

CS FOR SENATE BILL NO. 237(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE EDUCATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing a formula and a fund for school construction grant funding for**
2 **regional educational attendance areas; and extending the deadline for authorizing**
3 **school construction debt reimbursed by the state."**

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE FINDINGS. The legislature finds that

8 (1) the Alaska Superior Court, Third Judicial District, in *Kasayulie v. State of*
9 *Alaska*, Case No. 3AN-97-3782 (1999), determined that

10 (A) the method of funding capital projects for school construction and
11 major maintenance is unconstitutional because the state does not provide rural schools
12 with adequate or equitable funding opportunities; and

13 (B) while urban schools are adequately funded through existing
14 mechanisms including bond debt, taxes, and appropriations, rural school funding

1 mechanisms are subject to political, arbitrary, and racially discriminatory motives;

2 (2) no mechanism exists in the grant funding provided under AS 14.11.008 to
3 make future funding available to rural schools;

4 (3) the Department of Education and Early Development estimates that

5 (A) the annual outstanding debt amount owed by the state under
6 AS 14.11.100 is approximately \$1,200,000,000 and is expected to remain at that
7 amount for the foreseeable future;

8 (B) \$515,000,000 has been spent on rural school construction over the
9 past 10 years;

10 (C) 11 rural schools are in need of approximately \$344,000,000 for
11 approved construction and maintenance projects;

12 (D) the amount of money spent on schools located in regional
13 educational attendance areas as described in (B) and (C) of this paragraph represents
14 72 percent of the outstanding debt amount owed by the state for municipal district
15 schools;

16 (4) approximately 12 percent of the student population in the state attends
17 public school in a regional educational attendance area where the grant funding for school
18 construction and maintenance is needed;

19 (5) an amount equal to approximately 28 percent of the outstanding debt
20 amount owed by the state would help to equalize the construction funding for regional
21 educational attendance areas.

22 * **Sec. 2.** AS 14.11 is amended by adding new sections to read:

23 **Sec. 14.11.025. State aid for school construction in regional educational**
24 **attendance areas.** (a) In addition to other appropriations and funding sources, the
25 department shall annually provide grant funding from the fund established under
26 AS 14.11.030 to a school district that is a regional educational attendance area in an
27 amount determined under (b) of this section for a project approved under
28 AS 14.11.005 - 14.11.020.

29 (b) The amount of money available each fiscal year for expenditure under (a)
30 of this section shall be the outstanding debt amount required to be reimbursed by the
31 state under AS 14.11.100, multiplied by 0.28, the product of which is to be multiplied

1 by the percentage of students in the state enrolled in and attending a school located in
2 a regional educational attendance area.

3 **Sec. 14.11.030. Rural school construction debt fund.** (a) The rural school
4 construction debt fund is created as an account in the general fund to be used, in
5 addition to other funding sources, to fund projects approved under AS 14.11.025 for
6 the costs of school construction in regional educational attendance areas.

7 (b) Legislative appropriations, including appropriations of interest earned on
8 the fund, shall be deposited in the fund established under this section. The fund
9 balance may not exceed \$100,000,000.

10 (c) Money appropriated to the fund does not lapse except to the extent money
11 in the fund exceed the maximum fund balance specified in (b) of this section.

12 * **Sec. 3.** AS 14.11.100(a) is amended to read:

13 (a) During each fiscal year, the state shall allocate to a municipality that is a
14 school district the following sums:

15 (1) payments made by the municipality during the fiscal year two years
16 earlier for the retirement of principal and interest on outstanding bonds, notes, or other
17 indebtedness incurred before July 1, 1977, to pay costs of school construction;

18 (2) 90 percent of

19 (A) payments made by the municipality during the fiscal year
20 two years earlier for the retirement of principal and interest on outstanding
21 bonds, notes, or other indebtedness incurred after June 30, 1977, and before
22 July 1, 1978, to pay costs of school construction;

23 (B) cash payments made after June 30, 1976, and before July 1,
24 1978, by the municipality during the fiscal year two years earlier to pay costs
25 of school construction;

26 (3) 90 percent of

27 (A) payments made by the municipality during the fiscal year
28 two years earlier for the retirement of principal and interest on outstanding
29 bonds, notes, or other indebtedness incurred after June 30, 1978, and before
30 January 1, 1982, to pay costs of school construction projects approved under
31 AS 14.07.020(a)(11);

1 (B) cash payments made after June 30, 1978, and before July 1,
 2 1982, by the municipality during the fiscal year two years earlier to pay costs
 3 of school construction projects approved under AS 14.07.020(a)(11);

4 (4) subject to (h) and (i) of this section, up to 90 percent of

5 (A) payments made by the municipality during the current
 6 fiscal year for the retirement of principal and interest on outstanding bonds,
 7 notes, or other indebtedness incurred after December 31, 1981, and authorized
 8 by the qualified voters of the municipality before July 1, 1983, to pay costs of
 9 school construction, additions to schools, and major rehabilitation projects that
 10 exceed \$25,000 and are approved under AS 14.07.020(a)(11);

11 (B) cash payments made after June 30, 1982, and before July 1,
 12 1983, by the municipality during the fiscal year two years earlier to pay costs
 13 of school construction, additions to schools, and major rehabilitation projects
 14 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

15 (C) payments made by the municipality during the current
 16 fiscal year for the retirement of principal and interest on outstanding bonds,
 17 notes, or other indebtedness to pay costs of school construction, additions to
 18 schools, and major rehabilitation projects that exceed \$25,000 and are
 19 submitted to the department for approval under AS 14.07.020(a)(11) before
 20 July 1, 1983, and approved by the qualified voters of the municipality before
 21 October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the
 22 annual growth rate of average daily membership of the municipality is more
 23 than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual
 24 growth rate of average daily membership of the municipality is 12 percent or
 25 more; payments made by a municipality under this subparagraph on total
 26 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph
 27 are subject to (5)(A) of this subsection;

28 (5) subject to (h) - (j) of this section, 80 percent of

29 (A) payments made by the municipality during the fiscal year
 30 for the retirement of principal and interest on outstanding bonds, notes, or
 31 other indebtedness authorized by the qualified voters of the municipality

1 (i) after June 30, 1983, but before March 31, 1990, to
 2 pay costs of school construction, additions to schools, and major
 3 rehabilitation projects that exceed \$25,000 and are approved under
 4 AS 14.07.020(a)(11); or

5 (ii) before July 1, 1989, and reauthorized before
 6 November 1, 1989, to pay costs of school construction, additions to
 7 schools, and major rehabilitation projects that exceed \$25,000 and are
 8 approved under AS 14.07.020(a)(11); and

9 (B) cash payments made after June 30, 1983, by the
 10 municipality during the fiscal year two years earlier to pay costs of school
 11 construction, additions to schools, and major rehabilitation projects that exceed
 12 \$25,000 and are approved by the department before July 1, 1990, under
 13 AS 14.07.020(a)(11);

14 (6) subject to (h) - (j) and (m) of this section, 70 percent of payments
 15 made by the municipality during the fiscal year for the retirement of principal and
 16 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified
 17 voters of the municipality on or after April 30, 1993, but before July 1, 1996, to pay
 18 costs of school construction, additions to schools, and major rehabilitation projects
 19 that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

20 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments
 21 made by the municipality during the fiscal year for the retirement of principal and
 22 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified
 23 voters of the municipality after March 31, 1990, but before April 30, 1993, to pay
 24 costs of school construction, additions to schools, and major rehabilitation projects;

25 (8) subject to (h), (i), (j)(2) - (5), and (n) of this section and after
 26 projects funded by the bonds, notes, or other indebtedness have been approved by the
 27 commissioner, 70 percent of payments made by the municipality during the fiscal year
 28 for the retirement of principal and interest on outstanding bonds, notes, or other
 29 indebtedness authorized by the qualified voters of the municipality on or after July 1,
 30 1995, but before July 1, 1998, to pay costs of school construction, additions to
 31 schools, and major rehabilitation projects that exceed \$200,000 and are approved

1 under AS 14.07.020(a)(11);

2 (9) subject to (h), (i), (j)(2) - (5), and (n) of this section and after
3 projects funded by the bonds, notes, or other indebtedness have been approved by the
4 commissioner, 70 percent of payments made by the municipality during the fiscal year
5 for the retirement of principal and interest on outstanding bonds, notes, or other
6 indebtedness authorized by the qualified voters of the municipality on or after July 1,
7 1998, but before July 1, 2006, to pay costs of school construction, additions to
8 schools, and major rehabilitation projects that exceed \$200,000 and are approved
9 under AS 14.07.020(a)(11);

10 (10) subject to (h), (i), (j)(2) - (5), and (o) of this section, and after
11 projects funded by the bonds, notes, or other indebtedness have been approved by the
12 commissioner, 70 percent of payments made by the municipality during the fiscal year
13 for the retirement of principal and interest on outstanding bonds, notes, or other
14 indebtedness authorized by the qualified voters of the municipality on or after June 30,
15 1998, to pay costs of school construction, additions to schools, and major
16 rehabilitation projects that exceed \$200,000, are approved under AS 14.07.020(a)(11),
17 and are not reimbursed under (n) of this section;

18 (11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects
19 funded by the bonds, notes, or other indebtedness have been approved by the
20 commissioner, 70 percent of payments made by a municipality during the fiscal year
21 for the retirement of principal and interest on outstanding bonds, notes, or other
22 indebtedness authorized by the qualified voters of the municipality on or after June 30,
23 1999, but before January 1, 2005, to pay costs of school construction, additions to
24 schools, and major rehabilitation projects and education-related facilities that exceed
25 \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n)
26 or (o) of this section;

27 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent
28 of payments made by a municipality during the fiscal year for the retirement of
29 principal and interest on outstanding bonds, notes, or other indebtedness authorized by
30 the qualified voters of the municipality on or after June 30, 1999, but before January 1,
31 2005, to pay costs of school construction, additions to schools, and major

1 rehabilitation projects and education-related facilities that exceed \$200,000, are
2 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this
3 section;

4 (13) subject to (h), (i), (j)(2) - (5), and (p) of this section, and after
5 projects funded by the tax exempt bonds, notes, or other indebtedness have been
6 approved by the commissioner, 70 percent of payments made by a municipality during
7 the fiscal year for the retirement of principal and interest on outstanding tax exempt
8 bonds, notes, or other indebtedness authorized by the qualified voters of the
9 municipality on or after June 30, 1999, but before October 31, 2006, to pay costs of
10 school construction, additions to schools, and major rehabilitation projects and
11 education-related facilities that exceed \$200,000, are approved under
12 AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section;

13 (14) subject to (h), (i), (j)(2), (3), and (5), and (p) of this section, 60
14 percent of payments made by a municipality during the fiscal year for the retirement
15 of principal and interest on outstanding tax exempt bonds, notes, or other indebtedness
16 authorized by the qualified voters of the municipality on or after June 30, 1999, but
17 before October 31, 2006, to pay costs of school construction, additions to schools, and
18 major rehabilitation projects and education-related facilities that exceed \$200,000, are
19 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this
20 section;

21 (15) subject to (h), (i), (j)(2) - (5), and (q) of this section, and after
22 projects funded by the bonds, notes, or other indebtedness have been approved by the
23 commissioner, 90 percent of payments made by a municipality during the fiscal year
24 for the retirement of principal and interest on outstanding bonds, notes, or other
25 indebtedness authorized by the qualified voters of the municipality on or after June 30,
26 1999, but before October 31, 2006, to pay costs of school construction, additions to
27 schools, and major rehabilitation projects and education-related facilities that exceed
28 \$200,000, are approved under AS 14.07.020(a)(11), meet the 10 percent participating
29 share requirement for a municipal school district under AS 14.11.008(b), and are not
30 reimbursed under (n) or (o) of this section;

31 (16) subject to (h), (i), and (j)(2) - (5) of this section, and after projects

1 funded by the tax exempt bonds, notes, or other indebtedness have been approved by
2 the commissioner, 70 percent of payments made by a municipality during the fiscal
3 year for the retirement of principal and interest on outstanding tax exempt bonds,
4 notes, or other indebtedness authorized by the qualified voters of the municipality on
5 or after October 1, 2006, [BUT BEFORE NOVEMBER 30, 2010,] to pay costs of
6 school construction, additions to schools, and major rehabilitation projects and
7 education-related facilities that exceed \$200,000, are approved under
8 AS 14.07.020(a)(11), and are not reimbursed under (o) of this section;

9 (17) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent
10 of payments made by a municipality during the fiscal year for the retirement of
11 principal and interest on outstanding tax exempt bonds, notes, or other indebtedness
12 authorized by the qualified voters of the municipality on or after October 1, 2006,
13 [BUT BEFORE NOVEMBER 30, 2010,] to pay costs of school construction,
14 additions to schools, and major rehabilitation projects and education-related facilities
15 that exceed \$200,000, are reviewed under AS 14.07.020(a)(11), and are not
16 reimbursed under (o) of this section.