

HOUSE BILL NO. 497

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/20/02

Referred: Community and Regional Affairs, State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act giving notice of and approving the entry into, and the issuance of, certificates of**
2 **participation for the upgrade, expansion, and replacement of certain correctional**
3 **facilities and jails; giving notice of and approving the entry into, lease-financing**
4 **agreements for certain of those projects; and providing for an effective date."**

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

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

8 FINDINGS AND PURPOSE. (a) The legislature finds that

9 (1) existing correctional facilities and municipal jails in the state are operating
10 at or beyond the capacity for which they were designed;

11 (2) based on recent criminal justice data and demographic evidence, it is likely
12 that there will be a steady increase in misdemeanants and in pre-sentenced prisoners who
13 must be housed in jails and in other sentenced prisoners who must be housed in prisons and
14 jails;

1 (3) upgrade and expansion of correctional facilities and jails is planned to
 2 occur in three phases with the first phase to include correctional facilities and jails for which
 3 construction can be started within one year of the effective date of this Act in order to meet
 4 the most pressing needs;

5 (4) in order to be prepared for future expansion of correctional facilities under
 6 phase two, the design costs to accomplish such expansions must be financed within one year
 7 of the effective date of this Act;

8 (5) the Department of Corrections must be afforded latitude to obtain
 9 additional correctional bed spaces through a variety of financing options, including municipal
 10 participation; and

11 (6) the upgrade, expansion and replacement of existing correctional facilities
 12 and jails in the state will be cost-effective as well as promote good corrections practices by
 13 providing sufficient local facilities to house and treat offenders.

14 (b) The purpose of this Act is to provide a means to

15 (1) finance the first phase of the upgrade, expansion, and replacement of
 16 correctional facilities and jails in the state;

17 (2) acknowledge phases two and three of the future upgrade, expansion, and
 18 replacement projects as set out in sec. 4 of this Act; and

19 (3) finance the design costs of the second phase of the upgrade, expansion,
 20 and replacement of correctional facilities and jails in the state as set out in sec. 4 of this Act.

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

23 NOTICE OF THE ISSUANCE OF CERTIFICATES OF PARTICIPATION AND
 24 OTHER FINANCING. (a) Subject to annual appropriation, the Department of
 25 Administration is authorized to enter into lease-financing agreements for the projects
 26 described in sec. 4(a) of this Act.

27 (b) The state bond committee is authorized to provide for the issuance of certificates
 28 of participation in one or more series in the aggregate principal amount of \$116,952,800, plus
 29 costs of required reserves and costs of issuance, to pay for the costs of upgrade and expansion,
 30 and other costs, of financing phase I projects described in sec. 4(a) of this Act, the design
 31 costs of phase II projects described in sec. 4(b) of this Act, and the costs for expansion of

1 municipal jails described in sec. 5 of this Act. The estimated total cost of construction,
 2 acquisition, and equipping the projects is \$118,480,000, which shall be paid from the
 3 proceeds of the certificates of participation issued under this section. The estimated aggregate
 4 annual amount of rental obligations under the lease-financing agreements is \$11,440,000.
 5 The total payments for the full term of the certificates of participation are estimated to be
 6 \$171,600,000. In this subsection, "cost of construction" includes credit enhancement and
 7 underwriting expenses, rating agency fees, bond counsel fees, financial advisor fees, printing
 8 fees, trustee fees, advertising fees, capitalized interest, interest earnings used for lease
 9 payments, and other costs of issuance, and costs of required reserves.

10 (c) The state bond committee may contract for credit enhancement, underwriting,
 11 credit ratings, bond counsel, financial advisor, printing, advertising fees, and trustee services
 12 that the committee considers necessary in financing the projects described in secs. 4(a), 4(b),
 13 and 5 of this Act.

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

16 LEASE-FINANCING AGREEMENT PAYMENTS. (a) The lease payments owed
 17 under a lease-financing agreement executed under sec. 2(a) of this Act are subject to annual
 18 appropriation by the legislature.

19 (b) The legislature intends that money from the general fund will be sufficient to
 20 make all lease payments; however, if that source of money is insufficient to make the
 21 payments, the payments shall be made from any other valid source, subject to appropriation.

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

24 PROJECTS. (a) The projects that may be financed in phase I, as provided for in sec. 2
 25 of this Act, and the estimated construction and other costs of financing each, are as follows:

26 (1) expansion of the Palmer Correctional Center in Sutton by up to 237 new
 27 beds at costs not to exceed

28 (A) \$175,100 per bed;

29 (B) \$41,493,600 in capital costs; and

30 (C) \$9,979,000 in increased operating expenditures;

31 (2) expansion of the Yukon-Kuskokwim Correctional Center in Bethel by up

1 to 96 new beds at costs not to exceed

2 (A) \$183,300 per bed;

3 (B) \$17,593,700 in capital costs; and

4 (C) \$5,682,000 in increased operating expenditures;

5 (3) expansion of the Fairbanks Correctional Center in Fairbanks by up to
6 60 new beds at costs not to exceed

7 (A) \$177,300 per bed;

8 (B) \$10,635,500 in capital costs; and

9 (C) \$1,918,000 in increased operating expenditures;

10 (4) expansion of the Spring Creek Youthful Offender Program in Seward by
11 up to 170 new beds at costs not to exceed

12 (A) \$159,600 per bed;

13 (B) \$27,130,000 in capital costs; and

14 (C) \$4,051,000 in increased operating expenditures.

15 (b) The design costs for projects to be financed in phase II, as provided for in
16 sec. 2(b) of this Act, are \$4,100,000. The projects in phase II are as follows:

17 (1) expansion of the Point MacKenzie farm program by up to 89 new beds;

18 (2) expansion of the Mat-Su Pre-trial Facility by up to 107 new beds; and

19 (3) expansion of the Anchorage jail by up to 192 new beds.

20 (c) The projects that may be financed in a phase III, as described in sec. 1(b)(1) of this
21 Act, are as follows:

22 (1) expansion of the Wildwood Correctional Center by up to 286 new beds;

23 (2) expansion of the Lemon Creek Correctional Center by up to 64 new beds;

24 (3) expansion of the Ketchikan Correctional Center by up to 24 new beds.

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

27 MUNICIPAL JAIL FACILITIES. (a) Each of the following projects are approved to
28 receive \$4,000,000 of the proceeds of the certificates of participation authorized under sec. 2
29 of this Act, on condition that the municipality in which the project is located contributes a
30 matching share of at least \$4,000,000, to be used for the upgrade, expansion or replacement of
31 the jail facilities:

1 (1) Dillingham Community Jail in the Municipality of Dillingham to replace
2 the existing 8-bed facility with a new 25-bed facility;

3 (2) Kodiak Community Jail in the Municipality of Kodiak to replace the
4 existing 16-bed facility with a new 20-bed facility;

5 (3) Kotzebue Community Jail in the Municipality of Kotzebue to add 26 new
6 beds to its existing 14-bed facility for a total of 40 beds;

7 (4) North Slope Borough Community Jail in the North Slope Borough to
8 replace the existing 9-bed facility with a new 20-bed facility.

9 (b) Subject to appropriation, the Department of Corrections is authorized to pay to the
10 municipalities listed in (a) of this section the annual operating costs associated with the
11 addition of new beds at the municipal jail facilities. The anticipated annual operating costs
12 for the new beds authorized in (a) of this section are:

13 (1) Dillingham Community Jail - \$850,000 (17 new beds);

14 (2) Kodiak Community Jail - \$350,000 (4 new beds);

15 (3) Kotzebue Community Jail - \$1,100,000 (26 new beds);

16 (4) North Slope Borough Community Jail - \$1,000,000 (11 new beds).

17 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 APPROVAL. This Act constitutes the notice and approval of the projects described in
20 sec. 2 of this Act required by AS 36.30.085.

21 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).