

MINUTES
SENATE FINANCE COMMITTEE
May 18, 2002
10:13 AM

TAPES

SFC-02 2nd SS #2, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 10:13 AM.

PRESENT

Senator Pete Kelly, Co-Chair
Senator Dave Donley, Co-Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson
Senator Loren Leman

Also Attending: SENATOR RICK HALFORD; CAROL CARROLL, Director, Administrative Services Division, Department of Military and Veterans Affairs

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB2002-MUNICIPAL BOND REIMBURSEMENT

The Committee adopted an amendment and reported the bill from Committee.

SB2005-MUNICIPAL BOND REIMBURSEMENT

The bill moved from Committee.

SB2004-G.O. BONDS: SCHOOLS/MUSEUM/UNIVERSITY

The bill moved from Committee.

SB2009-ALASKA VETERANS ADVISORY COUNCIL

The Committee heard from the Department of Military and Veterans Affairs. The bill moved from Committee.

SB2003-APPROP: STATE TROOPERS

The bill moved from Committee.

Co-Chair Kelly announced the legislation to be heard at this meeting is similar to legislation the Committee acted upon during the regular legislative session.

#SB2002

SENATE BILL NO. 2002

"An Act relating to construction, rehabilitation, and improvement of schools and education-related facilities; relating to municipal bond reimbursement for school construction; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Senator Wilken questioned if this contains language from HB 451 and whether it contains "any forward or backward linkage".

SENATOR RICK HALFORD replied SB 2002 includes the amendments adopted by the Senate Rules Committee to the original HB 451, but not those amendments adopted by the full Senate. He informed he is preparing an amendment to SB 2002 to address the length of the program.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB2005

SENATE BILL NO. 2005

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

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Kelly explained this legislation is identical to the original version of HB 451 and contains authorization to issue

bonds. He noted it does not list specific projects.

Senator Austerman asked if the intent is to report SB 2005 from the Senate Finance Committee to be amended in the Senate Rules Committee.

Co-Chair Kelly responded his intention is that no further action would be taken on this bill once it is referred to the Senate Rules Committee and that the bond authority would be granted through SB 2002.

Senator Austerman asked the reason for reporting SB 2005 from the Senate Finance Committee.

Co-Chair Kelly answered that in the event SB 2002 does not pass, there would be opportunity to pass the more limited provisions contained in SB 2005. He stated agreement exists on passage of at least minimal bonding authority as contained in the original version of HB 451, sponsored by Representative James.

Senator Wilken clarified SB 2005 would be moved from Committee to allow for flexibility, which he supports.

Senator Green offered a motion to move from Committee, SB 2005 with individual recommendations.

There was no objection and SB 2005 MOVED from Committee.

AT EASE 10:20 AM / 10:22 AM

#SB 2002

SENATE BILL NO. 2002

"An Act relating to construction, rehabilitation, and improvement of schools and education-related facilities; relating to municipal bond reimbursement for school construction; and providing for an effective date."

This bill was heard and held earlier in the meeting.

Senator Halford testified this legislation does not include "the tie-in provisions" under discussion for HB 451. He stated it does include provisions that clarify that the 70 percent reimbursement program is subject to the full review and that the 60 percent reimbursement program is subject to a lesser review.

Senator Halford noted a technical correction is necessary to

replace "approved" with "reviewed" on page 6, line 11.

Senator Halford next pointed out the bill stipulates the program operates until the year 2008. He proposed changing this to 2006. He also noted the bill contains language pertaining to a set amount of state debt. He stated this amount is no longer certain and recommended this language be amended.

Senator Halford stressed that the approval of debt service would remain contingent upon approval of the rural bond package.

Senator Hoffman spoke to the proposed change to shorten the length of the program. He detailed the legislation would not take effect in the current year until after voter approval for the bonds is received in the November 2002 general election. Therefore, the program would be in effect from the year 2003 until 2006.

Senator Hoffman cautioned to the disproportionate amount of bonds issued in 2006, the final year of the program, by those communities, "which could disrupt the parity between what we approved potentially for rural schools and the open-endedness. Even though there is a time frame on it, there is not a monetary limit." He stated this could be unfair.

Senator Leman clarified the correct terminology in this context is "schools in unorganized boroughs", rather than rural schools.

Senator Hoffman agreed.

Amendment #1: This amendment deletes the year "2008" and inserts "2006" in each place it appears in the bill: page 6, lines 1 and 9, and page 10, lines 6 and 14.

This amendment also deletes "approved" and inserts "reviewed" on page 6, line 11. The amended language of Section 6(a)(12) reads as follows.

(12) subject to (h), (i), and (j)(2), (3), and (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 under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section.

This amendment also deletes "in the principal amount of at least \$240,000,000" following "state debt" on page 10, line 25. The amended language reads as follows.

Sec. 15. Sections 1,3,4,6-10, and 13 of this Act take effect on the date that the director of elections certifies to the revisor of statutes that a majority of the qualified voters of the state who vote on the question at the 2002 general election affirmatively voted to authorize the contracting of state debt for the purpose of financing capital improvements and major maintenance for schools in rural educational attendance areas or municipal school districts.

This amendment also gives authorization to the bill drafter to make conforming changes as necessary.

Senator Leman moved for adoption.

The amendment was ADOPTED without objection.

Senator Austerman asked, "Is there a way to get to the number Senator Hoffman is talking about?"

Co-Chair Kelly suggested the Senate Rules Committee could insert a definitive amount into the language of the bill. He opined that he does not support inclusion of a specific dollar amount.

Senator Wilken referenced Section 6(a)(12) and asked if a definition exists specifying what the review entails. He asserted that a review could vary from "passing across one's desk" to an actual analysis following guidelines.

Senator Halford replied regulatory authority would determine "the ultimate decision" with regards to the 60 percent reimbursement program. However, he stressed the intention is a "lower level of authority" than required for the 70 percent reimbursement program. He indicated the proposed project should be "closely education related" and contain a "standard of need", although it would not require a formula for the number of students or the size of the facility.

Senator Wilken surmised there would be no method to identify whether a school district is taking advantage of the bond program using the 60 percent reimbursement program.

Senator Halford agreed a level of review is necessary to avoid the program becoming "engulfed" by abuse. However, he understood there

is "basic authority" within the Department of Education and Early Development to address this issue.

Senator Wilken asked if the Department determined an application for a project receiving 60 percent reimbursement is "over and above" what is "proper for whatever reasons," whether there would be a method to deny reimbursement.

Senator Halford responded it would depend upon the level of egregiousness. He pointed out the Department could present the application to the Legislature and the Legislature could take action to deny reimbursement. He emphasized there would be adequate time to address the matter if it arose.

Senator Austerman asked for a definition of "education related facilities" as listed in the bill title on page 1, line 2. He wanted to know if this is limited to K-12, or whether a community college could be interpreted to qualify.

Senator Halford understood such a definition exists.

Senator Halford then explained for Co-Chair Kelly that a local election to approve school projects could not occur in the current calendar year because the authority to issue the bonds would not be granted until the general election in November 2002.

Co-Chair Kelly calculated the actual timeframe of the program would be approximately two and one-half years rather than three years.

Senator Hoffman reiterated the need to anticipate the projects and their costs in order to appropriate funds for planning and design of both rural and urban schools in advance. He emphasized the short construction season and the limited time that shipments could be made to many rural communities. He suggested further discussion on this matter.

Senator Hoffman also asked whether this legislation could be amended to "accommodate" the Wendler Middle School in Anchorage.

Senator Halford answered that the intent is to include the Wendler school project with the statewide general obligation bond package.

Senator Hoffman agreed this is one option and requested the Administration testify as to whether other options are available.

Senator Halford informed this is the only option identified by the Anchorage School District; although, he qualified there could be other options.

Senator Austerman clarified this issue must receive statewide voter approval before local elections to approve specific bond issues could be held. He assumed that before a bond proposal is placed before voters, a project must be designed and planned. He shared Senator Hoffman's concerns about the limited timeframe.

Co-Chair Donley asked when the State's first bond debt reimbursement payment would come due.

Senator Halford answered that the first appropriation could be necessary in FY 04. He noted the majority of the payments would not begin until FY 05.

Co-Chair Donley commented, "It's going to be an interesting year."

Senator Austerman asked if July 2006 is the deadline for local bond passage.

Senator Halford affirmed this is for the authorization portion.

Co-Chair Donley appreciated the conversation on Section 6 (12). He commented this is "really a difficult question as far as trying to free up school districts that wish to help pay for projects themselves from some of the unfairness of the current Department of Education and Early Development list [prioritizing school construction projects] and their regulations, but at the same time keeping some reasonability for what gets developed into the system."

Co-Chair Donley was concerned with AS 14.07.020(a)(11), which allows the Department of Education and Early Development to adopt regulations in "whatever way they see fit to regulate the expenditure of money in this area." He expressed, "I have not been happy with the regulations the bureaucrats over there have cooked up over the years. I mean they're famous for their one regulation that did not count students in portable units as un-housed. That was one of the most unfair single regulations I've ever seen in my time here, Mr. Chairman, and that came out of the same Department that now has full authority to adopt new regulations to cover that. I'm concerned about what kind of an effect that will have and what kind of new regulations will sprout out of the minds of the people at Department of Education over that because they have not shown a propensity for fairness, in my opinion, when it came to this program in the past. We had to overrule that regulation by statute last time."

Co-Chair Kelly understood and noted the matter could be addressed

when the Senate Rules Committee hears this bill.

Senator Hoffman agreed the Department of Education and Early Development regulatory interpretation of the provision relating to students housed in portable facilities was unfair to the entire State.

Senator Austerman offered a motion to move SB 2002 with individual recommendations from Committee.

There was no objection and CS SB 2002 (FIN) MOVED from Committee.

#SB2004

SENATE BILL NO. 2004

"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."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Kelly informed that the language in this bill is identical to earlier legislation that was passed by the House of Representatives during the regular legislative session. He noted the Committee would also receive separate legislation, which would contain language adopted by the House Finance Committee and is identical to that adopted by the Senate Finance Committee in the aforementioned earlier legislation from the regular legislative session.

Senator Green offered a motion to move SB 2004 from Committee with individual recommendations.

Without objection SB 2004 MOVED from Committee.

#SB2009

SENATE BILL NO. 2009

"An Act establishing the Alaska Veterans Advisory Council; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Kelly asked if the language in this bill is identical to previous legislation passed by the Senate during the regular legislative session.

CAROL CARROLL, Director, Administrative Services Division, Department of Military and Veterans Affairs, affirmed and noted the earlier legislation did not receive a hearing in the House of Representatives.

Co-Chair Kelly asked about the effective date.

Ms. Carroll replied SB 2009 contains language pertaining to the effective date and the transition of the council into statute, both of which were earlier adopted by the Senate Finance Committee.

Senator Green offered a motion to move SB 2009, with individual recommendations and accompanying fiscal note from Committee.

There was no objection and SB 2009 with accompanying \$3,500 fiscal note #1 from the Department of Military and Veterans Affairs MOVED from Committee.

#SB2003

SENATE BILL NO. 2003

"An Act making appropriations; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Kelly noted Senator Halford's intent to adopt a "naked appropriations bill" to have available if necessary. Co-Chair Kelly pointed out this bill contains a title only.

Senator Hoffman moved the Naked Appropriation, SB 2003, from Committee with individual recommendations.

Without objection SB 2003 MOVED from Committee.

AT EASE 10:43 AM

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ADJOURNMENT

The meeting adjourned with the Senate Sine Die adjournment of the Second Special Session at 5:32 PM on May 21, 2002.