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HOUSE CS FOR CS FOR SENATE BILL NO. 237(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE EDUCATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act amending the percentages required to be paid by a municipal school district receiving a school construction or major maintenance grant; making a conforming amendment to a bond debt reimbursement provision referencing the percentages; establishing a formula and a fund for school construction grant funding for regional educational attendance areas; extending the deadline for authorizing school construction debt reimbursed by the state; requiring a report from the Department of Education and Early Development; and providing for an effective date."

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

* **Section 1.** The uncodified 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 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, a comparable mechanism for funding rural schools does not exist;

(2) the mechanisms that currently exist in statute to provide construction funding to regional educational attendance areas have not resulted in sufficient funding for projects approved for those districts.

* **Sec. 2.** AS 14.11.008(b) is amended to read:

(b) The required participating share for a municipal school district is based on the district's full value per average daily membership (ADM), which is calculated by dividing the full and true value of the taxable real and personal property in the district, calculated as described in AS 14.17.510 by the district ADM as defined in AS 14.17.990, for the same fiscal year for which the valuation was made. The municipal district's full value per ADM determines the district's required participating share, as follows:

Full Value Per ADM	District Participating Share
\$1 - \$150,000	5 percent
150,001 - 275,000	10 percent
275,001 - <u>500,000</u> [800,000]	<u>20</u> [30] percent
<u>500,001 - 800,000</u>	<u>30 percent</u>
over 800,000	35 percent.

* **Sec. 3.** 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 may provide grant funding from the fund established under AS 14.11.030 to a school district that is a regional educational attendance area.

(b) The amount of money available each fiscal year for expenditure under (a) of this section shall be the annual debt service amount divided by the percentage of all schools that are located in a city or borough school district, the quotient of which is to

be multiplied by .244.

Sec. 14.11.030. Regional educational attendance area school fund. (a) The regional educational attendance area school 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 \$70,000,000.

(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. 14.11.035. Report on school construction and major maintenance funding. Beginning in February, 2012, the department shall provide to the governor and the legislature an annual report on the effectiveness of the school construction and major maintenance grants, state aid for school construction in regional educational attendance areas, and state aid for costs of school construction debt under this chapter. The report must include an analysis of funding sources and the short-term and long-term fiscal effects of the funding on the state. Copies of the report shall be made available to the public and to the legislature.

* **Sec. 4.** 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,

1 1978, by the municipality during the fiscal year two years earlier to pay costs
2 of school construction;

3 (3) 90 percent of

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

9 (B) cash payments made after June 30, 1978, and before July 1,
10 1982, by the municipality during the fiscal year two years earlier to pay costs
11 of school construction projects approved under AS 14.07.020(a)(11);

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

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

19 (B) cash payments made after June 30, 1982, and before July 1,
20 1983, by the municipality during the fiscal year two years earlier to pay costs
21 of school construction, additions to schools, and major rehabilitation projects
22 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

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

1 growth rate of average daily membership of the municipality is 12 percent or
2 more; payments made by a municipality under this subparagraph on total
3 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph
4 are subject to (5)(A) of this subsection;

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

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

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

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

17 (B) cash payments made after June 30, 1983, by the
18 municipality during the fiscal year two years earlier to pay costs of school
19 construction, additions to schools, and major rehabilitation projects that exceed
20 \$25,000 and are approved by the department before July 1, 1990, under
21 AS 14.07.020(a)(11);

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

28 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments
29 made by the municipality during the fiscal year for the retirement of principal and
30 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified
31 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

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

4 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent
5 of payments made by a municipality during the fiscal year for the retirement of
6 principal and interest on outstanding bonds, notes, or other indebtedness authorized by
7 the qualified voters of the municipality on or after June 30, 1999, but before January 1,
8 2005, to pay costs of school construction, additions to schools, and major
9 rehabilitation projects and education-related facilities that exceed \$200,000, are
10 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this
11 section;

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

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

29 (15) subject to (h), (i), (j)(2) - (5), and (q) of this section, and after
30 projects funded by the bonds, notes, or other indebtedness have been approved by the
31 commissioner, 90 percent of payments made by a municipality during the fiscal year

1 for the retirement of principal and interest on outstanding bonds, notes, or other
2 indebtedness authorized by the qualified voters of the municipality on or after June 30,
3 1999, but before October 31, 2006, to pay costs of school construction, additions to
4 schools, and major rehabilitation projects and education-related facilities that exceed
5 \$200,000, are approved under AS 14.07.020(a)(11), meet the 10 percent participating
6 share requirement for a municipal school district under **the former participating**
7 **share amounts required under** AS 14.11.008(b), and are not reimbursed under (n) or
8 (o) of this section;

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

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

26 * **Sec. 5.** The uncoded law of the State of Alaska is amended by adding a new section to
27 read:

28 RETROACTIVITY. AS 14.11.008(b), as amended by sec. 2 of this Act, applies
29 retroactively to an appropriation made under AS 37.05.560 or a grant approved under
30 AS 14.11.008(a) on or after April 1, 2008.

31 * **Sec. 6.** Section 3 of this Act takes effect July 1, 2012.

1 * **Sec. 7.** Sections 1, 2, 4, and 5 of this Act take effect immediately under AS 01.10.070(c).