

**SENATE BILL NO. 46**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY SENATOR HOFFMAN

Introduced: 2/9/15

Referred: Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the Alaska Municipal Bond Bank Authority; authorizing the Alaska  
2 Municipal Bond Bank Authority to issue bonds or notes for a regional health  
3 organization; and providing for an effective date."

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

5 \* **Section 1.** AS 44.85.005 is amended to read:

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

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

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

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

14 (4) other municipalities in the state pay unnecessarily high borrowing

1 costs because of the distance of the state from capital markets or may find borrowing  
 2 difficult or impossible because of temporary economic dislocation due to loss of  
 3 employment or prospective loss of employment;

4 (5) the University of Alaska has limited debt capacity and may pay  
 5 higher interest rates because of lower credit ratings;

6 **(6) many municipalities provide for or partner with nonprofit**  
 7 **organizations to provide for delivery of health care;**

8 **(7) nonprofit regional health organizations deliver services in**  
 9 **many locations where municipal partners are unavailable.**

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

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

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

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

26 (3) assist municipalities to provide for adequate insurance coverage by  
 27 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or  
 28 nonnegotiable revenue bonds, notes, or certificates of participation either directly or  
 29 through an entity it may create for the purpose of providing a self-insurance program  
 30 for municipalities or municipal joint insurance arrangements organized under  
 31 AS 21.76;

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

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

12 **(6) assist regional health organizations to provide health care**  
 13 **facilities by providing capital funds through loans that minimize costs and the**  
 14 **effects on the debt capacity of regional health organizations when the**  
 15 **commissioner of health and social services anticipates a state financial benefit**  
 16 **and an increase in regional quality of care.**

17 \* **Sec. 3.** AS 44.85.090 is amended to read:

18 **Sec. 44.85.090. Limitations.** Under this chapter, the bond bank authority may  
 19 not

20 (1) make loans of money to a person, firm, or corporation other than a  
 21 municipality, [OR] the University of Alaska, **or a regional health organization** or  
 22 purchase securities issued by a person, other than a municipality, except for  
 23 investment as provided in this chapter;

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

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

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

4 \* **Sec. 4.** AS 44.85.180(e) is amended to read:

5 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority  
 6 may issue its bonds or notes

7 (1) in principal amounts not to exceed \$87,500,000 for the purpose of  
 8 making loans to the University of Alaska; and

9 (2) in principal amounts not to exceed \$250,000,000 for the  
 10 purpose of making loans to a regional health organization.

11 \* **Sec. 5.** AS 44.85.410(4) is amended to read:

12 (4) "municipal bond" means a bond or note or evidence of debt that  
 13 constitutes

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

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

24 (C) a general obligation bond or revenue bond combined or  
 25 additionally secured;

26 (D) a bond of a borough issued as a general obligation of a  
 27 service area under AS 29.47.440 or former AS 29.58.340; [OR]

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

29 (i) special assessments on benefited property;

30 (ii) tax increments and a letter of credit or equal

31 security; or

1 (iii) a lease; or

2 (F) a bond, note, or other obligation of a regional health  
3 organization that is a general obligation of the regional health  
4 organization, that is secured by a pledge of a special fund of the regional  
5 health organization, or that is a combination of them or additionally  
6 secured;

7 \* **Sec. 6.** AS 44.85.410 is amended by adding a new paragraph to read:

8 (9) "regional health organization" has the meaning given in  
9 AS 18.28.100.

10 \* **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).