenants of the bond resolutions.

16 Sec. 37.15.590. REFUNDING. (a) The committee may refund the bonds or any
17 part of them at or before their maturities or redemption dates by the issuance of
18 refunding revenue bonds of the state if, in the opinion of the committee, refunding is
19 advantageous to and in the best interests of the state and its inhabitants.

20 (b) The issuance of refunding bonds need not be authorized by the voters of the
21 state or by an act of the legislature. The committee shall adopt the resolution or
22 resolutions and prepare all other documents and proceedings necessary for the issuance,
23 exchange or sale, and delivery of the refunding. All provisions of AS 37.15.560 -
24 37.15.605 and AS 46.03.032 applicable to revenue bonds are applicable to the refunding
25 bonds and to the issuance, sale, or exchange of them, except as otherwise provided in
26 this section.

27 (c) Refunding bonds may be issued in a principal amount sufficient to provide
28 money for the advance or current refunding of all bonds to be refunded and interest on
29 the refunded bonds and, in addition, for the payment of all costs of issuance and
30 administration of the refunding bonds. These expenses also include the difference in
31 amount between the par value of the refunding bonds and any amount less than par for
32 which the refunding bonds are sold; the premium, if any, necessary to be paid in order

1 to call or retire the outstanding bonds and the interest accruing on them to date of the
2 call or retirement; and other such costs. The committee is authorized to incur such
3 expenses.

4 (d) The committee may contract with a refunding trustee to hold the proceeds
5 of refunding bonds in trust until the proceeds, together with earnings on the proceeds,
6 are applied to pay the principal of, premium, if any, and interest on the bonds to be
7 refunded. Until the refunding bond proceeds are applied, the proceeds may be invested
8 in direct obligations of, or obligations guaranteed by, the United States or an agency or
9 corporation of the United States whose obligations constitute direct obligations of, or
10 obligations guaranteed by, the United States.

11 Sec. 37.15.595. BONDS AS LEGAL INVESTMENTS. The bonds are legal
12 investments for all banks, trust companies, savings banks, savings and loan associations,
13 and other persons carrying on a banking business, all insurance companies and other
14 persons carrying on an insurance business, and all executors, administrators, trustees, and
15 other fiduciaries. The bonds may be accepted as security for deposits of all money of
16 the state and its political subdivisions.

17 Sec. 37.15.603. REGULATIONS. The committee may adopt regulations
18 necessary to implement the provisions of AS 37.15.560 - 37.15.605.

19 Sec. 37.15.605. DEFINITIONS. In AS 37.15.560 - 37.15.605,

20 (1) "bond redemption fund" means the Alaska clean water fund revenue
21 bond redemption fund established in AS 37.15.565;

22 (2) "bond resolution" means the resolution or resolutions adopted by the
23 committee under AS 37.15.573 authorizing the issuance of bonds;

24 (3) "bonds" means the Alaska clean water fund revenue bonds authorized
25 in AS 37.15.560 - 37.15.605;

26 (4) "commissioner of revenue" means the principal executive officer of
27 the Department of Revenue as provided in AS 44.25.010, or a successor;

28 (5) "commissioner of environmental conservation" means the principal
29 executive officer of the Department of Environmental Conservation as provided in
30 AS 44.46.010, or a successor;

31 (6) "committee" means the state bond committee created in AS 37.15.110
32 or any other committee, body, department, or officer of the state that succeeds to the

1 rights, powers, duties, and obligations of the state bond committee by lawful act of the
2 legislature;

3 (7) "costs of issuance and administration" means all costs associated with
4 issuance and administration of Alaska clean water fund revenue bonds and refunding
5 bonds, including costs of bond printing, official statements, financial advisors, travel
6 costs, rating agencies, bond insurance, letters and lines of credit for credit enhancement,
7 underwriters, legal services, paying agents, bond registrars, bond and escrow trustees,
8 arbitrage rebate, and all other costs, including administrative costs, both direct and
9 indirect.

10 * Sec. 3. AS 46.03.032(a) is amended to read:

11 (a) There is established as a separate fund the Alaska clean water fund, which
12 is distinct from any other money or fund in the treasury, and which consists of money
13 appropriated by the legislature to meet federal matching requirements, federal
14 capitalization grants, loan repayments, interest received from loan repayments, [AND]
15 interest received from investment of money in the Alaska clean water fund, and the
16 proceeds and accrued interest received from the sale of revenue bonds issued under
17 AS 37.15.560 - 37.15.605 and secured by the Alaska clean water fund. Separate
18 accounts may be created in the Alaska clean water fund. The accounts may be
19 combined for purposes of investment.

20 * Sec. 4. AS 46.03.032(b) is amended to read:

21 (b) The department shall administer the Alaska clean water fund consistent with
22 the requirements of this section and AS 37.15.560 - 37.15.605.

23 * Sec. 5. AS 46.03.032(c) is amended to read:

24 (c) The department may accept and make use of all capitalization grants
25 provided by the federal government under 33 U.S.C. 1251 - 1387 (the federal Clean
26 Water Act), as amended [BY P.L. 100-4].

27 * Sec. 6. AS 46.03.032(d) is repealed and reenacted to read:

28 (d) Except as otherwise limited by federal law, the Alaska clean water fund may
29 be used

30 (1) for the following categories of projects:

31 (A) planning, designing, building, constructing, and rehabilitating
32 a public wastewater collection, treatment, or discharge system;

1 (B) implementing a management program for controlling water
2 pollution from nonpoint sources under 33 U.S.C. 1329, including planning,
3 designing, building, constructing, and rehabilitating a solid waste management
4 system; and

5 (C) developing and implementing an estuary conservation and
6 management program under 33 U.S.C. 1330;

7 (2) to provide the following types of financial assistance for the
8 categories of projects listed in (1) of this subsection:

9 (A) making loans to municipalities and other qualified entities;

10 (B) buying or refinancing the debt obligations of a municipality
11 or other qualified entity;

12 (C) providing collateral security for or purchasing insurance for
13 a municipal or other qualified entity debt obligation; and

14 (3) to pay and secure the payment of the principal of and interest on
15 revenue bonds issued by the state and to pay the costs of issuance and administration of
16 the bonds, so long as the proceeds of the bond sale are deposited in the Alaska clean
17 water fund.

18 • Sec. 7. AS 46.03.032(f) is repealed and reenacted to read:

19 (f) The department

20 (1) may spend money from the Alaska clean water fund to pay the costs
21 of

22 (A) administering the fund; and

23 (B) the department in conducting activities under this section and
24 AS 37.15.560 - 37.15.605, including the costs of issuance and administration as
25 defined in AS 37.15.605;

26 (2) shall spend money from the Alaska clean water fund to pay

27 (A) into the bond redemption fund (AS 37.15.565), and into any
28 other bond redemption fund or account created by a relevant bond resolution, the
29 amount certified by the state bond committee under AS 37.15.585; and

30 (B) the costs of the state bond committee in conducting activities
31 under this section and AS 37.15.560 - 37.15.605, including the costs of issuance
32 and administration as defined in AS 37.15.605.

1 * Sec. 8. AS 46.03.032(g) is amended to read:

2 (g) A municipality or other qualified entity wishing to borrow money from the
3 Alaska clean water fund shall demonstrate to the satisfaction of the department that it
4 [THE MUNICIPALITY]

5 (1) has sufficient legal authority to incur the debt for which it is
6 applying; and

7 (2) will establish and maintain a dedicated source of revenue or other
8 acceptable revenue source for repayment of the loan and sufficient reserves for the
9 loan as may be necessary.

10 * Sec. 9. AS 46.03.032(j) is amended to read:

11 (j) Except as necessary to comply with the covenants of a bond resolution
12 under AS 37.15.573, a [A] loan made by the department shall be made according to the
13 standards, criteria, and procedures established by regulations under this section. A loan
14 made from the Alaska clean water fund may be subject to the state aid intercent
15 provisions of AS 37.15.575. Except as necessary to comply with the covenants of
16 a bond resolution under AS 37.15.573, in [IN] making a loan from the Alaska clean
17 water fund for a solid waste management system [FACILITY], the department shall give
18 priority to a project that will alleviate severe health or environmental concerns in the
19 community or region proposing the system [FACILITY]. In addition, the department
20 may consider

21 (1) the extent of local or regional support for the proposed system
22 [FACILITY]; and

23 (2) the extent to which the applicant can demonstrate that the full range
24 of solid waste management options has been reasonably considered and that the proposed
25 system [FACILITY] is consistent with the promotion of the solid and hazardous waste
26 management practices established in AS 46.06.021 [IN THE FOLLOWING ORDER OF
27 PRIORITY:

28 (A) WASTE SOURCE REDUCTION;

29 (B) RECYCLING OF WASTE;

30 (C) WASTE TREATMENT; AND

31 (D) WASTE DISPOSAL].

32 * Sec. 10. AS 46.03.032(k) is amended to read:

1 (k) The department shall prepare reports required by the federal government in
2 conjunction with federal capitalization grant award conditions. The department shall
3 also prepare reports and notices, including notices of default, required by the state
4 bond committee in conjunction with bonds issued under AS 37.15.560 - 37.15.605.

5 The department shall also prepare a biennial report on the Alaska clean water fund and
6 notify the legislature that it is available on or before the first day of each first regular
7 session of the legislature.

8 * Sec. 11. AS 46.03.032(o) is amended to read:

9 (o) In this section,

10 (1) "other qualified entity" means an intermunicipal or interstate
11 agency as those terms are used in 33 U.S.C. 1383, and may include an authority,
12 corporation, instrumentality, enterprise, or other entity formed through an
13 agreement between a municipality and one or more other governmental entities
14 under AS 29.35.010(13) or under art. X, sec. 13, Constitution of the State of
15 Alaska, or between a municipality and a regional housing authority under
16 AS 18.55.996(b);

17 (2) "solid waste management system [FACILITY]" includes capital
18 improvements and equipment used for the purpose of solid and hazardous waste source
19 reduction, recycling, treatment, or disposal.

20 * Sec. 12. AS 46.03.032 is amended by adding a new subsection to read:

21 (p) Regulations adopted by the department under this section that would affect
22 issuance or repayment of revenue bonds under AS 37.15.560 - 37.15.605 may not be
23 inconsistent with those statutes or with regulations adopted by the state bond
24 committee under those statutes. To the extent that regulations adopted by the
25 department are inconsistent with AS 37.15.560 - AS 37.15.605, with regulations
26 adopted by the state bond committee under those statutes, or with the covenants of a
27 bond resolution adopted under AS 37.15.573, the provisions of AS 37.15.560 -
28 37.15.605, the regulations adopted under those statutes, and the covenants of the bond
29 resolution govern.

30 * Sec. 13. The provisions of AS 37.15.583(b), enacted by sec. 2 of this Act, have the effect
31 of changing Rule 3, Alaska Rules of Civil Procedure, by limiting, to the Superior Court for
32 the State of Alaska, First Judicial District at Juneau, the venue district in which a proceeding