

CS FOR HOUSE BILL NO. 172(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 3/18/09

Referred: Rules

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to an investment in the education loan fund; relating to authority for**
2 **the commissioner of revenue to enter into a bond purchase agreement and letter of**
3 **credit with the Alaska Student Loan Corporation; and providing for an effective date."**

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

5 *** Section 1.** AS 37.10.085(a) is amended to read:

6 (a) Except as provided in AS 14.40.458, [OR] (c) or (d) of this section, **or**

7 **AS 37.10.089**, neither the state nor a political subdivision of the state may

8 (1) make a subscription to the capital stock of a corporation;

9 (2) lend its credit for the use of a corporation; or

10 (3) borrow money for the use of a corporation.

11 *** Sec. 2.** AS 37.10 is amended by adding a new section to article 3 to read:

12 **Sec. 37.10.089. Loans to the education loan fund; bond purchase**
13 **agreements and letters of credit.** (a) If the education loan fund (AS 14.42.210) is
14 unable to fully finance loan demand in a fiscal year, the commissioner may invest in

1 the education loan fund for the purpose of financing education loans under
2 AS 14.43.161 - 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040. The
3 commissioner shall require the corporation to secure the investment of state money.

4 (b) The commissioner may make investments under (a) of this section only
5 when the commissioner determines that market conditions relating to tax-exempt
6 private activity revenue bonds make the issuance of the bonds by the corporation
7 impracticable or uneconomical for the purpose of financing education loans under
8 AS 14.43.161 - 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040.

9 (c) The corporation shall repay money invested under (a) of this section under
10 terms established by the commissioner and agreed to by the corporation. Except as
11 provided in this section, the terms must be consistent with the duties of a fiduciary set
12 out in AS 37.10.071(c).

13 (d) Notwithstanding any other provision of this section, the commissioner is
14 authorized to enter into an agreement with the corporation to provide a bond purchase
15 agreement and a letter of credit when market conditions relating to those credit
16 enhancement mechanisms are uneconomical. The commissioner may require the
17 corporation to pay the costs associated with providing credit enhancement and may
18 charge the corporation a fee for this service.

19 (e) The commissioner may charge the corporation interest on the investments
20 under (a) of this section. The rate of interest may not exceed the five-year average
21 return on the state's general fund.

22 (f) The commissioner may charge the corporation an annual fee for the
23 services provided under (d) of this section. The annual fee may not exceed 0.15
24 percent of the average principal outstanding and interest covered by the bond purchase
25 agreement and the letter of credit.

26 (g) If a draw on the bond purchase agreement and the letter of credit occurs
27 under this section, the commissioner may charge the corporation an additional annual
28 rate of interest not to exceed three percent on the bonds held under the bond purchase
29 agreement and letter of credit.

30 (h) The term of the investment under (a) of this section and the commitment
31 under (d) of this section may not exceed five years from the commencement of the

1 initial investment, bond purchase agreement, and letter of credit.

2 (i) The maximum amount of the investment under (a) of this section may not
3 exceed \$100,000,000. The maximum amount of the commitment under (d) of this
4 section may not exceed \$106,000,000.

5 (j) The commissioner may adopt regulations under AS 44.62 to implement
6 this section.

7 (k) In this section,

8 (1) "commissioner" means the commissioner of revenue;

9 (2) "corporation" means the Alaska Student Loan Corporation created
10 under AS 14.42.100.

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