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Sec. 46.03.036. Alaska drinking water fund.

(a) The Alaska drinking water fund is established as a separate fund that is distinct from other money or funds in the treasury. The fund shall be administered by the department. The Alaska drinking water fund consists of the following items, all of which shall be deposited into the fund upon receipt:

(1) the proceeds and accrued interest received from the sale of revenue bonds issued under [AS 37.15.560](#) — 37.15.605 and secured by the Alaska drinking water fund;

(2) money appropriated by the legislature, including federal capitalization grants;

(3) loan repayments; and

(4) interest received from loan repayments and interest received from investment of money in the Alaska drinking water fund.

(b) Except as otherwise limited by federal law, the department may use money in the Alaska drinking water fund to

(1) provide financial assistance for drinking water system projects, including projects to plan, design, build, construct, or rehabilitate a public drinking water collection, storage, treatment, or distribution system, to

(A) municipalities;

(B) organizations that are not exempted from regulation under [AS 42.05.711\(d\)](#), that provide water service under a certificate of convenience and necessity from the former Alaska Public Utilities Commission or the Regulatory Commission of Alaska, and that are economically regulated by the Regulatory Commission of Alaska;

(2) earn interest on the amounts deposited in the fund;

(3) pay the costs of administering the fund and conducting activities under this section and [AS 37.15.560](#) — 37.15.605, including the costs of issuance and administration as defined in [AS 37.15.605](#);

(4) pay and secure the payment of the principal of and interest on revenue bonds issued by the state and to pay the costs of issuance and administration of the bonds, so long as the proceeds of the bond sale are deposited in the Alaska drinking water fund;

(5) pay

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

(B) the costs of the state bond committee in conducting activities under this section and [AS 37.15.560](#) — 37.15.605, including the costs of issuance and administration as defined in [AS 37.15.605](#).

(c) Repayment of loans shall be secured in a manner that the department determines is feasible to ensure prompt repayment under a loan agreement entered into with the borrower.

(d) Separate accounts may be created in the Alaska drinking water fund. The accounts may be combined for purposes of investment.

(e) The department may adopt regulations necessary to implement the Alaska drinking water fund in a manner consistent with federal law. The regulations adopted by the department under (h) of this section may establish different loan terms, charges, rates, and standards for different classes of borrowers to accommodate the different levels of risk and costs that the different classes may present.

(f) An organization that qualifies for financial assistance under (b)(1)(B) of this section or a municipality wishing to borrow money from the Alaska drinking water fund shall demonstrate to the satisfaction of the department that it

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

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

(g) Allocation of Alaska drinking water fund loans shall be made in accordance with a priority list developed by the department, using criteria specified in regulations adopted by the department. A loan may not be made to an organization that is not a municipality to refinance debt of that organization.

(h) Before making a loan from the Alaska drinking water fund, the department shall, by regulation, specify

(1) standards for the eligibility of borrowers and the type of projects to be financed with loans;

(2) loan term and interest rate policies for loans made from the fund;

(3) standards regarding the technical and economic viability and revenue of self-sufficiency of eligible projects;

(4) collateral or other security required for loans;

(5) terms of loans; and

(6) other relevant standards or procedures.

(i) Except as necessary to comply with the covenants of a bond resolution under [AS 37.15.573](#), a loan made by the department shall be made according to the standards and procedures established by regulations under this section. A loan made from the Alaska drinking water fund may be subject to the

state aid intercept provisions of [AS 37.15.575](#).

(j) The department shall also prepare reports and notices, including notices of default, required by the state bond committee in conjunction with bonds issued under [AS 37.15.560](#) — 37.15.605.

(k) Regulations adopted by the department under this section that would affect issuance or repayment of revenue bonds under [AS 37.15.560](#) — 37.15.605 may not be inconsistent with those statutes or with regulations adopted by the state bond committee under those statutes. To the extent that regulations adopted by the department are inconsistent with [AS 37.15.560](#) — 37.15.605, with regulations adopted by the state bond committee under those statutes, or with the covenants of a bond resolution adopted under [AS 37.15.573](#), the provisions of [AS 37.15.560](#) — 37.15.605, the regulations adopted under those statutes, and the covenants of the bond resolution govern.

Sec. 46.03.038. Alaska drinking water administrative fund.

(a) The Alaska drinking water administrative fund is established as a separate fund that is distinct from other money or funds in the state treasury. The fund is composed of two accounts, the

(1) Alaska drinking water administrative operating account; and

(2) Alaska drinking water administrative income account.

(b) The legislature may appropriate to the Alaska drinking water administrative operating account the annual balance of the Alaska drinking water administrative income account.

(c) The department shall administer the Alaska drinking water administrative fund.

(d) The Alaska drinking water administrative operating account may be used to pay for the department's operational and administrative costs necessary to manage the Alaska drinking water fund and the Alaska drinking water administrative fund and for such other purposes permitted by federal law.

(e) Money received in payment of fees charged by the department under the authority of [AS 46.03.039](#) and earnings on the Alaska drinking water administrative fund shall be deposited in the Alaska drinking water administrative income account.

Sec. 46.03.039. Fees charged for loans made from the Alaska drinking water fund.

The department may charge and collect reasonable fees in connection with making and servicing loans made by the department under the authority of [AS 46.03.036](#). The department shall by regulation specify the rates and amounts of such fees.