

**SENATE BILL NO. 258**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/26/98

Referred: HESS, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the state's participation in the financing of construction and  
2 major maintenance of public school facilities; giving notice of and approving the  
3 entry into, and the issuance of certificates of participation in, lease-financing  
4 agreements for public school facilities; and providing an effective date."

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

6 \* **Section 1.** AS 14.11.008 is repealed and reenacted to read:

7 **Sec. 14.11.008. School district participation in grant program.** (a) In order  
8 to receive a grant under this chapter or money from an appropriation under  
9 AS 37.05.560, a district must provide a percentage share of the project cost as  
10 determined under (b) or (c) of this section. A district shall provide the required  
11 participating share within three years after the date that the appropriation bill financing  
12 the grant is passed by the legislature and enacted into law.

13 (b) The required participating share for a municipal school district is based on  
14 the district's full value per average daily membership (ADM), which is calculated by

1 dividing the full and true value of the taxable real and personal property in the district,  
 2 calculated as described in AS 14.17.025(a)(1), by the district ADM, for the same fiscal  
 3 year for which the valuation was made. The municipal district's full value per ADM  
 4 determines the district's required participating share, as follows:

5	Full Value Per ADM	District Participating Share
6	\$ 1 - 100,000	5 percent
7	\$100,001 - 200,000	10 percent
8	\$200,001 - 750,000	30 percent
9	over \$750,000	35 percent.

10 (c) The required participating share for a regional educational attendance area  
 11 is two percent. The participating share for any district may be satisfied by money  
 12 from federal, local, or other sources, or with locally contributed labor, material,  
 13 equipment, or land.

14 (d) State money provided for school construction or major maintenance may  
 15 not be a source of the participating share required under (b) or (c) of this section.

16 (e) If the required participating share for a municipal school district is provided  
 17 from the proceeds of local government general obligation bonds, the department may  
 18 not provide financing under this chapter for the project unless the project was approved  
 19 by the commissioner of the Department of Education.

20 (f) In this section, "ADM" has the meaning given in AS 14.17.250.

21 \* **Sec. 2.** AS 14.11.013(a) is amended to read:

22 (a) With regard to projects for which grants are requested under AS 14.11.011,  
 23 the department shall

24 (1) annually review the six-year plans submitted by each district under  
 25 AS 14.11.011(b) and recommend to the board a revised and updated **construction**  
 26 **project grant schedule, a major maintenance project grant schedule, and a**  
 27 **six-year capital spending plan** [IMPROVEMENT PROJECT GRANT SCHEDULE]  
 28 that **serve** [SERVES] the best interests of the state and each district; in recommending  
 29 projects for **these schedules** [THIS SCHEDULE], the department shall verify that each  
 30 proposed project meets the criteria established under AS 14.11.014(b) and qualifies as  
 31 a project required to

- 1 (A) avert imminent danger or correct life-threatening situations;  
 2 (B) house students who would otherwise be unhoused; for  
 3 purposes of this subparagraph, students are considered unhoused if the students  
 4 attend school in temporary facilities;  
 5 (C) protect the structure of existing school facilities;  
 6 (D) correct building code deficiencies that require major repair  
 7 or rehabilitation in order for the facility to continue to be used for the  
 8 educational program;  
 9 (E) achieve an operating cost savings;  
 10 (F) modify or rehabilitate facilities for the purpose of improving  
 11 the instructional program;  
 12 (G) meet an educational need not specified in (A) - (F) of this  
 13 paragraph, identified by the department;

14 (2) prepare an estimate of the amount of money needed to finance each  
 15 project;

16 (3) provide to the governor, by November 1, and to the legislature  
 17 within the first 10 days of each regular legislative session, [A] revised and updated  
 18 **construction and major maintenance grant schedules and a** six-year capital  
 19 **spending plan** [IMPROVEMENT PROJECT GRANT SCHEDULE], together with a  
 20 proposed schedule of appropriations.

21 \* **Sec. 3.** AS 14.11.013(b) is amended to read:

22 (b) In preparing the construction **and major maintenance grant schedules**  
 23 [SCHEDULE], the department shall establish priorities among **eligible** projects for  
 24 which grants are requested and shall award [SCHOOL CONSTRUCTION] grants in  
 25 the order of **priorities** [PRIORITY] established. In establishing priorities, the  
 26 department shall evaluate at least the following factors, without establishing an  
 27 absolute priority for any one factor:

- 28 (1) emergency requirements;  
 29 (2) priorities assigned by the district to the projects requested;  
 30 (3) new local elementary and secondary programs;  
 31 (4) existing regional, community, and school facilities, and their

1 condition; this paragraph does not include administrative facilities;

2 (5) the amount of district operating money [FUNDS] expended for  
3 maintenance; and

4 (6) other options that would reduce or eliminate the need for the  
5 request.

6 \* **Sec. 4.** AS 14.11.013(c) is amended to read:

7 (c) The department may

8 (1) modify a project request when necessary to achieve a cost-effective  
9 project [SCHOOL CONSTRUCTION];

10 (2) require that a [SCHOOL CONSTRUCTION] project be phased for  
11 purposes of planning, design, and construction; and

12 (3) reject project requests and omit them from the schedules  
13 [SIX-YEAR SCHEDULE] due to

14 (A) incomplete information or documentation provided by the  
15 district;

16 (B) a determination by the department that existing facilities can  
17 adequately serve the program requirements, or that alternative projects are in  
18 the best interests of the state; or

19 (C) a determination that the project is not in the best interests  
20 [INTEREST] of the state.

21 \* **Sec. 5.** AS 14.11.014(b) is amended to read:

22 (b) The committee shall

23 (1) [REVIEW THE DEPARTMENT'S PRIORITIES AMONG  
24 PROJECTS FOR WHICH SCHOOL CONSTRUCTION GRANTS ARE  
25 REQUESTED;

26 (2) MAKE RECOMMENDATIONS TO THE BOARD CONCERNING  
27 SCHOOL CONSTRUCTION GRANTS AND MAKE RECOMMENDATIONS TO  
28 THE COMMISSIONER CONCERNING PROJECTS FOR WHICH BOND  
29 REIMBURSEMENT IS REQUESTED;

30 (3) develop criteria for construction and major maintenance of  
31 schools in the state; criteria developed under this paragraph must include requirements

1 intended to achieve **a** cost effective **project** [SCHOOL CONSTRUCTION];

2 **(2)** [(4)] analyze existing prototypical designs for school construction  
3 projects;

4 **(3)** [(5)] establish a form for grant applications;

5 **(4)** [(6)] establish a method of ranking grant projects;

6 **(5)** [(7)] recommend to the board necessary changes to the approval  
7 process for **construction and major maintenance** [SCHOOL CONSTRUCTION]  
8 grants and for projects for which bond reimbursement is requested;

9 **(6)** **recommend to the board suggested improvements relating to**  
10 **school facilities, construction, and major maintenance.**

11 \* **Sec. 6.** AS 14.11.017(a) is amended to read:

12 (a) The department shall require in the grant agreement that a municipality that  
13 is a school district or a regional educational attendance area

14 (1) agree to construction of a facility of appropriate size and use that  
15 meets criteria adopted by the department if the grant is for school construction;

16 (2) provide reasonable assurance, by a means acceptable to the  
17 department, that the cost of the project will be uniform with the costs of the most  
18 current construction or major maintenance projects, as appropriate, in the area;

19 (3) agree to limit equipment purchases to that required for the approved  
20 project plan submitted under (5) of this subsection and account for all equipment  
21 purchased for the project under a fixed asset inventory system approved by the  
22 department;

23 (4) submit project budgets for department approval and agree that the  
24 grant amount may, at the discretion of the department, be reduced or increased by  
25 amounts equal to the amounts by which contracts vary from budget amounts approved  
26 by the department; [AND]

27 (5) submit to the department for approval, before award of the contract,  
28 a plan for the project that includes educational specifications, final drawings, and  
29 contract documents;

30 **(6)** **agree that all interest earned on the grant money provided by**  
31 **the department will be spent only on the project for which the grant was**

1        **awarded; and**

2                                **(7) provide to the state, for no longer than the term of the state's**  
 3        **financing instrument plus five years, an interest in the facility as required for the**  
 4        **state's issuance of certificates of participation or other financing instruments used**  
 5        **by the state to finance its share of the project cost.**

6        \* **Sec. 7.** AS 14.11.019 is amended to read.

7                                **Sec. 14.11.019. Grant appropriations.** Within the appropriation bill  
 8        authorizing capital expenditures submitted to the legislature under AS 37.07.020(a)(3),  
 9        the governor shall include an appropriation for grants in the succeeding fiscal year as  
 10       determined by the **construction** [SIX-YEAR CAPITAL IMPROVEMENT] project  
 11       grant schedule **and major maintenance project grant schedule** prepared under  
 12       AS 14.11.013. **All projects financed under this section must meet all requirements**  
 13       **of AS 14.11.**

14       \* **Sec. 8.** NOTICE OF THE ENTRY INTO AND FINANCING OF LEASE-FINANCING  
 15       AGREEMENTS. (a) The Department of Education, under a delegation of authority from the  
 16       Department of Administration, is authorized to enter into lease-financing agreements, each  
 17       subject to annual appropriation, for the projects described in secs. 2 and 3 of this Act and in  
 18       (c) of this section. The state bond committee is authorized to provide for the issuance of  
 19       certificates of participation in one or more series in the aggregate principal amount of  
 20       \$400,000,000 for the cost of construction, acquisition, and equipping the projects described  
 21       in secs. 2 and 3 of this Act and in (c) of this section and for payment of costs of issuance,  
 22       including credit enhancement and underwriting expenses and capitalized interest. The  
 23       anticipated total costs of construction, acquisition, and equipping the projects are  
 24       \$400,000,000. The anticipated annual amount of the rental obligations under the lease-  
 25       financing agreements is \$34,600,000. The anticipated total lease payments for the full term  
 26       of the lease-financing agreements are \$692,000,000. Under terms approved by the Department  
 27       of Education, the leasehold interests of the state in the projects financed under this section  
 28       may terminate following the payment and retirement of the series of certificates of  
 29       participation or at another later date as considered reasonable by the Department of Education.  
 30                                (b) The state bond committee may contract for the credit instruments and trust services  
 31       it considers necessary in financing the projects described in secs. 2 and 3 of this Act and in

1 (c) of this section.

2 (c) The projects described in secs. 2 and 3 of this Act that may be financed with  
3 lease-financing agreements from time to time are those public school projects included in the  
4 construction project grant schedule and the major maintenance project grant schedule that are  
5 prepared under AS 14.11.013 as of the date of issuance of the series of certificates of  
6 participation relating to those lease-financing agreements. The Department of Education may  
7 only authorize the projects in the order of priority established by those schedules. All projects  
8 financed under this section are required to meet the requirements of AS 14.11.

9 \* **Sec. 9.** APPROVAL. Section 8 of this Act constitutes the notice and approval of the  
10 lease-financing agreements described in sec. 8 of this Act required by AS 36.30.085.

11 \* **Sec. 10.** This Act takes effect July 1, 1998.