**Sponsor Statement for SB 237**

This proposed legislation addresses the way in which Alaska funds school construction for both REAA’s and Municipal districts.

In 2001, Alaska courts ruled in Kasayulie vs. State of Alaska that the process by which REAA schools are funded in Alaska is significantly different than the process used for funding schools in municipal districts. The court further said that, as a result of this difference, funding for REAA schools has been arbitrary and inadequate.

While municipal districts are able to access the debt service program which is described in statute, the funding for REAA school construction has not been clear. Because funding depends upon legislative appropriation, there is uncertainty from year to year as to how much money will be available. This uncertainty makes construction planning difficult for both the REAA school districts and the Department of Education.

This legislation proposes to remedy this situation by creating a stream of funding that can be used for REAA construction. This funding is based on the amount of debt outstanding for municipal schools, adjusted by the amount of money spent on REAA schools and by the percent of students who attend these schools. This methodology provides a reasonable, consistent level of funding to be used for REAA school construction and moves the State along the road to addressing concerns raised in the Kasayulie case.

Additionally, the legislation provides that a fund be established into which the proceeds from this mechanism can be deposited. However, to assure that excess dollars cannot accumulate in this account, the balance of the fund is limited to $100,000,000. Also, the legislation assumes that a project must meet all current Department of Education approvals before becoming eligible to use money from this account.

This legislation also changes the State’s debt reimbursement program for municipal school construction. Current law establishes the debt reimbursement to municipal districts for outstanding bonds at 70 percent and time limits for that reimbursement. Consequently, every few years, the statute needs amending to continue the program. This creates uncertainty among school district planners. The committee substitute lessens uncertainty by eliminating a date certain when the 70 percent reimbursement will sunset.