

SENATE BILL NO. 140

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/9/09

Referred: Education, Finance

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 established in the
14 corporation under AS 14.42.210 is unable to fully finance loan demand in a fiscal

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

5 (b) Investments under (a) of this section may be made only when the
6 commissioner determines that market conditions relating to tax-exempt private activity
7 revenue bonds make the issuance of such bonds by the corporation not practicable or
8 not economical for the purpose of financing education loans under AS 14.43.161 -
9 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040.

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

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

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

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

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

31 (h) The term of the investment under (a) of this section and the commitment

1 under (d) of this section may not exceed five years from the commencement of the
2 initial investment, bond purchase agreement, and letter of credit.

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

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

8 (k) In this section,

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

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

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