

**SENATE BILL NO. 228**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/27/00

Referred: HES, State Affairs, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the financing of construction and major maintenance of  
2 public school facilities; authorizing the commissioner of revenue to sell the right  
3 to receive a portion of the anticipated revenue from a certain tobacco litigation  
4 settlement to the Alaska Housing Finance Corporation; authorizing the issuance of  
5 bonds by the Alaska Housing Finance Corporation with proceeds to finance public  
6 school construction and major maintenance grants; providing for the creation of  
7 subsidiary corporations of the Alaska Housing Finance Corporation for the purpose  
8 of financing or facilitating the financing of public school construction and major  
9 maintenance grants; relating to the annual public school construction and major  
10 maintenance grant application and approval process; providing for allocation of  
11 additional reimbursement of public school construction debt; and providing for an  
12 effective date."

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

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

4 INTENT. In connection with the authorization contained in sec. 3(b) of this Act, the  
5 legislature restates and reaffirms its intent as expressed in sec. 1, ch. 129, SLA 1998, that the  
6 sum of withdrawals for repayment of bonds under sec. 3(b) of this Act and for all other  
7 purposes described in sec. 1, ch. 129, SLA 1998, should not exceed the Alaska Housing  
8 Finance Corporation's net income for the preceding fiscal year, which the Alaska Housing  
9 Finance Corporation projects to be \$103,000,000 for the fiscal years beginning with 2000  
10 through 2008, for a total during that nine-year period of \$927,000,000.

11 \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section  
12 to read:

13 SALE OF RIGHT TO RECEIVE ANTICIPATED SPECIAL REVENUE. (a) The  
14 commissioner of revenue is authorized to sell to the Alaska Housing Finance Corporation the  
15 right to receive a portion of the revenue derived from the settlement of *State of Alaska v.*  
16 *Philip Morris, Inc., et al*, No. 1JU-97-915CI (Alaska Super. 1997).

17 (b) The proceeds of the sale of the right to receive revenue sold under (a) of this  
18 section are anticipated to be not less than \$269,000,000, and the proceeds will be used to  
19 finance state grants for construction and major maintenance of public school facilities, as  
20 provided in sec. 3 of this Act.

21 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section  
22 to read:

23 BOND AUTHORIZATION AND PROVISIONS. (a) Notwithstanding the limitation  
24 in AS 18.56.090 or other provisions of law, the Alaska Housing Finance Corporation or a  
25 subsidiary corporation created under AS 18.56.086 is authorized to issue revenue bonds in  
26 principal amounts sufficient to acquire the right to receive revenue described in sec. 2 of this  
27 Act from the commissioner of revenue at a price agreed upon by the Alaska Housing Finance  
28 Corporation and the commissioner of revenue. The bonds may be special, limited obligations  
29 of the Alaska Housing Finance Corporation or of the subsidiary corporation secured solely by  
30 the right to receive revenue sold to the Alaska Housing Finance Corporation under sec. 2 of  
31 this Act, and the Alaska Housing Finance Corporation or the subsidiary corporation may

1 include in agreements with the bondholders a pledge of the right to receive that revenue and  
2 the promise of the state to honor that pledge.

3 (b) In addition to the authorization provided by (a) of this section, and notwithstanding  
4 the limitation contained in AS 18.56.090 or other provision of law, the Alaska Housing  
5 Finance Corporation is authorized to issue \$100,000,000 in bonds to finance state grants for  
6 construction and major maintenance of public school facilities.

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

10 (d) Subject to agreements with bondholders and appropriation as described in (e) of  
11 this section, the Alaska Housing Finance Corporation shall make the proceeds of the bonds  
12 issued under (a) and (b) of this section available to the Department of Education and Early  
13 Development to pay for expenditures described in (e) of this section, including reimbursement  
14 to the Department of Education and Early Development for such expenditures.

15 (e) Subject to appropriation and to the grant conditions of AS 14.11.017, the proceeds  
16 of the bonds issued under (a) and (b) of this section shall be awarded as school construction  
17 grants and major maintenance grants under AS 14.11.005 and 14.11.007 in the fiscal years  
18 2001, 2002, and 2003, in the following amounts and for the following projects:

19	(1) in fiscal year 2001,	
20	SCHOOL CONSTRUCTION PROJECTS	AMOUNT
21	(A) Kashunamiut - Chevak School Replacement	\$ 27,008,049
22	(B) Lower Yukon - Pilot Station School Replacement	17,654,003
23	(C) Southwest Region - Manokotak School Replacement	13,316,704
24	(D) Lower Yukon - Kotlik School Replacement	17,910,901
25	(E) Bering Strait - Elim School Phase III	12,146,788
26	(2) in fiscal year 2001,	
27	MAJOR MAINTENANCE PROJECTS	AMOUNT
28	(A) Juneau City Borough - Auke Bay Elementary	
29	Roof Replacement	\$ 653,842
30	(B) Petersburg City - Fascia/Soffit Repair/Replacement	
31	Recovery of Funds	112,960

1	(C) Yukon-Koyukuk - Nulato Structural Repairs	400,724
2	(D) Northwest Arctic - Buckland Phase III, Renovation	1,406,396
3	(E) Juneau City Borough - Marie Drake Roof	
4	Replacement	599,501
5	(F) Pribilof Island - St. George School Remodel	4,385,970
6	(G) Bering Strait - Shishmaref School Roof Replacement	
7	and Renovation, Phase III	8,133,754
8	(H) Juneau City Borough - Harborview Elementary	
9	Gym Roof Replacement	106,604
10	(I) Chatham - Angoon Elementary School Major	
11	Maintenance	2,222,675
12	(J) Lake & Peninsula - Pedro Bay School	
13	Renovation/Relocation/Reconstruction	1,557,714
14	(K) Wrangell City - Wrangell Elementary and High	
15	School Structural Repairs	363,650
16	(L) Wrangell City - Elementary Schools Renovation	1,229,000
17	(M) Ketchikan - Schoenbar Renovation, Phase I	2,219,785
18	(N) Wrangell City - Middle School Renovation	168,518
19	(O) Hoonah City - Swimming Pool Sprinkler	212,458
20	(P) North Slope Borough - Tikigaq School	
21	Renovation	3,713,270
22	(Q) Kenai Peninsula - McNeil Canyon Elementary	
23	Wastewater Treatment System Replacement	125,300
24	(R) Tanana City - Tanana Kitchen Renovation	426,179
25	(S) Chatham - Angoon High School Major	
26	Maintenance	1,687,794
27	(T) Iditarod Area - Takotna Community School	
28	Water Project	179,512
29	(U) Iditarod Area - Blackwell School Heating	
30	Renovation & Site Repair	280,010
31	(V) Wrangell City - Elementary & High Schools	

1	Roof & Exterior Repairs	103,760
2	(W) Galena - Project Education Food Service	
3	Renovation	159,088
4	(X) Delta/Greely - Fort Greely Utility Conversion	1,996,941
5	(3) in fiscal year 2002,	
6	SCHOOL CONSTRUCTION PROJECTS	AMOUNT
7	(A) Northwest Arctic - Noorvik K-12	
8	Improvements	\$ 13,633,183
9	(B) Bering Strait - Golovin School Phase III	9,609,516
10	(C) Southwest Region - Togiak School	
11	Replacement	24,587,542
12	(D) Bering Strait - Koyuk K-12 School	14,059,664
13	(E) Yupiit - Akiachak Elementary Replacement	
14	and Secondary Renovation	14,370,287
15	(F) Yupiit - Tuluksak Elementary and Secondary	
16	Improvement	14,641,631
17	(4) in fiscal year 2002,	
18	MAJOR MAINTENANCE PROJECTS	AMOUNT
19	(A) Sitka City Borough - Blatchley Middle	
20	School Exterior Upgrade	\$ 317,638
21	(B) Southwest Region - Clark's Point Generator	
22	Building	36,302
23	(C) Kenai Peninsula - Kenai Central High School	
24	Reinsulate Exterior Walls	367,648
25	(D) Yakutat City - Yakutat High School Gym	
26	Structural Repairs	86,936
27	(E) Dillingham City - Elementary School	
28	Weatherization	146,860
29	(F) Yupiit - Akiak High School Repairs	329,954
30	(G) Juneau City Borough - High School Heating	
31	& Ventilation	65,303

1	(H) Juneau City Borough - High School Auxiliary	
2	Gym Floor Replacement	109,385
3	(I) Nenana City - Elementary Wing Sprinkler	
4	Expansion	106,333
5	(J) Juneau City Borough - Juneau-Douglas High	
6	School Renovation	9,097,138
7	(K) Alaska Gateway - Tok Multipurpose	
8	Recreation Complex Renovation	969,494
9	(L) Southwest Region - Koliganek School	
10	Weather Protection	379,555
11	(M) Galena - High School Repairs	128,662
12	(N) Juneau City Borough - Floyd Dryden Middle	
13	School Gym Floor Replacement	108,236
14	(O) Hoonah City - Hoonah Schools Renovation	1,223,725
15	(P) Lower Yukon - Alakanuk Mechanical System	
16	Upgrade	997,557
17	(Q) Kuspuk - George Morgan Sr. High School	
18	Sewage System Replacement	411,975
19	(R) Lower Yukon - Emmonak Mechanical System	
20	Upgrade	715,772
21	(S) Iditarod Area - David-Louis Memorial School	
22	Asbestos Abatement & Demolition	417,246
23	(T) Denali Borough - Cantwell School Heating	
24	and Sprinkler System	668,125
25	(U) Hydaburg City - Upgrading Facilities &	
26	Tanks Project	899,948
27	(V) Lower Kuskokwim - Districtwide Water	
28	Treatment, Subsurface Sources	1,470,000
29	(W) Denali Borough - Cantwell School Code	
30	Upgrade & Roof Repair	334,468
31	(X) Dillingham City - Central Administration	

1	Roof	50,250
2	(Y) Kenai Peninsula - Soldotna High School	
3	Roofing Replacement	644,014
4	(Z) Tanana City - Tanana School Major	
5	Maintenance	2,976,374
6	(AA) Yakutat City - Yakutat High School	
7	Renovation	143,906
8	(BB) Chugach - Whittier Fire Alarm Replacement	40,431
9	(CC) Mat-Su Borough - Fire Alarm Systems,	
10	5 Schools	620,648
11	(DD) Juneau City Borough - Gastineau	
12	Elementary Heating Coil Replacement	133,053
13	(EE) Iditarod Area - Innoko River School	
14	Water & Sewer Emergency	190,407
15	(FF) Denali Borough - Anderson School Heating	
16	& Ventilation	1,164,266
17	(GG) Mat-Su Borough - Septic System Upgrade,	
18	Colony High School	159,416
19	(HH) Mat-Su Borough - Fuel Tank Replacement	
20	Districtwide	126,261
21	(II) Mat-Su Borough - Fire Sprinklers & Piping,	
22	3 Schools	1,381,770
23	(JJ) Alaska Gateway - Tetlin Sewer Line	85,031
24	(KK) Dillingham City - High School Fire	
25	Panel Replacement	64,623
26	(LL) Dillingham City - High School Gym Roof	158,151
27	(MM) Kuspuk - Crow Village Sam School	
28	Sewage System Replacement, Chuathbaluk	349,272
29	(NN) Juneau City Borough - Floyd Dryden	
30	Middle School Renovation	3,629,683
31	(5) in fiscal year 2003,	

	SCHOOL CONSTRUCTION PROJECTS	AMOUNT
1		
2	(A) Bering Strait - Teller K-12 School Expansion	\$ 11,825,312
3	(B) Bering Strait - White Mountain New K-12	
4	School	10,787,903
5	(C) Lower Yukon - Hooper Bay Renovation	
6	& Addition	15,459,618
7	(D) Southeast Island - Naukati School	
8	Replacement	3,183,725
9	(E) Southeast Island - Howard Valentine School	
10	Construction	2,095,651
11	(F) Lower Kuskokwim - Chief Paul Memorial	
12	School Addition, Kipnuk	9,404,511
13	(G) Northwest Arctic - Ambler K-12 Improvements	5,788,063
14	(H) Copper River - Glennallen Elementary	
15	School Replacement	6,005,661
16	(I) Iditarod Area - Lime Village School Addition	280,010
17	(J) Southwest Region - New Stuyahok K-12	
18	Remodel & Expansion	410,096
19	(K) Northwest Arctic - Kiana K-12 Improvements	7,856,971
20	(L) Lower Kuskokwim - Chaptnguak School	
21	Addition, Chefornak	288,707
22	(M) Kake City - Kake Elementary Addition	2,237,460
23	(N) Lower Kuskokwim - Dick R. Kiunya	
24	Memorial School Addition, Kongiganak	205,060
25	(O) Lower Yukon - Scammon Bay Renovation	
26	& Addition	433,029
27	(P) Cordova - Mount Eccles Renovation/Addition	3,026,456
28	(Q) Yukon Flats - Circle K-12 Replacement	1,953,949
29	(R) Yukon Flats - Arctic Village Addition &	
30	Renovation	3,925,459
31	(S) Kodiak Island - Peterson Elementary	

1	Addition	756,000
2	(T) Craig City - Craig Elementary School	
3	Addition/Renovation	5,001,968
4	(U) Haines - Haines Kitchen Remodel &	
5	Cafeteria Addition	435,448
6	(V) Lower Kuskokwim - Nightmute School	
7	Addition	153,020
8	(W) Lower Kuskokwim - Joann Alexie Memorial	
9	School Addition	172,029
10	(X) Lower Kuskokwim - Kwethluk School Addition	292,410
11	(Y) Lower Kuskokwim - Kwigillingok School	
12	Addition	186,262
13	(Z) Lower Yukon - Sheldon Point Renovation	
14	& Addition	294,806
15	(AA) Southeast Island - Covered Physical	
16	Education Areas	211,174
17	(BB) Kuspuk - Joseph & Olinga Gregory	
18	Elementary Replacement, Upper Kalskag	3,977,981
19	(CC) Aleutian Region - Nikolski Multipurpose	
20	Room Addition	641,733
21	(6) in fiscal year 2003,	
22	MAJOR MAINTENANCE PROJECTS	AMOUNT
23	(A) Kake City - Kake Middle School	
24	Renovation & Generator Installation	\$ 300,075
25	(B) Iditarod Area - Innoko River School	
26	Vocational Education Code Upgrade	73,821
27	(C) Dillingham City - Elementary Gym Floor	51,562
28	(D) Copper River - Glennallen High School	
29	Gym Floor Renovation	183,544
30	(E) Chugach - Tatitlek Fire Alarm Replacement	
31	& Security System	35,471

1	(F) Kuspuk - Johnnie John Sr. School Sewage	
2	System Replacement, Crooked Creek	356,257
3	(G) Iditarod Area - McGrath School Foundation	
4	& Deterioration Repairs	188,835
5	(H) Mat-Su Borough - Boiler & Water Heater	
6	Replacement, 4 Schools	221,051
7	(I) Sitka City Borough - Districtwide Major	
8	Maintenance	482,058
9	(J) Chugach - Districtwide Fuel Tank Upgrades	227,642
10	(K) Galena - High School Floor Renovation	128,786
11	(L) Hoonah City - Hoonah Pool Upgrades	167,394
12	(M) Chugach - Tatitlek Generator Replacement	197,122
13	(N) Lower Kuskokwim - Callback School Boiler	
14	Replacement	287,041
15	(O) Mat-Su Borough - Carpet Replacement, 6	
16	Elementary Schools	423,507
17	(P) Yukon Flats - Chalkyitsik Sewage Lagoon	
18	& Water Tank	780,341
19	(Q) Lower Kuskokwim - Districtwide Asbestos	
20	Abatement	4,865,404
21	(R) Iditarod Area - McGrath School Heating &	
22	Mechanical Design & Renovation	244,373
23	(S) Lower Kuskokwim - Districtwide ADA Upgrade	2,203,040
24	(T) Iditarod Area - Holy Cross School Shower,	
25	Bathroom & Flooring Deterioration	49,384
26	(U) Yukon Flats - Fort Yukon High School	
27	Gym Sprinklers	115,353
28	(V) Dillingham City - Oil Tank Removal/	
29	Replacement	51,562

30     \* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section  
31 to read:

1           SUSPENSION OF STATUTORY SCHOOL CONSTRUCTION AND MAJOR  
2 MAINTENANCE GRANT APPLICATION PROCESS. The provisions of AS 14.11.011,  
3 14.11.013, 14.11.015, and 14.11.016 are suspended.

4       \* **Sec. 5.** AS 14.11.100(a) is amended by adding a new paragraph to read:

5                       (10) subject to (h), (i), (j), and (p) of this section and after projects  
6 financed by the bonds, notes, or other indebtedness have been approved by the  
7 commissioner, 70 percent of payments made by a municipality during the fiscal year  
8 for the retirement of principal and interest on outstanding bonds, notes, or other  
9 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
10 1997, to pay the costs that exceed \$200,000 of school construction projects and major  
11 maintenance projects that are approved under AS 14.07.020(a)(11).

12       \* **Sec. 6.** AS 14.11.100(h) is amended to read:

13                       (h) An allocation under (a)(4), (5), (6), (7), (8), [OR] (9), or (10) of this  
14 section for school construction begun after July 1, 1982, shall be reduced by the  
15 amount of money used for the construction of residential space, hockey rinks,  
16 planetariums, saunas, and other facilities for single purpose sporting or recreational  
17 uses that are not suitable for other activities and by the money used for construction  
18 that exceeds the amount needed for construction of a facility of efficient design as  
19 determined by the department. An allocation under (a)(4), (5), (6), (7), (8), [OR] (9),  
20 or (10) of this section may not be reduced by the amount of money used for  
21 construction of a small swimming pool, tank, or water storage facility used for water  
22 sports. However, an allocation shall be reduced by the difference between the amount  
23 of money used to construct a swimming pool that exceeds the standards adopted by  
24 the department and the amount of money that would have been used to construct a  
25 small swimming pool, tank, or water storage facility, as determined by the  
26 commissioner.

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

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

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

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

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

3 \* **Sec. 8.** AS 14.11.100(j) is amended to read:

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

13 (1) the municipality to include on the ballot for the bond issue, for  
14 bonds authorized on or before March 31, 1990, or after April 30, 1993, the estimated  
15 total cost of each project including estimated total interest, estimated annual operation  
16 and maintenance costs, the estimated amounts that will be paid by the state and by the  
17 municipality, and the approximate amount that would be due in annual taxes on  
18 \$100,000 in assessed value to retire the debt;

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

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

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

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

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

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

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

3 \* **Sec. 9.** AS 14.11.100 is amended by adding a new subsection to read:

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

6 (1) may not exceed \$150,000,000; and

7 (2) is allocated as follows:

8 (A) \$60,000,000 is allocated to projects in a municipality with  
9 a public school enrollment of 25,000 or more students in fiscal year 2000 as  
10 determined under AS 14.17.600;

11 (B) \$90,000,000 is allocated to projects in a municipality with  
12 a public school enrollment of less than 25,000 students in fiscal year 2000 as  
13 determined under AS 14.17.600.

14 \* **Sec. 10.** AS 18.56 is amended by adding a new section to read:

15 **Sec. 18.56.086. Creation of subsidiaries.** The corporation may create  
16 subsidiary corporations for the purpose of financing or facilitating the financing of  
17 school construction grants and major maintenance grants under AS 14.11.005 -  
18 14.11.020. A subsidiary corporation created under this section may be incorporated  
19 under AS 10.20.146 - 10.20.166. The corporation may transfer assets of the  
20 corporation to a subsidiary created under this section. A subsidiary created under this  
21 section may borrow money and issue bonds as evidence of that borrowing and has all  
22 the powers of the corporation that the corporation grants to it. Unless otherwise  
23 provided by the corporation, the debts, liabilities, and obligations of a subsidiary  
24 corporation created under this section are not the debts, liabilities, or obligations of the  
25 corporation.

26 \* **Sec. 11.** Section 4 of this Act is repealed July 1, 2002.

27 \* **Sec. 12.** Section 4 of this Act takes effect immediately under AS 01.10.070(c).

28 \* **Sec. 13.** Except as provided in sec. 12 of this Act, this Act takes effect July 1, 2000.