

**ALASKA STATE LEGISLATURE
HOUSE RULES STANDING COMMITTEE**

May 4, 2004

1:21 p.m.

MEMBERS PRESENT

Representative Norman Rokeberg, Chair
Representative Pete Kott
Representative John Coghill
Representative Lesil McGuire
Representative Carl Morgan
Representative Ethan Berkowitz
Representative Beth Kerttula

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Ben Stevens
Senator Gene Therriault
Senator Thomas Wagoner

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 136(FIN) am

"An Act relating to a mandatory property tax exemption for certain private property interests on military bases or installations; relating to an optional exclusion or exemption from municipal taxation for residential property; relating to an exemption from and deferral of municipal property taxes on certain types of deteriorated property; and providing for an effective date."

- MOVED CSSB 136(FIN) am OUT OF COMMITTEE

SENATE BILL NO. 340

"An Act relating to the detention of delinquent minors in correctional facilities; relating to emergency detention of minors for evaluation for involuntary admission for mental health treatment; relating to detention of intoxicated minors and minors incapacitated by alcohol or drugs; and providing for an effective date."

- MOVED SB 340 OUT OF COMMITTEE

SENATE BILL NO. 358

"An Act relating to the performance of railroad track construction work for the Department of Transportation and Public Facilities by the Alaska Railroad Corporation."

- MOVED SB 358 OUT OF COMMITTEE

HOUSE BILL NO. 404

"An Act relating to the Alaska Commission on Postsecondary Education; relating to the Alaska Student Loan Corporation; relating to bonds of the corporation; relating to loan and grant programs of the commission; relating to an exemption from the State Procurement Code regarding certain contracts of the commission or corporation; making conforming changes; and providing for an effective date."

- MOVED CSHB 404(RLS) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 136

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTIONS

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/10/03	(S)	READ THE FIRST TIME - REFERRALS
03/10/03	(S)	CRA, FIN
03/17/03	(S)	CRA AT 1:30 PM FAHRENKAMP 203
03/17/03	(S)	Heard & Held
03/17/03	(S)	MINUTE(CRA)
04/02/03	(S)	CRA AT 1:30 PM FAHRENKAMP 203
04/02/03	(S)	Moved Out of Committee
04/02/03	(S)	MINUTE(CRA)
04/04/03	(S)	CRA RPT 1DP 4NR
04/04/03	(S)	DP: WAGONER; NR: STEVENS G, LINCOLN,
04/04/03	(S)	ELTON, TAYLOR
04/10/03	(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/10/03	(S)	Heard & Held
04/10/03	(S)	MINUTE(FIN)
02/11/04	(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/11/04	(S)	Not Heard
04/27/04	(S)	FIN RPT CS FORTHCOMING 4DP 3NR
04/27/04	(S)	DP: GREEN, WILKEN, DYSON, STEVENS B;
04/27/04	(S)	NR: HOFFMAN, OLSON, BUNDE
04/27/04	(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/27/04	(S)	Moved CSSB 136(FIN) Out of Committee
04/27/04	(S)	MINUTE(FIN)

04/28/04 (S) FIN CS RECEIVED NEW TITLE
05/03/04 (S) TRANSMITTED TO (H)
05/03/04 (S) VERSION: CSSB 136(FIN) AM
05/04/04 (H) RLS AT 1:00 PM CAPITOL 124

BILL: SB 340

SHORT TITLE: DETENTION OF MINORS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/16/04 (S) READ THE FIRST TIME - REFERRALS
02/16/04 (S) HES, JUD
03/03/04 (S) HES AT 1:30 PM BUTROVICH 205
03/03/04 (S) Moved SB 340 Out of Committee
03/03/04 (S) MINUTE(HES)
03/04/04 (S) HES RPT 3DP
03/04/04 (S) DP: DYSON, GREEN, WILKEN
03/19/04 (S) JUD AT 8:00 AM BUTROVICH 205
03/19/04 (S) Heard & Held
03/19/04 (S) MINUTE(JUD)
03/31/04 (S) JUD RPT 2DP 2NR
03/31/04 (S) DP: SEEKINS, THERRIAULT; NR: FRENCH,
03/31/04 (S) OGAN
03/31/04 (S) JUD AT 8:00 AM BUTROVICH 205
03/31/04 (S) Moved SB 340 Out of Committee
03/31/04 (S) MINUTE(JUD)
04/29/04 (S) TRANSMITTED TO (H)
04/29/04 (S) VERSION: SB 340
04/30/04 (H) READ THE FIRST TIME - REFERRALS
04/30/04 (H) RLS
04/30/04 (H) HB 487 SIMILAR BILL
05/04/04 (H) RLS AT 1:00 PM CAPITOL 124

BILL: SB 358

SHORT TITLE: ALASKA RAILROAD TRACK WORK

SPONSOR(S): TRANSPORTATION

03/03/04 (S) READ THE FIRST TIME - REFERRALS
03/03/04 (S) TRA, L&C
03/04/04 (H) TRA AT 1:30 PM CAPITOL 17
03/04/04 (H) -- Meeting Canceled --
03/05/04 (S) TRA RPT 3DP 2NR
03/05/04 (S) DP: WAGONER, COWDERY, THERRIAULT
03/05/04 (S) NR: LINCOLN, OLSON
03/23/04 (S) L&C AT 1:30 PM BELTZ 211
03/23/04 (S) Heard & Held
03/23/04 (S) MINUTE(L&C)
04/01/04 (S) L&C AT 1:30 PM BELTZ 211

04/01/04 (S) <Bill Hearing Postponed>
 04/13/04 (S) L&C AT 1:30 PM BELTZ 211
 04/13/04 (S) -- Meeting Canceled --
 04/15/04 (S) L&C AT 1:30 PM BELTZ 211
 04/15/04 (S) Moved SB 358 Out of Committee
 04/15/04 (S) MINUTE(L&C)
 04/16/04 (S) L&C RPT 2DP 2NR
 04/16/04 (S) DP: BUNDE, SEEKINS
 04/16/04 (S) NR: DAVIS, FRENCH
 04/20/04 (S) TRANSMITTED TO (H)
 04/20/04 (S) VERSION: SB 358
 04/21/04 (H) READ THE FIRST TIME - REFERRALS
 04/21/04 (H) RLS
 04/21/04 (H) HB 529 SIMILAR BILL
 05/04/04 (H) RLS AT 1:00 PM CAPITOL 124

BILL: HB 404

SHORT TITLE: STUDENT LOANS /EDUC. FACILITIES BONDS
 SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/28/04 (H) READ THE FIRST TIME - REFERRALS
 01/28/04 (H) EDU, HES, FIN
 02/19/04 (H) EDU REFERRAL WAIVED
 02/19/04 (H) HES AT 3:00 PM CAPITOL 106
 02/19/04 (H) Moved CSHB 404(HES) Out of Committee
 02/19/04 (H) MINUTE(HES)
 02/26/04 (H) HES RPT CS(HES) 6DP
 02/26/04 (H) DP: GATTO, WOLF, COGHILL, SEATON,
 02/26/04 (H) CISSNA, WILSON
 03/02/04 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/02/04 (H) Moved CSHB 404(HES) Out of Committee
 03/02/04 (H) MINUTE(FIN)
 03/03/04 (H) FIN RPT CS(HES) 5DP 5NR
 03/03/04 (H) DP: MEYER, HAWKER, FOSTER, HARRIS,
 03/03/04 (H) WILLIAMS; NR: STOLTZE, JOULE, CROFT,
 03/03/04 (H) MOSES, FATE
 05/04/04 (H) RLS AT 1:00 PM CAPITOL 124

WITNESS REGISTER

MARY JACKSON, Staff
 to Senator Thomas Wagoner
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented SB 136 on behalf of the sponsor,
 Senator Wagoner.

PATTY WARE, Director
Division of Juvenile Justice
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Presented SB 340 on behalf of the governor.

WENDY LINDSKOOG, Director
External Affairs
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Explained SB 358.

DIANE BARRANS, Executive Director
Postsecondary Education Commission
Department of Education and Early Development;
Executive Officer
Alaska Student Loan Corporation
Juneau, Alaska

POSITION STATEMENT: Presented HB 404 on behalf of the governor.

SHEILA KING, Finance Officer
Alaska Commission on Postsecondary Education
Department of Education and Early Development;
Alaska Student Loan Corporation
Juneau, Alaska

POSITION STATEMENT: During discussion of HB 404, answered questions.

PETE ECKLUND, Staff
to Representative William Williams
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During discussion of HB 404, reviewed the FY 2005 Education Bond Worksheet for both Versions S and U and answered questions.

EDDY JEANS, Manager
School Finance and Facilities Section
Education Support Services
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: During discussion of HB 404, explained EED's document entitled "Debt Reimbursement Program Voter Approved under HB2003" dated April 27, 2004, and answered questions.

REPRESENTATIVE WILLIAM WILLIAMS

Alaska State Legislature
Chair, House Finance Committee
Juneau, Alaska

POSITION STATEMENT: Commented on HB 404 in relation to the School of Fisheries and Ocean Science appropriation.

ACTION NARRATIVE

TAPE 04-4, SIDE A

Number 0001

CHAIR NORMAN ROKEBERG called the House Rules Standing Committee meeting to order at 1:21 p.m. Representatives Rokeberg, Coghill, McGuire, Morgan, Berkowitz, and Kerttula were present at the call to order. Representative Kott arrived as the meeting was in progress. Also in attendance were Senators Ben Stevens, Therriault, and Wagoner.

SB 136-MUNICIPAL PROPERTY TAX EXEMPTIONS

CHAIR ROKEBERG announced that the first order of business would be CS FOR SENATE BILL NO. 136(FIN) am, "An Act relating to a mandatory property tax exemption for certain private property interests on military bases or installations; relating to an optional exclusion or exemption from municipal taxation for residential property; relating to an exemption from and deferral of municipal property taxes on certain types of deteriorated property; and providing for an effective date."

Number 0073

MARY JACKSON, Staff to Senator Thomas Wagoner, Alaska State Legislature, informed the committee that the companion to SB 136 is HB 241, which has been through the House State Affairs Standing Committee and the House Finance Committee. However, there are a couple of differences between the two pieces of legislation. She directed the committee's attention to the committee packet, which includes a document explaining the Senate floor amendments to [CSSB 136(FIN)]. She explained that [the Senate floor amendment] created an exemption for private entities that construct military bases, if that private entity enters into an agreement for payment in lieu of taxes. The intention is to avoid duplicative taxes. Currently, [these private entities] pay a payment in lieu of taxes and a tax.

CHAIR ROKEBERG, upon determining that no one else wished to testify and that there were no questions, inquired as to the will of the committee.

Number 0196

REPRESENTATIVE BERKOWITZ moved to report CSSB 136(FIN) am out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSSB 136(FIN) am was reported from the House Rules Standing Committee.

SB 340-DETENTION OF MINORS

CHAIR ROKEBERG announced that the next order of business would be SENATE BILL NO. 340, "An Act relating to the detention of delinquent minors in correctional facilities; relating to emergency detention of minors for evaluation for involuntary admission for mental health treatment; relating to detention of intoxicated minors and minors incapacitated by alcohol or drugs; and providing for an effective date."

Number 0240

PATTY WARE, Director, Division of Juvenile Justice, Department of Health and Social Services (DHSS), informed the committee that HB 487 is the companion to SB 340. She explained that SB 340 amends sections of the delinquency, alcohol, and mental health statutes to prohibit the holding of juveniles in either adult jails or juvenile facilities when the juvenile hasn't been charged with committing a crime. This legislation is necessary to be in alignment with the requirements of the federal Juvenile Justice and Delinquency Prevention Act. Furthermore, the division is working on alternatives in a range of locations across the state as there are a range of nonsecure shelters in both rural and urban locations. The state has been working on this matter for well over a decade, she related. She specified that the division has been working with the Department of Public Safety, in particular the Alaska State Troopers. Ms. Ware informed the committee that [HB 487] was reported out of the House Judiciary Standing Committee and the House Finance Committee.

REPRESENTATIVE McGUIRE asked if HB 487 is exactly the same as SB 340.

MS. WARE replied yes.

CHAIR ROKEBERG, upon determining there was no one else who wished to testify, closed public testimony.

Number 0381

REPRESENTATIVE BERKOWITZ moved to report SB 340 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, SB 340 was reported from the House Rules Standing Committee.

SB 358-ALASKA RAILROAD TRACK WORK

CHAIR ROKEBERG announced that the next order of business would be SENATE BILL NO. 358, "An Act relating to the performance of railroad track construction work for the Department of Transportation and Public Facilities by the Alaska Railroad Corporation."

Number 0426

WENDY LINDSKOOG, Director, External Affairs, Alaska Railroad Corporation, informed the committee that HB 529 is the companion to SB 358. The two pieces of legislation are identical and HB 529 was heard in the House Labor and Commerce Standing Committee. She explained that ARRC entered into a collaborative process with Department of Transportation & Public Facilities (DOT&PF), the Associated General Contractors (AGC), and Local 341. The process led to a memorandum of understanding (MOU), which specifically provides the limitations and guidelines with regard to how the legislation will be administered. The MOU will accompany the legislation, she noted. Ms. Lindskoog explained that SB 358 provides DOT&PF flexibility to use either the competitive bid process or to work directly with ARRC through a utility agreement when the department has projects that include track work. The reason for the legislation is that there didn't seem to be much interest from the private sector in bidding some projects. However, once the legislation was introduced, it was discovered that there was interest from the private sector. Therefore, the MOU struck a good compromise. Ms. Lindskoog clarified that basically ARRC will work under utility agreements for critical track work when it involves switches and cut-overs to the mainline as well as other work that require specialized equipment.

MS. LINDSKOOG, in response to Chair Rokeberg, confirmed that HB 529 and SB 358 are exactly the same.

CHAIR ROKEBERG surmised that the key element is the MOU, which makes the legislation generally acceptable to all interested parties in the state.

MS. LINDSKOOG replied yes.

CHAIR ROKEBERG, upon determining there were no further questions, closed public testimony.

Number 0636

REPRESENTATIVE McGUIRE moved to report SB 358 out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, SB 358 was reported from the House Rules Standing Committee.

HB 404-STUDENT LOANS /EDUC. FACILITIES BONDS

CHAIR ROKEBERG announced that the final order of business would be HOUSE BILL NO. 404, "An Act relating to the Alaska Commission on Postsecondary Education; relating to the Alaska Student Loan Corporation; relating to bonds of the corporation; relating to loan and grant programs of the commission; relating to an exemption from the State Procurement Code regarding certain contracts of the commission or corporation; making conforming changes; and providing for an effective date."

Number 0694

DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education (ACPE), Department of Education and Early Development (EED); Executive Officer, Alaska Student Loan Corporation (ASLC), said that she could speak to some of the technical changes that the director of Legislative Legal and Research Services proposed due to some confusing language that she recommended be deleted. However, she stated that the changes didn't result in any substantive effect.

Number 0764

REPRESENTATIVE COGHILL moved to adopt CSHB 404, Version 23-GH2003\S, Cook, 5/4/04, as the working document. There being no objection, Version S was before the committee.

MS. BARRANS explained that the substantive portions of this legislation broaden ASLC's authority to allow, as part of the Return of Capital Initiative, the return of monies that ASLC no

longer needs to operate its core programs. One of the tools that would be helpful would be the ability to issue bonds, the proceeds of which could be used by the state to pay for capital projects. Additionally, this legislation reconstitutes the state student grant program, focusing on Alaska workforce needs and shortage areas. Furthermore, this legislation would enhance the current outreach and early awareness initiatives. This legislation would allow the grant program to be funded by ASLC rather than having to request general funds for that. Ms. Barrans highlighted that the legislation expands ASLC's ability to offer consolidated loans. She explained that many borrowers are holding outstanding loans that were issued when the rates were considerably higher, and therefore ASLC would like to offer those borrowers reduced rates. This legislation clarifies ACPE's administrative process for issuing liens such that it's a clear and well-described due process for someone who wants to avoid issuance of a lien for a defaulted education loan. Lastly, this legislation exempts from state procurement code, certain services relating to the guaranteeing and electronic disbursement of the loans.

Number 0935

MS. BARRANS turned to the other changes encompassed in Version S. Although ASLC didn't request a committee substitute (CS) specifying specific items to be funded through the capital project revenue bonds, ACPE appreciated the work the House Finance Committee did in ensuring that the way in which the projects were delineated didn't impair ACPE's ability to meet its core mission nor posed a risk to ASLC's ability to issue bonds.

MS. BARRANS, in response to Representative McGuire, explained that those holding student loans have had the ability to consolidate loans for the last year. The loan consolidation rate was slightly under 6 percent. This legislation would allow borrowers who already have loans under the old Alaska student loan program and who are borrowing from the Alaska Advantage Loan, a new loan program, to consolidate across programs.

REPRESENTATIVE MCGUIRE assumed that the bonding aspect of the legislation doesn't outweigh the primary focus of [ACPE], serving its borrowers and to continue to offer reduced interest rates.

MS. BARRANS explained that in developing the proposal to return capital, the types of benefits have been built into the cash

flow. Therefore, only after considering the primary mission, which is to reduce the cost of education, can the amount of funds that could be used for other state purposes be identified.

CHAIR ROKEBERG inquired as to the impact of the availability of the funds that may be available as a result of the passage of HB 404.

Number 1208

SHEILA KING, Finance Officer, Alaska Commission on Postsecondary Education, Department of Education and Early Development; Alaska Student Loan Corporation, said she understood the question to be in regard to the timing of the funds. She informed the committee that what has been projected for the next payment would be between \$80-\$100 million. Subsequent to that there would be an approximately \$80 million [payment]. The timing is related to the availability of assets. There are some bonds that have upcoming call provisions. As the debt can be reduced in a particular indenture, then there is more flexibility with the bonding in the indenture. Ms. King noted that one of the mechanisms that has been reviewed is residual interest bonds, which means that the cash flow at the end of the loans would be captured as the front cash flows of the loans are pledged to current bonds. However, those bonds mature before the loans are totally paid off. Therefore, the thought is to issue subordinate bonds in order to collateralize the later cash flows for these bonds, which would allow recognition of the cash early.

MS. KING, in further response to Chair Rokeberg, explained that in the trust being reviewed if the last maturity occurs in 2013, the loans may not pay off until 2020. Therefore, there is seven years of cash flow that could be collateralized now so as "to pledge those seven years of cash flows ... that would remain beyond the current maturities of the bonds in that trust."

CHAIR ROKEBERG asked if significant discounts would have to be made to do that.

MS. KING answered that whether those are discounted bonds or not will depend on the market. The rates may be slightly higher than the senior series bonds, but the bonds would still be tax exempt. Therefore, the rates would be very good. Ms. King confirmed that there is a limitation on the available cash flow on an annualized basis for a period of years. She explained that the assets are pledged to bonds currently and the bond

covenants don't necessarily allow cash to be taken out of the trust unless the trust exceeds a certain amount. "So, we've got the loans pledged to the trust, we've got capital reserve funds that are required under the bond indentures and thus we're looking at pledging future cash flows because that's really where our main capacity is," she specified.

Number 1442

CHAIR ROKEBERG asked if the earlier referenced \$80-\$100 million would be available for fiscal year (FY) 2005.

MS. KING informed the committee that ACPE anticipates issuing bonds in the spring of 2005, between February and March. That timeframe provides time to do the deal. Furthermore, there are some bonds that are being paid off this summer and [the aforementioned timeframe] will help with the collateralization availability for future bonds as well.

CHAIR ROKEBERG recalled that over the next couple of years there is over \$200 million of potential income stream available for legislative appropriation. He also recalled that it was the governor's intention to spread it over three years.

MS. KING specified that the [division's] proposal is to return about \$250-\$260 million to the state. The aforementioned is the amount of loans that were contributed to start ASLC. In March a bond issue for \$75 million of the [\$250-\$260 million] was closed and the money is sitting in the capital project fund waiting to be used. The three-year phase approach was used because it was determined that is what [ACPE] would most likely be able to meet given bond maturities, loan amortization schedules, cash flows, and maintaining ASLC's primary focus.

Number 1609

PETE ECKLUND, Staff to Representative William Williams, Alaska State Legislature, offered to explain how the proposed list of projects in Version S was determined. He directed attention to the spreadsheet entitled "FY 2005 Education Bond Worksheet", dated 12:14 PM 5/4/2004. The last page of the spreadsheet shows that the list of projects in this legislation total \$88,258,000. He explained that the major maintenance list from EED was reviewed and \$23 million of the \$26 million of projects on EED's major maintenance list were [included in this legislation]. He recalled that [the list includes] 27 of 31 projects. The last few projects weren't included because of the lack of good

justification. Moreover, the top two projects of the school construction list were included [in this legislation] as were [most] of the projects on the University of Alaska's wish list. Mr. Ecklund pointed out that the bond total was kept between \$85-\$90 million.

MR. ECKLUND acknowledged that there have been questions regarding why the list doesn't include any urban school projects. He explained that two years ago the legislature opened up the bonding authority for any community with bonding capacity to work with EED to place new school construction and deferred maintenance on the local ballot and receive 70:30 reimbursement. The aforementioned is available until the end of the 2004 calendar year. Mr. Ecklund recalled that about \$500 million of debt has been incurred through voter approval in municipalities with bonding authority. Therefore, Version S attempts to balance the aforementioned by providing funding to those communities that don't have bonding capacity. Mr. Ecklund related that this was balanced between urban and rural areas in respect to other bonding legislation that includes transportation projects.

Number 1835

REPRESENTATIVE BERKOWITZ related his observation that the list amounts to about one-third of the amount available through ASLC's bonding capacity. He acknowledged that the governor wanted this to be stretched out over three years. He inquired as to whether there is some consistency.

MR. ECKLUND directed attention to page 4, Section 5, which limits the bonding capacity to \$200 million between January 1, 2005, and December 31, 2008. The \$200 million proposed by [Section 5] is attainable by ASLC to bond for over the next few years. The ASLC wouldn't necessarily have to bond for the full amount in the first issuance, rather bonding over multiple years could occur in order to reach the cash flow needs of the projects listed. Mr. Ecklund pointed out that when a concept like this is introduced [the bonds] tend to grow, and therefore the desire was to start at a moderate level.

REPRESENTATIVE McGUIRE turned to the list of projects, and asked if the Integrated Science Facility is in Phase II.

MR. ECKLUND answered that although he wasn't sure what phase the project is in, he understood that the funds would complete the project.

REPRESENTATIVE McGUIRE noted that there are four phases to completion, and said she had heard that only part of the phases [would be completed with the funding specified].

MR. ECKLUND specified that the funding for the Integrated Science Facility was what the University of Alaska requested, and therefore he assumed that the university requested what was necessary.

Number 1996

EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, reminded the committee that a couple years ago the legislature passed HB 2003, which authorized the debt reimbursement program to remain open for two years. That program allowed municipalities to qualify for debt reimbursement at 70 percent if the projects met EED's current eligibility requirements or at 60 percent for a project that didn't meet EED's eligibility requirements. For example, the Anchorage administrative building would only qualify for the 60 percent reimbursement as would be the case for the request for a centralized food facility for the entire Matanuska-Susitna Borough. The proposed high school in Juneau exceeds EED's standards, and therefore would only qualify for a 60 percent reimbursement. He noted that any major maintenance projects that qualify under EED's standards would be eligible at 70 percent.

MR. JEANS turned to the department's document labeled "Debt Reimbursement Program Voter Approved under HB 2003" dated April 27, 2004. The first page of the document specifies the voter approved debt approved [since the passage of HB 2003]. The voters across the state have authorized about \$539 million of debt. Of that, approximately \$306 million has already entered into the department's system and is reflected in the debt reimbursement requirement of \$81 million for next year. Therefore, about \$233 million in voter approved debt would be left. Although the bonds may not have been sold yet or department approval may not have been obtained, Mr. Jeans anticipated that the funds will be received prior to December 31st. The bottom of the first page shows the state's annual share of the debt, which amounts to the following: about \$19 million if the bonds were sold over a 10-year period; about \$14 million if sold over a 15-year period, and about \$11 million over a 20-year period. For the sake of discussion, Mr. Jeans

took the example of the \$14 million, and related that it would likely hit EED's system within the next two years. Therefore, he said one could anticipate the state debt reimbursement program to approach \$95 million in a couple of years.

MR. JEANS pointed out that the second page of this document takes the \$233 million that hasn't been sold and breaks it out by district. Therefore, it shows that Anchorage voters have authorized approximately \$124 million for which the debt hasn't been sold yet. As page 2 shows, there are other communities in a similar situation. Mr. Jeans moved on to page 3, which reflects projects that have been submitted and approved by EED, but still require voter approval at the local level. The bottom of page 3 specifies the annual debt costs if the projects were approved by local voters and entered EED's system.

MR. JEANS explained that the next four pages summarize the projects by district, whether the department or voter approval has been obtained, the dollar amount, and the rate of reimbursement. The second to last page of the document specifies EED's current debt reimbursement request, which totals \$81.8 million. The last page of the document includes the history of the debt reimbursement program, entitlements, and state-approved reimbursement rates. He clarified that the last page reflects the district's entitlement under the program and at the level the legislature has funded it. Therefore, the percent reimbursement depends upon when projects were approved. For example, in the 1980s the projects were approved at 90 percent.

Number 2292

REPRESENTATIVE MCGUIRE drew attention to the planning and design of Chugach Optional and Dimond demolition funding, which the document specifies has been approved by the voters but not EED.

MR. JEANS addressed Chugach Optional. He explained that the original request for Chugach Optional was for \$7 million, which didn't include any planning and design funding. Therefore, the department increased the request in order to cover the design phase of the project. With regard to Dimond demolition, Mr. Jeans explained that the new Dimond High School included demolition money for the existing Dimond school. Therefore, EED didn't approve the request for additional funds for demolition of the old school until the existing project is closed.

CHAIR ROKEBERG asked if EED anticipates funding the demolition request at the time the existing project is closed.

MR. JEANS clarified that EED wants to see where the project ends before additional money for the demolition is approved because demolition funds were included in the original project.

Number 2375

MR. ECKLUND interjected that as the 70:30 debt reimbursement was allowed, there has been an imbalance with regard to the Kasayulie case. Therefore, it seemed necessary to do some rural construction projects in order to come into compliance with that case.

MR. JEANS explained that voters authorized \$154 million in general obligation (GO) bonds for rural projects over a two-year period. In that same time, voters in municipalities across the state have authorized [in total] over \$540 million and there is six months more in which additional debt could be authorized.

CHAIR ROKEBERG asked if the education bonding of \$88 million was capped in order to allow ASLC's desire to have cash flow management.

MR. ECKLUND answered that he did that at the direction of his boss. In further response to Chair Rokeberg, Mr. Ecklund said that he didn't leave out the urban areas at the direction of his boss. He pointed out that the last page of the spreadsheet entitled "FY 2005 Education Bond Worksheet" specifies that urban communities received 48 percent of this proposal while rural communities received 45 percent and 7 percent of the total was utilized statewide.

CHAIR ROKEBERG surmised that the proposal includes university funding.

MR. ECKLUND replied yes, adding that it also includes EED funding.

CHAIR ROKEBERG recalled mention of \$150 million of statewide school authorized bonding that went to mostly the Rural Education Attendance Areas (REAA).

MR. JEANS explained that the actual GO bond was for \$171 million, but the governor's office reduced it by \$3 million. There was one Anchorage project for \$14 million, he noted.

Therefore, when one factors in the \$3 million reduction and the \$14 million project in Anchorage, it results in the \$154 million that was available to the REAAs. He confirmed that was bonded two years ago.

CHAIR ROKEBERG surmised that the belief is that since the GO bonds were bonded and the urban areas were allowed the 70:30 or 60:40 reimbursement, the urban areas don't deserve a "bite at this apple." He indicated that he wasn't sure he understood that.

MR. ECKLUND pointed out that [70:30 and 60:40 reimbursement] is available to municipalities through the end of this year.

Number 2558

REPRESENTATIVE MCGUIRE commented that Chair Rokeberg brings out an interesting point, particularly in Anchorage where the voters have become increasingly unwilling to approve bonding packages. Particular areas seem to be discriminated against by not having projects approved. She mentioned that the educational process for bonding is difficult.

MR. JEANS clarified that the passage of HB 2003 amended the current school construction grant program specifically to exclude municipal governments because the debt program was open without caps. The thought behind that was that a truly needy project should be able to garner the support of the community for state reimbursement up to 70 percent. He reiterated that the program is open for an additional six months. The schedules of the state clearly illustrate that the urban areas have taken advantage of this program. The schools listed in this proposal are REAAs, which don't have bonding capacity and rely on the state to provide construction funding. Mr. Jeans highlighted that this package provides \$37 million for rural schools and as pointed out earlier it accomplishes 29 separate projects, which the department supports.

CHAIR ROKEBERG said, "Well, ... we're just concerned about the equity issue ... as it relates to the entire package." Chair Rokeberg asked if Mr. Jeans was aware of Anchorage's \$22 million deferred maintenance list.

MR. JEANS opined that if those were truly needy projects, the projects would be brought before the voters to request debt authorization.

CHAIR ROKEBERG said [those projects were brought before the voters] who voted the projects down.

MR. JEANS related his belief that some of the maintenance was funded, although [the voters turned down] Eagle River Middle School and the district's administrative building.

The committee took an at-ease from 2:02 p.m. to 2:03 p.m.

CHAIR ROKEBERG announced that the House Rules Standing Committee was recessed to the call of the chair at 2:03 p.m.

[A new tape was inserted.]

TAPE 04-5, SIDE A

CHAIR ROKEBERG reconvened the House Rules Standing Committee at 11:44 p.m. Representatives Rokeberg, Kott, Coghill, McGuire, Morgan, and Berkowitz were present upon reconvening. Representative Kerttula arrived as the meeting was in progress. Chair Rokeberg reminded the committee that before it was HB 404.

Number 0069

REPRESENTATIVE BERKOWITZ moved to adopt CSHB 404, Version 23-GH2003\U, Cook, 5/4/04, as the working document. There being no objection, Version U was before the committee.

MR. ECKLUND pointed out that Version U totals \$141 million of mainly school deferred maintenance throughout the state, four construction projects, a couple of museums, a library, and some university projects.

CHAIR ROKEBERG asked if Version U encompasses any changes to the ACPE/ASLC provisions of the legislation.

MR. ECKLUND replied no. In further response to Chair Rokeberg, Mr. Ecklund confirmed that the match from the REAAs was modified such that all of the projects are grant funded under Version U.

Number 0219

CHAIR ROKEBERG noted that one of the committee members made an inquiry with regard to the School of Fisheries and Ocean Science, a university appropriation. The legislation specifies a \$5 million appropriation for the School of Fisheries and Ocean

Science in Juneau. He asked if the appropriation was originally \$7 million.

MR. ECKLUND said that the appropriation was never at \$7 million in any versions of the legislation, although a spreadsheet may have specified \$7 million.

Number 0297

REPRESENTATIVE WILLIAM WILLIAMS, Alaska State Legislature, Chair, House Finance Committee, informed the committee that the Juneau areawide [appropriation] was inadvertently changed from \$7 million to \$5 million when the budget was being reduced. In the interest of time, Representative Williams suggested that the amendment [bringing Juneau's areawide appropriation] up to \$7 million be made on the floor.

The committee took an at-ease from 11:46 p.m. to 11:48 p.m.

REPRESENTATIVE KERTTULA directed attention to page 21, line 24, which specifies the \$5 million appropriation for the School of Fisheries and Ocean Science. She explained that the facility can [begin construction] at \$7 million but not with \$5 million. The School of Fisheries and Ocean Science has been a top priority of the region for many years. Furthermore, it leverages federal dollars.

CHAIR ROKEBERG recommended that matters be expedited for the floor and any corrections be made in committee.

REPRESENTATIVE McGUIRE informed the committee that on the worksheet entitled "FY 2005 Education Bond Worksheet" dated 5/4/2004 8:37 PM, related to Version U, the Mears Middle School projects are in her district not Representative Samuels'.

Number 0680

REPRESENTATIVE KOTT moved that the committee adopt the following amendment:

Page 21, line 24;
Delete "5,000,000"
Insert "7,000,000"

There being no objection, the amendment was adopted.

Number 0721

REPRESENTATIVE KOTT moved to report CSHB 404, Version 23-GH2003\U, Cook, 5/4/04, as amended, out of committee with individual recommendations and the new fiscal note. There being no objection, CSHB 404(RLS) was reported from the House Rules Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Rules Standing Committee meeting was adjourned at 11:51 p.m.