

HOUSE FINANCE COMMITTEE  
May 17, 2002  
5:44 PM

TAPE HFC SS-02 - 1, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 5:44 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Con Bunde, Vice-Chair  
Representative Eric Croft  
Representative John Harris  
Representative Ken Lancaster  
Representative Jim Whitaker  
Representative Carl Moses

MEMBERS ABSENT

Representative John Davies  
Representative Richard Foster  
Representative Bill Hudson

ALSO PRESENT

Senator John Torgerson; Representative Drew Scalzi; Annalee McConnell, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 2001 An Act setting timelines for issuance of final orders by the Regulatory Commission of Alaska, amending the authority of the commission to enter compromise settlement orders, and extending the commission's termination date to June 30, 2006; and providing for an effective date.

CSHB 2001 was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal impact note by the Department of Community and Economic Development.

HB 2002 An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of design, construction, and major maintenance of educational and museum facilities; and providing for an effective date.

HB 2002 was heard and HELD in Committee for further consideration.

HB 2003 An Act relating to municipal bond reimbursement for school construction; and providing for an effective date.

HB 2003 was heard and HELD in Committee for further consideration.

HB 2007 An Act making an appropriation to reverse the effect of art. IX, sec. 17(d), Constitution of the State of Alaska; making an appropriation to balance revenue and general fund appropriations; making an appropriation to the Department of Revenue for management of the constitutional budget reserve fund; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

HB 2007 was REPORTED out of Committee with a "do pass" recommendation.

#hb2001

HOUSE BILL NO. 2001

"An Act setting timelines for issuance of final orders by the Regulatory Commission of Alaska, amending the authority of the commission to enter compromise settlement orders, and extending the commission's termination date to June 30, 2006; and providing for an effective date."

Co-Chair Mulder explained that the legislation would extend the Regulatory Commission of Alaska and was virtually identical to the version that was previously passed by the Committee.

Co-Chair Mulder MOVED to report HB 2001 out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 2001 was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal impact note by the Department of Community and Economic Development.

#hb2007

HOUSE BILL NO. 2007

"An Act making an appropriation to reverse the effect of art. IX, sec. 17(d), Constitution of the State of Alaska; making an appropriation to balance revenue and general fund appropriations; making an appropriation to the Department of Revenue for management of the constitutional budget reserve fund; making

appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Co-Chair Mulder explained that HB 2007 would make a separate appropriation from the Constitutional Budget Reserve (CBR), as opposed to placement in a capital budget or operating budget. He explained that an appropriation from the CBR is needed to pass the budget if there are insufficient funds in the General Fund to pay for state operating costs. A three-quarter vote is required: 30 of 40 members in the House. Without 30 votes, funds contained in the General Fund and other sub accounts are swept from the General Fund into the CBR under the debt repayment provisions in the Constitution. Included in these funds are: Marine Highway Stabilization Fund, Power Cost Equalization, Alaska Science and Technology Foundation, and dividends paid by Alaska Industrial Development and Export Authority (AIDEA) and Alaska Housing Finance Corporation (AHFC). If these funds are swept into the CBR, things like water and sewage projects funded by AHFC in rural Alaska would not be funded.

Representative Bunde pointed out that the legislature has been using money from the CBR to balance the budget and cover the fiscal gap. He noted that \$5 billion dollars have been spent in this way and must be paid back when state revenues are available beyond what is spent.

Co-Chair Mulder MOVED to report HB 2007 out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 2007 was REPORTED out of Committee with a "do pass" recommendation.

#hb2003

HOUSE BILL NO. 2003

"An Act relating to municipal bond reimbursement for school construction; and providing for an effective date."

SENATOR JOHN TORGERSON reviewed SCS HB 451 (RLS), which would be used in the creation of a proposed committee substitute to HB 2003 [work draft, 22LS1810\C]. The legislation authorizes local governments to go out to vote for bonds. He noted that the Senate adopted the following language:

- (1) be
  - (A) a rural educational attendance area;
  - (B) a municipal school district and, as of June 30 of the previous fiscal year, have a population of less than 1,000; or

- (C) a municipal school district that operates schools on a military reservation; and

Senator Torgerson explained that two local government reimbursement programs would be established. Existing programs would be funded at a 70 percent level and the appropriation would be open-ended for four years. A new program would be created at 60 percent, which would require the Department of Education and Early Development to review the program for compliance. The new language would read:

(11) subject to (h), (i), and (j)(2) - (5) [(j)(2), (3), (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 July 1, 2006 [July 1, 2008], to pay costs of school construction, additions to schools, and major rehabilitation projects and education related facilities that exceed \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section;

(12) subject to (h), (i), and (j)(2), (3), and (5) [(j)(2), (3), (5)] of this section, 60 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 July 1, 2006, to pay costs of school construction, additions to schools, and major rehabilitation projects and education related facilities that exceed \$200,000, are reviewed [approved] under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section.

Senator Torgerson observed that authorization for Fairbanks was extended from July 1, 2004 to July 1, 2006 on page 8. He added that July 1, 2008 was also changed to July 1, 2006 on page 10 lines, 6, 14, and 29. "In the principle amount of at least \$240 million dollars" was deleted on line 25. He summarized that bonding is contingent on the bond package passing.

Vice-Chair Bunde questioned who would be excluded under the grant criteria on page 1. Co-Chair Mulder explained that the concern with military reservation schools is that they are not owned by the local school district, which would therefore be hesitant to contribute local money. The legislation would upgrade military schools, so that they could be transferred from the Department of Education and

Early Development to local school districts for authorization and oversight. Once this occurs the local school district would own the schools and be responsible for the upgrade.

ANNALEE MCCONNELL, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, noted that the version passed by the Senate (SCS HB 451 (RLS)) would not provide continued funding opportunities for rural schools. The Administration would support the linking of the two concepts together [funding for rural and urban schools]. Urban school districts would be able to direct their own schedules and do projects on the timing that works best for them. She observed that in the past there has been a major debt reimbursement program every few years, the debt reimbursement programs have driven the timing of schedules that come under the reimbursement programs. A different percent of support from local districts would occur depending on whether the school falls within the current statutory restrictions or the project addresses future growth needs.

Co-Chair Williams requested that Ms. McConnell point out those areas of the bill and provide a spreadsheet for Committee members. Ms. McConnell replied that she would provide that information.

Ms. McConnell added that the Administration had support from the Anchorage School district for the concept of allowing them to drive their own schedule and work on a statewide bases. A process for stabilization and easier planning for school funding would be a benefit, which would be well received by the state's school districts.

Ms. McConnell observed that the initial recommendation was to put in place something that could be done in five funding cycles. The GO bond bill would occur in the first year, which would address rural schools. Anchorage and Juneau already have projects approved by the voters. Other communities, such as the Mat-Su Borough, would just be getting their processes underway to do their bond issuance over this cycle. Five years was picked in order to get past the "first shot at all of this" and allow school districts to work the process into their planning cycles.

HB 2003 was heard and HELD in Committee for further consideration.

#hb2002

HOUSE BILL NO. 2002

"An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of design, construction, and major maintenance of educational and

museum facilities; and providing for an effective date."

Co-Chair Williams observed that HB 2002 duplicates legislation previously sent to the Senate.

Co-Chair Mulder noted that a proposed House Finance Committee substitute would be prepared, which would adopt the Senate Finance Committee version. He explained that the Senate Finance Committee version funded projects 1 - 10 on the new school construction list and appropriated \$61 million dollars for University upgrades and \$5 million dollars for the museum.

HB 2002 was heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 6:07 PM