

**CS FOR HOUSE BILL NO. 13(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 5/2/05**

**Referred: Rules**

**Sponsor(s): REPRESENTATIVES GATTO AND GRUENBERG, Thomas, Gara, Gardner, Lynn, Neuman, Kohring, Chenault**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to reimbursement of municipal bonds for school construction; relating**  
2 **to school funding and adjusting the district cost factors; and providing for an effective**  
3 **date."**

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

5 \* **Section 1.** AS 14.11.100(a) is amended to read:

6 (a) During each fiscal year, the state shall allocate to a municipality that is a  
7 school district the following sums:

8 (1) payments made by the municipality during the fiscal year two years  
9 earlier for the retirement of principal and interest on outstanding bonds, notes, or other  
10 indebtedness incurred before July 1, 1977, to pay costs of school construction;

11 (2) 90 percent of

12 (A) payments made by the municipality during the fiscal year  
13 two years earlier for the retirement of principal and interest on outstanding  
14 bonds, notes, or other indebtedness incurred after June 30, 1977, and before  
15 July 1, 1978, to pay costs of school construction;

1 (B) cash payments made after June 30, 1976, and before July 1,  
2 1978, by the municipality during the fiscal year two years earlier to pay costs  
3 of school construction;

4 (3) 90 percent of

5 (A) payments made by the municipality during the fiscal year  
6 two years earlier for the retirement of principal and interest on outstanding  
7 bonds, notes, or other indebtedness incurred after June 30, 1978, and before  
8 January 1, 1982, to pay costs of school construction projects approved under  
9 AS 14.07.020(a)(11);

10 (B) cash payments made after June 30, 1978, and before July 1,  
11 1982, by the municipality during the fiscal year two years earlier to pay costs  
12 of school construction projects approved under AS 14.07.020(a)(11);

13 (4) subject to (h) and (i) of this section, up to 90 percent of

14 (A) payments made by the municipality during the current  
15 fiscal year for the retirement of principal and interest on outstanding bonds,  
16 notes, or other indebtedness incurred after December 31, 1981, and authorized  
17 by the qualified voters of the municipality before July 1, 1983, to pay costs of  
18 school construction, additions to schools, and major rehabilitation projects that  
19 exceed \$25,000 and are approved under AS 14.07.020(a)(11);

20 (B) cash payments made after June 30, 1982, and before July 1,  
21 1983, by the municipality during the fiscal year two years earlier to pay costs  
22 of school construction, additions to schools, and major rehabilitation projects  
23 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

24 (C) payments made by the municipality during the current  
25 fiscal year for the retirement of principal and interest on outstanding bonds,  
26 notes, or other indebtedness to pay costs of school construction, additions to  
27 schools, and major rehabilitation projects that exceed \$25,000 and are  
28 submitted to the department for approval under AS 14.07.020(a)(11) before  
29 July 1, 1983, and approved by the qualified voters of the municipality before  
30 October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the  
31 annual growth rate of average daily membership of the municipality is more

1 than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual  
 2 growth rate of average daily membership of the municipality is 12 percent or  
 3 more; payments made by a municipality under this subparagraph on total  
 4 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph  
 5 are subject to (5)(A) of this subsection;

6 (5) subject to (h) - (j) of this section, 80 percent of

7 (A) payments made by the municipality during the fiscal year  
 8 for the retirement of principal and interest on outstanding bonds, notes, or  
 9 other indebtedness authorized by the qualified voters of the municipality

10 (i) after June 30, 1983, but before March 31, 1990, to  
 11 pay costs of school construction, additions to schools, and major  
 12 rehabilitation projects that exceed \$25,000 and are approved under  
 13 AS 14.07.020(a)(11); or

14 (ii) before July 1, 1989, and reauthorized before  
 15 November 1, 1989, to pay costs of school construction, additions to  
 16 schools, and major rehabilitation projects that exceed \$25,000 and are  
 17 approved under AS 14.07.020(a)(11); and

18 (B) cash payments made after June 30, 1983, by the  
 19 municipality during the fiscal year two years earlier to pay costs of school  
 20 construction, additions to schools, and major rehabilitation projects that exceed  
 21 \$25,000 and are approved by the department before July 1, 1990, under  
 22 AS 14.07.020(a)(11);

23 (6) subject to (h) - (j) and (m) of this section, 70 percent of payments  
 24 made by the municipality during the fiscal year for the retirement of principal and  
 25 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified  
 26 voters of the municipality on or after April 30, 1993, but before July 1, 1996, to pay  
 27 costs of school construction, additions to schools, and major rehabilitation projects  
 28 that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

29 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments  
 30 made by the municipality during the fiscal year for the retirement of principal and  
 31 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified

1 voters of the municipality after March 31, 1990, but before April 30, 1993, to pay  
2 costs of school construction, additions to schools, and major rehabilitation projects;

3 (8) subject to (h), (i), (j)(2) - (5), and (n) of this section and after  
4 projects funded by the bonds, notes, or other indebtedness have been approved by the  
5 commissioner, 70 percent of payments made by the municipality during the fiscal year  
6 for the retirement of principal and interest on outstanding bonds, notes, or other  
7 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
8 1995, but before July 1, 1998, to pay costs of school construction, additions to  
9 schools, and major rehabilitation projects that exceed \$200,000 and are approved  
10 under AS 14.07.020(a)(11);

11 (9) subject to (h), (i), (j)(2) - (5), and (n) of this section and after  
12 projects funded by the bonds, notes, or other indebtedness have been approved by the  
13 commissioner, 70 percent of payments made by the municipality during the fiscal year  
14 for the retirement of principal and interest on outstanding bonds, notes, or other  
15 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
16 1998, but before July 1, 2006, to pay costs of school construction, additions to  
17 schools, and major rehabilitation projects that exceed \$200,000 and are approved  
18 under AS 14.07.020(a)(11);

19 (10) subject to (h), (i), (j)(2) - (5), and (o) of this section, and after  
20 projects funded by the bonds, notes, or other indebtedness have been approved by the  
21 commissioner, 70 percent of payments made by the municipality during the fiscal year  
22 for the retirement of principal and interest on outstanding bonds, notes, or other  
23 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
24 1998, to pay costs of school construction, additions to schools, and major  
25 rehabilitation projects that exceed \$200,000, are approved under AS 14.07.020(a)(11),  
26 and are not reimbursed under (n) of this section;

27 (11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects  
28 funded by the bonds, notes, or other indebtedness have been approved by the  
29 commissioner, 70 percent of payments made by a municipality during the fiscal year  
30 for the retirement of principal and interest on outstanding bonds, notes, or other  
31 indebtedness authorized by the qualified voters of the municipality on or after June 30,

1 1999, but before January 1, 2005, to pay costs of school construction, additions to  
 2 schools, and major rehabilitation projects and education-related facilities that exceed  
 3 \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n)  
 4 or (o) of this section;

5 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent  
 6 of payments made by a municipality during the fiscal year for the retirement of  
 7 principal and interest on outstanding bonds, notes, or other indebtedness authorized by  
 8 the qualified voters of the municipality on or after June 30, 1999, but before January 1,  
 9 2005, to pay costs of school construction, additions to schools, and major  
 10 rehabilitation projects and education-related facilities that exceed \$200,000, are  
 11 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this  
 12 section;

13 **(13) subject to (h), (i), and (j)(2) - (5) of this section, and after**  
 14 **projects funded by the tax exempt bonds, notes, or other indebtedness have been**  
 15 **approved by the commissioner, 70 percent of payments made by a municipality**  
 16 **during the fiscal year for the retirement of principal and interest on outstanding**  
 17 **tax exempt bonds, notes, or other indebtedness authorized by the qualified voters**  
 18 **of the municipality on or after June 30, 1999, but before July 1, 2006, to pay costs**  
 19 **of school construction, additions to schools, and major rehabilitation projects and**  
 20 **education-related facilities that exceed \$200,000, are approved under**  
 21 **AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section;**

22 **(14) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60**  
 23 **percent of payments made by a municipality during the fiscal year for the**  
 24 **retirement of principal and interest on outstanding tax exempt bonds, notes, or**  
 25 **other indebtedness authorized by the qualified voters of the municipality on or**  
 26 **after June 30, 1999, but before July 1, 2006, to pay costs of school construction,**  
 27 **additions to schools, and major rehabilitation projects and education-related**  
 28 **facilities that exceed \$200,000, are reviewed under AS 14.07.020(a)(11), and are**  
 29 **not reimbursed under (n) or (o) of this section.**

30 \* Sec. 2. AS 14.11.100(j) is amended to read:

31 (j) Except as provided in (l) of this section, the state may not allocate money

1 to a municipality for a school construction project under (a)(5), (6), or (7) of this  
 2 section unless the municipality complies with the requirements of (1) - (5) of this  
 3 subsection, the project is approved by the commissioner before the local vote on the  
 4 bond issue for the project or for bonds authorized after March 31, 1990, but on or  
 5 before April 30, 1993, the bonds are approved by the commissioner before  
 6 reimbursement by the state, and the local vote occurs before July 1, 1987, or after  
 7 June 30, 1988. In approving a project under this subsection, and to the extent required  
 8 under (a)(8) - (14) [(a)(8) - (12)] of this section, the commissioner shall require

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

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

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

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

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

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

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

28 (D) facilities that require modification or rehabilitation for the  
 29 purpose of improving the instructional program;

30 (5) evidence acceptable to the department that the district

31 (A) has a preventive maintenance plan that

(i) includes a computerized maintenance management program, cardex system, or other formal systematic means of tracking the timing and costs associated with planned and completed maintenance activities, including scheduled preventive maintenance;

(ii) addresses energy management for buildings owned or operated by the district;

(iii) includes a regular custodial care program for buildings owned or operated by the district;

(iv) includes preventive maintenance training for facility managers and maintenance employees; and

(v) includes renewal and replacement schedules for electrical, mechanical, structural, and other components of facilities owned or operated by the district; and

(B) is adequately following the preventive maintenance plan.

\* **Sec. 3.** AS 14.17.460(a) is repealed and reenacted to read:

(a) For purposes of calculating a district's adjusted ADM under AS 14.17.410(b)(1), the district cost factor for a school district is (1) for the school year beginning July 1, 2005, the factor set out under column (A) of this subsection, (2) for the school year beginning July 1, 2006, the factor set out under column (B) of this subsection, (3) for the school year beginning July 1, 2007, the factor set out under column (C) of this subsection, and (4) for school years beginning on or after July 1, 2008, the factor set out under column (D) of this subsection:

DISTRICT COST FACTOR

DISTRICT	(A)	(B)	(C)	(D)
Alaska Gateway	1.367	1.443	1.518	1.594
Aleutians East	1.565	1.707	1.849	1.991
Aleutians Region	1.787	1.838	1.888	1.939
Anchorage	1.000	1.000	1.000	1.000
Annette Island	1.093	1.175	1.256	1.338
Bering Strait	1.643	1.762	1.880	1.998
Bristol Bay	1.316	1.370	1.424	1.478

1	Chatham	1.234	1.348	1.462	1.576
2	Chugach	1.345	1.395	1.446	1.496
3	Copper River	1.211	1.246	1.281	1.316
4	Cordova	1.131	1.165	1.200	1.234
5	Craig	1.059	1.108	1.157	1.206
6	Delta/Greely	1.140	1.174	1.207	1.241
7	Denali	1.318	1.323	1.327	1.332
8	Dillingham	1.277	1.300	1.323	1.346
9	Fairbanks	1.047	1.055	1.062	1.070
10	Galena	1.359	1.370	1.380	1.391
11	Haines	1.056	1.104	1.152	1.200
12	Hoonah	1.141	1.227	1.313	1.399
13	Hydaburg	1.190	1.295	1.399	1.504
14	Iditarod	1.564	1.658	1.752	1.846
15	Juneau	1.040	1.075	1.110	1.145
16	Kake	1.134	1.242	1.351	1.459
17	Kashunamiut	1.447	1.504	1.562	1.619
18	Kenai Peninsula	1.046	1.088	1.129	1.171
19	Ketchikan	1.043	1.085	1.128	1.170
20	Klawock	1.088	1.160	1.231	1.302
21	Kodiak Island	1.142	1.191	1.240	1.289
22	Kuspuk	1.509	1.584	1.659	1.734
23	Lake and Peninsula	1.667	1.776	1.885	1.994
24	Lower Kuskokwim	1.534	1.577	1.620	1.663
25	Lower Yukon	1.544	1.650	1.755	1.861
26	Matanuska-Susitna	1.025	1.040	1.055	1.070
27	Mt. Edgecumbe	1.049	1.098	1.146	1.195
28	Nenana	1.287	1.304	1.321	1.338
29	Nome	1.352	1.385	1.417	1.450
30	North Slope	1.576	1.648	1.719	1.791
31	Northwest Arctic	1.618	1.686	1.755	1.823

1	Pelican	1.337	1.384	1.430	1.477
2	Petersburg	1.061	1.122	1.183	1.244
3	Pribilof	1.487	1.555	1.623	1.691
4	Sitka	1.049	1.098	1.146	1.195
5	Skagway	1.151	1.159	1.166	1.174
6	Southeast Island	1.194	1.264	1.333	1.403
7	Southwest Region	1.489	1.554	1.620	1.685
8	St. Mary's	1.419	1.488	1.556	1.624
9	Tanana	1.569	1.641	1.714	1.786
10	Unalaska	1.294	1.343	1.392	1.441
11	Valdez	1.114	1.133	1.151	1.170
12	Wrangell	1.040	1.080	1.119	1.159
13	Yakutat	1.138	1.229	1.321	1.412
14	Yukon Flats	1.780	1.892	2.004	2.116
15	Yukon/Koyukuk	1.585	1.669	1.752	1.835
16	Yupiit	1.533	1.596	1.660	1.723.

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

19 CONTINGENT EFFECT. Section 3 of this Act shall only apply if all school districts  
20 receive funding that is at least the equivalent of the funding they would have received under a  
21 base student allocation of \$4,919 per student, in 2005 inflation-adjusted dollars, under the  
22 formula of state aid to public school districts in effect as of April 1, 2004. Inflation shall be  
23 calculated under this section as reflected by the United States Department of Labor's  
24 Consumer Price Index for Anchorage, Alaska.

25 \* **Sec. 5.** This Act takes effect July 1, 2005.