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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

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

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

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

LEGISLATIVE FINDINGS. The legislature finds that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) 90 percent of

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

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

(3) 90 percent of

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

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

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

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

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

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

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

under AS 14.07.020(a)(11);

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

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

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

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

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

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

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

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

(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.