

SENATE CS FOR CS FOR HOUSE BILL NO. 281(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/1/00

Referred: Rules

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the financing of construction of public school facilities,
2 facilities for the University of Alaska, and facilities for ports and harbors;
3 authorizing the commissioner of revenue to sell the right to receive a portion of
4 the anticipated revenue from a certain tobacco litigation settlement to the Alaska
5 Housing Finance Corporation; relating to the deposit of certain anticipated revenue
6 from a certain tobacco litigation settlement; authorizing the issuance of bonds by
7 the Alaska Housing Finance Corporation with proceeds to finance public school
8 construction, facilities for the University of Alaska, public housing facilities of the
9 Alaska Housing Finance Corporation, and facilities for ports and harbors;
10 providing for the creation of subsidiary corporations of the Alaska Housing
11 Finance Corporation for the purpose of financing or facilitating the financing of
12 public school construction, facilities for the University of Alaska, and facilities for

1 ports and harbors; and providing for an effective date."

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

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

5 INTENT. (a) In connection with the authorization contained in sec. 10(b) of this Act,
6 the legislature restates and reaffirms its intent as expressed in sec. 1, ch. 129, SLA 1998, that
7 the sum of withdrawals for repayment of bonds under sec. 10(b) of this Act and for all other
8 purposes described in sec. 1, ch. 129, SLA 1998, should not exceed the Alaska Housing
9 Finance Corporation's net income for the preceding fiscal year, which the Alaska Housing
10 Finance Corporation projects to be \$103,000,000 for each of the fiscal years beginning with
11 2000 through 2008, for a total during that nine-year period of \$927,000,000.

12 (b) It is the intent of the legislature that the portion of the revenue that is not sold to
13 the Alaska Housing Finance Corporation under sec. 9(a) of this Act be deposited into the
14 general fund, and that at least \$1,400,000 of the amount deposited in the general fund be used
15 for smoking education and cessation programs administered by the state.

16 * **Sec. 2.** AS 14.11.100(a) is amended to read:

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

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

22 (2) 90 percent of

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

27 (B) cash payments made after June 30, 1976, and before July 1,
28 1978, by the municipality during the fiscal year two years earlier to pay costs
29 of school construction;

30 (3) 90 percent of

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

6 (B) cash payments made after June 30, 1978, and before July 1,
7 1982, by the municipality during the fiscal year two years earlier to pay costs
8 of school construction projects approved under AS 14.07.020(a)(11);

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

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

16 (B) cash payments made after June 30, 1982, and before July 1,
17 1983, by the municipality during the fiscal year two years earlier to pay costs
18 of school construction, additions to schools, and major rehabilitation projects
19 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

20 (C) payments made by the municipality during the current fiscal
21 year for the retirement of principal and interest on outstanding bonds, notes, or
22 other indebtedness to pay costs of school construction, additions to schools, and
23 major rehabilitation projects that exceed \$25,000 and are submitted to the
24 department for approval under AS 14.07.020(a)(11) before July 1, 1983, and
25 approved by the qualified voters of the municipality before October 15, 1983,
26 not to exceed a total project cost of (i) \$6,600,000 if the annual growth rate of
27 average daily membership of the municipality is more than 7 percent but less
28 than 12 percent, or (ii) \$20,000,000 if the annual growth rate of average daily
29 membership of the municipality is 12 percent or more; payments made by a
30 municipality under this subparagraph on total project costs that exceed the
31 amounts set out in (i) and (ii) of this subparagraph are subject to (5)(A) of this

subsection;

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

(A) 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

(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) - (4), and (n) of this section and after projects funded by the bonds, notes, or other indebtedness have been approved by the

1 commissioner, 70 percent of payments made by the municipality during the fiscal year
 2 for the retirement of principal and interest on outstanding bonds, notes, or other
 3 indebtedness authorized by the qualified voters of the municipality on or after July 1,
 4 1995, but before July 1, 1998, to pay costs of school construction, additions to schools,
 5 and major rehabilitation projects that exceed \$200,000 and are approved under
 6 AS 14.07.020(a)(11);

7 (9) subject to (h), (i), (j), and (n) of this section and after projects
 8 funded by the bonds, notes, or other indebtedness have been approved by the
 9 commissioner, 70 percent of payments made by the municipality during the fiscal year
 10 for the retirement of principal and interest on outstanding bonds, notes, or other
 11 indebtedness authorized by the qualified voters of the municipality on or after July 1,
 12 1998, **but before July 1, 2004,** to pay costs of school construction, additions to
 13 schools, and major rehabilitation projects that exceed \$200,000 and are approved under
 14 AS 14.07.020(a)(11);

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

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

24 (h) An allocation under (a)(4), (5), (6), (7), (8), [OR] (9), **or (10)** of this
 25 section for school construction begun after July 1, 1982, shall be reduced by the
 26 amount of money used for the construction of residential space, hockey rinks,
 27 planetariums, saunas, and other facilities for single purpose sporting or recreational
 28 uses that are not suitable for other activities and by the money used for construction
 29 that exceeds the amount needed for construction of a facility of efficient design as
 30 determined by the department. An allocation under (a)(4), (5), (6), (7), (8), [OR] (9),
 31 **or (10)** of this section may not be reduced by the amount of money used for

1 construction of a small swimming pool, tank, or water storage facility used for water
 2 sports. However, an allocation shall be reduced by the difference between the amount
 3 of money used to construct a swimming pool that exceeds the standards adopted by
 4 the department and the amount of money that would have been used to construct a
 5 small swimming pool, tank, or water storage facility, as determined by the
 6 commissioner.

7 * **Sec. 4.** AS 14.11.100(i) is amended to read:

8 (i) For the purposes of (a)(4) - (10) [(9)] of this section,

9 (1) an indebtedness for bonds is incurred after the bonds are sold;

10 (2) reimbursement for a cash payment may only be made after the
 11 payment is made to a vendor; and

12 (3) payments may not be made for costs that are incurred under a
 13 contract after the contract has been released.

14 * **Sec. 5.** AS 14.11.100(j) is amended to read:

15 (j) Except as provided in (l) of this section, the state may not allocate money
 16 to a municipality for a school construction project under (a)(5), (6), (7), [OR] (9), or
 17 (10) of this section unless the municipality complies with the requirements of (1) - (4)
 18 of this subsection, the project is approved by the commissioner before the local vote
 19 on the bond issue for the project or for bonds authorized after March 31, 1990, but on
 20 or before April 30, 1993, the bonds are approved by the commissioner before
 21 reimbursement by the state, and the local vote occurs before July 1, 1987, or after June
 22 30, 1988. In approving a project under this subsection, and to the extent required under
 23 (a)(8) of this section, the commissioner shall require

24 (1) the municipality to include on the ballot for the bond issue, for
 25 bonds authorized on or before March 31, 1990, or after April 30, 1993, the estimated
 26 total cost of each project including estimated total interest, estimated annual operation
 27 and maintenance costs, the estimated amounts that will be paid by the state and by the
 28 municipality, and the approximate amount that would be due in annual taxes on
 29 \$100,000 in assessed value to retire the debt;

30 (2) that the bonds may not be refunded unless the annual debt service
 31 on the refunding issue is not greater than the annual debt service on the original issue;

1 (3) that the bonds must be repaid in approximately equal annual
 2 principal payments or approximately equal debt service payments over a period of at
 3 least 10 years;

4 (4) the municipality to demonstrate need for the project by establishing
 5 that the school district has

6 (A) projected long-term student enrollment that indicates the
 7 district has inadequate facilities to meet present or projected enrollment;

8 (B) facilities that require repair or replacement in order to meet
 9 health and safety laws or regulations or building codes;

10 (C) demonstrated that the project will result in a reduction in
 11 annual operating costs that economically justifies the cost of the project; or

12 (D) facilities that require modification or rehabilitation for the
 13 purpose of improving the instructional program.

14 * **Sec. 6.** AS 14.11.100 is amended by adding a new subsection to read:

15 (p) The total amount of school construction projects approved for
 16 reimbursement by the department under (a)(10) of this section

17 (1) may not exceed \$151,019,000; and

18 (2) after June 30, 1998, and until July 1, 2004, shall be allocated as
 19 follows:

20 (A) \$77,897,000 to projects in a municipality with a public
 21 school enrollment of 25,000 or more students in fiscal year 2000, as determined
 22 under AS 14.17.500;

23 (B) \$14,571,000 to projects in a municipality with a public
 24 school enrollment of at least 15,000 but less than 25,000 students in fiscal year
 25 2000, as determined under AS 14.17.500;

26 (C) \$14,143,000 to projects in a municipality with a public
 27 school enrollment of at least 10,000 but less than 15,000 students in fiscal year
 28 2000, as determined under AS 14.17.500;

29 (D) \$7,429,000 to projects in a municipality with a public
 30 school enrollment of at least 7,500 but less than 10,000 students in fiscal year
 31 2000, as determined under AS 14.17.500;

(E) \$7,717,000 to projects in a municipality with a public school enrollment of at least 5,000 but less than 7,500 students in fiscal year 2000, as determined under AS 14.17.500;

(F) \$2,660,000 to projects in a municipality with a public school enrollment of at least 2,750 but less than 3,000 students in fiscal year 2000, as determined under AS 14.17.500.

(G) \$454,000 to projects in a municipality with a public school enrollment of at least 2,400 but less than 2,750 students in fiscal year 2000, as determined under AS 14.17.500;

(H) \$22,790,000 to projects in a municipality with a public school enrollment of at least 2,050 but less than 2,400 students in fiscal year 2000, as determined under AS 14.17.500;

(I) \$329,000 to projects in a municipality with a public school enrollment of at least 1,700 but less than 1,750 students in fiscal year 2000, as determined under AS 14.17.500;

(J) \$286,000 to projects in a municipality with a public school enrollment of at least 650 but less than 725 students in fiscal year 2000, as determined under AS 14.17.500;

(K) \$519,000 to projects in a municipality with a public school enrollment of at least 500 but less than 525 students in fiscal year 2000, as determined under AS 14.17.500;

(L) \$2,224,000 to projects in a municipality with a public school enrollment of at least 425 but less than 482 students in fiscal year 2000, as determined under AS 14.17.500.

* **Sec. 7.** AS 18.56 is amended by adding a new section to read:

Sec. 18.56.086. Creation of subsidiaries. The corporation may create subsidiary corporations for the purpose of financing or facilitating the financing of school construction, facilities for the University of Alaska, or facilities for ports and harbors. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. The corporation may transfer assets of the corporation to a subsidiary created under this section. A subsidiary created under this

section may borrow money and issue bonds as evidence of that borrowing and has all the powers of the corporation that the corporation grants to it. Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the corporation.

* **Sec. 8.** AS 29.60 is amended by adding a new section to read:

Article 9. Reimbursement for Costs of Bonds.

Sec. 29.60.700. Reimbursement for costs of ports and harbors. (a) Subject to appropriations for the purpose, during each fiscal year, the Department of Transportation and Public Facilities shall allocate to each municipality an amount to reimburse the costs paid by the municipality during the fiscal year two years earlier for the retirement of principal and interest on outstanding general obligation bonds for projects listed in (b) of this section. An allocation may be made to a municipality only if

(1) the general obligation bonds were issued after July 1, 2000, and before July 1, 2003;

(2) the port or harbor facility financed with the bond proceeds is located in the municipality and the facility is owned and operated by the municipality;

(3) ownership of the port or harbor facility financed with the bond proceeds has been transferred from the state to the municipality by a transfer agreement under AS 35.10.120; and

(4) the state has completed a bill of sale transferring the port or harbor facility from the state to the municipality.

(b) The Department of Transportation and Public Facilities may make an allocation to a municipality under (a) of this section only for reimbursement of costs incurred for the following port and harbor facility construction and renovation projects and only for reimbursement of total project costs incurred up to the following amounts:

PROJECT

Ketchikan	\$ 7,000,000
Petersburg	3,300,000
Sitka	4,038,900

1	Klawock	860,000
2	Seldovia	2,500,000
3	Whittier	1,835,600
4	Valdez	3,013,500
5	Cordova	4,337,800
6	Nome	1,000,000

7 * **Sec. 9.** The uncoded law of the State of Alaska is amended by adding a new section
8 to read:

9 **SALE OF RIGHT TO RECEIVE ANTICIPATED SPECIAL REVENUE.** (a) The
10 commissioner of revenue is authorized to sell to the Alaska Housing Finance Corporation the
11 right to receive 40 percent annually of the revenue derived from the settlement of State of
12 Alaska v. Philip Morris, Incorporated, et al, No. 1JU-97-915CI (Alaska Super. 1997).

13 (b) The proceeds to the state of the sale of the right to receive revenue under (a) of
14 this section are anticipated to be at least \$93,000,000.

15 * **Sec. 10.** The uncoded law of the State of Alaska is amended by adding a new section
16 to read:

17 **BOND AUTHORIZATION AND PROVISIONS.** (a) Notwithstanding the limitation
18 in AS 18.56.090 or other provisions of law, the Alaska Housing Finance Corporation or a
19 subsidiary corporation created under AS 18.56.086 is authorized to issue revenue bonds in
20 principal amounts sufficient to acquire the right to receive revenue described in sec. 9 of this
21 Act from the commissioner of revenue at a price agreed upon by the Alaska Housing Finance
22 Corporation and the commissioner of revenue. The bonds may be special, limited obligations
23 of the Alaska Housing Finance Corporation or of the subsidiary corporation secured solely by
24 the right to receive revenue sold to the Alaska Housing Finance Corporation under sec. 9 of
25 this Act, and the Alaska Housing Finance Corporation or the subsidiary corporation may
26 include in agreements with the bondholders a pledge of the right to receive that revenue and
27 the promise of the state to honor that pledge.

28 (b) In addition to the authorization provided by (a) of this section, and notwithstanding
29 the limitation contained in AS 18.56.090 or other provisions of law, the Alaska Housing
30 Finance Corporation is authorized to issue an amount of bonds sufficient to finance
31 construction of public school facilities, facilities for the University of Alaska, public housing

facilities of the Alaska Housing Finance Corporation, and facilities for ports and harbors described under (e)(2) of this section. The bonds issued under this subsection are secured solely by the revenue of the Alaska Housing Finance Corporation.

(c) Bonds issued under (b) of this section may be further secured by a capital reserve fund described in AS 18.56.125. AS 18.56.110 - 18.56.190 apply to bonds issued under this section.

(d) Subject to agreements with bondholders and appropriation as described in (e) of this section, the Alaska Housing Finance Corporation shall make the proceeds of the bonds issued under

(1) (a) of this section available to the Department of Education and Early Development to pay for expenditures described in (e)(1) of this section, including reimbursement to the Department of Education and Early Development for the expenditures; and

(2) (b) of this section available to the

(A) University of Alaska to pay for expenditures described in (e)(2)(A) of this section, including reimbursement to the University of Alaska for the expenditures;

(B) Department of Transportation and Public Facilities to pay for expenditures described in (e)(2)(B) of this section, including reimbursement to the Department of Transportation and Public Facilities for the expenditures; and

(C) Department of Education and Early Development to pay for expenditures authorized in (e)(2)(C) of this section; and

(D) Alaska Housing Finance Corporation to pay for public housing facilities described under (e)(2)(D) of this section.

(e) Subject to appropriation, the proceeds of bonds issued under

(1) (a) of this section shall be used by the Department of Education and Early Development to pay for construction, renovation, and improvement of public schools as follows:

PROJECT

Lower Yukon - Pilot Station School Replacement	\$17,654,000
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Lower Yukon - Kotlik School Replacement	17,911,000
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1	Kashunamiut - Chevak School Replacement	28,273,000
2	Bering Strait Schools	
3	Elim School, Phase III	12,147,000
4	Southwest Region Schools	
5	Manokotak School Replacement	14,689,000
6	Kake - Elementary School Addition	2,237,000
7		
8	TOTAL	\$92,911,000

(2) (b) of this section shall be used by the

(A) University of Alaska to pay for construction and renovation of university facilities as follows:

PROJECT

University of Alaska - Southeast

Deferred Maintenance, Renewal and Replacement, \$ 1,388,000

Code Compliance

Classroom Building 5,500,000

University of Alaska - Anchorage

Consortium Library 34,000,000

Deferred Maintenance, Renewal and Replacement, 2,200,000

Code Compliance

University of Alaska - Fairbanks

Deferred Maintenance, Renewal and Replacement, 18,700,000

Code Compliance

TOTAL \$ 61,788,000

(B) Department of Transportation and Public Facilities to pay for construction and renovation of port and harbor facilities as follows:

PROJECT

CORPS OF ENGINEERS MATCH

Program Formulation 100,000

Ketchikan Harbor Study 200,000

Wrangell 500,000

1	Metlakatla - Tamgass	850,000
2	Ouzinkie	1,300,000
3	Seward Harbor Expansion	2,925,000
4	Perryville Harbor Feasibility	<u>102,000</u>
5	TOTAL	\$ 5,977,000

6 (C) Department of Education and Early Development to pay for
7 construction of vocational education facilities as follows:

8 PROJECT

9	AVTEC - Seward	\$ 4,200,000
10	Student Housing	

11 (D) Alaska Housing Finance Corporation to pay for renovation and
12 deferred maintenance of corporation facilities as follows:

13 PROJECT

14	AHFC Chugach View Renovation	\$2,000,000
15	(Anchorage Senior Units)	
16	AHFC Eyak Manor Renovation	1,600,000
17	(Cordova)	
18	AHFC Senior and Statewide Facility Deferred Maintenance	800,000
19	and Renovation	<u> </u>
20	TOTAL	\$4,400,000
21	GRAND TOTAL	\$169,276,000

22 * **Sec. 11.** This Act takes effect July 1, 2000.