

CS FOR SENATE BILL NO. 73(FIN) am H
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/13/05

Offered: 5/6/05

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to reimbursement of municipal bonds for school construction; relating**
2 **to a lease-purchase agreement for the construction, equipping, and financing of a state**
3 **virology laboratory in Fairbanks to be operated by the Department of Health and Social**
4 **Services; relating to the issuance of certificates of participation for the laboratory;**
5 **relating to the use of certain investment income for certain construction and equipment**
6 **costs for the laboratory; authorizing financing for certain public transportation**
7 **projects; giving notice of and approving the entry into, and the issuance of revenue**
8 **obligations that provide participation in, lease-financing agreements for those**
9 **transportation projects; and providing for an effective date."**

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

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

1 INTENT. It is the intent of the legislature that the amount of money to be used for the
 2 construction and equipping of a new state virology laboratory in Fairbanks is \$24,200,000.
 3 Of that amount, it is the intent of the legislature that

4 (1) \$24,000,000 shall come from the proceeds of the certificates of
 5 participation to be issued by the state bond committee under sec. 4 of this Act; and

6 (2) \$200,000 shall come from the investment income earned on the proceeds
 7 of the sale of the certificates of participation described in sec. 4 of this Act.

8 * **Sec. 2.** AS 14.11.100(a) is amended to read:

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

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

14 (2) 90 percent of

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

19 (B) cash payments made after June 30, 1976, and before July 1,
 20 1978, by the municipality during the fiscal year two years earlier to pay costs
 21 of school construction;

22 (3) 90 percent of

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

28 (B) cash payments made after June 30, 1978, and before July 1,
 29 1982, by the municipality during the fiscal year two years earlier to pay costs
 30 of school construction projects approved under AS 14.07.020(a)(11);

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

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

7 (B) cash payments made after June 30, 1982, and before July 1,
8 1983, by the municipality during the fiscal year two years earlier to pay costs
9 of school construction, additions to schools, and major rehabilitation projects
10 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

11 (C) payments made by the municipality during the current
12 fiscal year for the retirement of principal and interest on outstanding bonds,
13 notes, or other indebtedness to pay costs of school construction, additions to
14 schools, and major rehabilitation projects that exceed \$25,000 and are
15 submitted to the department for approval under AS 14.07.020(a)(11) before
16 July 1, 1983, and approved by the qualified voters of the municipality before
17 October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the
18 annual growth rate of average daily membership of the municipality is more
19 than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual
20 growth rate of average daily membership of the municipality is 12 percent or
21 more; payments made by a municipality under this subparagraph on total
22 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph
23 are subject to (5)(A) of this subsection;

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

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

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

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

5 (B) cash payments made after June 30, 1983, by the
6 municipality during the fiscal year two years earlier to pay costs of school
7 construction, additions to schools, and major rehabilitation projects that exceed
8 \$25,000 and are approved by the department before July 1, 1990, under
9 AS 14.07.020(a)(11);

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

16 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments
17 made by the municipality during the fiscal year for the retirement of principal and
18 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified
19 voters of the municipality after March 31, 1990, but before April 30, 1993, to pay
20 costs of school construction, additions to schools, and major rehabilitation projects;

21 (8) subject to (h), (i), (j)(2) - (5), and (n) of this section and after
22 projects funded by the bonds, notes, or other indebtedness have been approved by the
23 commissioner, 70 percent of payments made by the municipality during the fiscal year
24 for the retirement of principal and interest on outstanding bonds, notes, or other
25 indebtedness authorized by the qualified voters of the municipality on or after July 1,
26 1995, but before July 1, 1998, to pay costs of school construction, additions to
27 schools, and major rehabilitation projects that exceed \$200,000 and are approved
28 under AS 14.07.020(a)(11);

29 (9) subject to (h), (i), (j)(2) - (5), and (n) of this section and after
30 projects funded by the bonds, notes, or other indebtedness have been approved by the
31 commissioner, 70 percent of payments made by the municipality during the fiscal year

1 for the retirement of principal and interest on outstanding bonds, notes, or other
 2 indebtedness authorized by the qualified voters of the municipality on or after July 1,
 3 1998, but before July 1, 2006, to pay costs of school construction, additions to
 4 schools, and major rehabilitation projects that exceed \$200,000 and are approved
 5 under AS 14.07.020(a)(11);

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

14 (11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects
 15 funded by the bonds, notes, or other indebtedness have been approved by the
 16 commissioner, 70 percent of payments made by a municipality during the fiscal year
 17 for the retirement of principal and interest on outstanding bonds, notes, or other
 18 indebtedness authorized by the qualified voters of the municipality on or after June 30,
 19 1999, but before January 1, 2005, to pay costs of school construction, additions to
 20 schools, and major rehabilitation projects and education-related facilities that exceed
 21 \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n)
 22 or (o) of this section;

23 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent
 24 of payments made by a municipality during the fiscal year for the retirement of
 25 principal and interest on outstanding bonds, notes, or other indebtedness authorized by
 26 the qualified voters of the municipality on or after June 30, 1999, but before January 1,
 27 2005, to pay costs of school construction, additions to schools, and major
 28 rehabilitation projects and education-related facilities that exceed \$200,000, are
 29 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this
 30 section;

31 **(13) subject to (h), (i), and (j)(2) - (5) of this section, and after**

1 projects funded by the tax exempt bonds, notes, or other indebtedness have been
 2 approved by the commissioner, 70 percent of payments made by a municipality
 3 during the fiscal year for the retirement of principal and interest on outstanding
 4 tax exempt bonds, notes, or other indebtedness authorized by the qualified voters
 5 of the municipality on or after June 30, 1999, but before October 31, 2006, to pay
 6 costs of school construction, additions to schools, and major rehabilitation
 7 projects and education-related facilities that exceed \$200,000, are approved
 8 under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this
 9 section;

10 (14) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60
 11 percent of payments made by a municipality during the fiscal year for the
 12 retirement of principal and interest on outstanding tax exempt bonds, notes, or
 13 other indebtedness authorized by the qualified voters of the municipality on or
 14 after June 30, 1999, but before October 31, 2006, to pay costs of school
 15 construction, additions to schools, and major rehabilitation projects and
 16 education-related facilities that exceed \$200,000, are reviewed under
 17 AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section.

18 * Sec. 3. AS 14.11.100(j) is amended to read:

19 (j) Except as provided in (l) of this section, the state may not allocate money
 20 to a municipality for a school construction project under (a)(5), (6), or (7) of this
 21 section unless the municipality complies with the requirements of (1) - (5) of this
 22 subsection, the project is approved by the commissioner before the local vote on the
 23 bond issue for the project or for bonds authorized after March 31, 1990, but on or
 24 before April 30, 1993, the bonds are approved by the commissioner before
 25 reimbursement by the state, and the local vote occurs before July 1, 1987, or after
 26 June 30, 1988. In approving a project under this subsection, and to the extent required
 27 under (a)(8) - (14) [(a)(8) - (12)] of this section, the commissioner shall require

28 (1) the municipality to include on the ballot for the bond issue, for
 29 bonds authorized on or before March 31, 1990, or after April 30, 1993, the estimated
 30 total cost of each project including estimated total interest, estimated annual operation
 31 and maintenance costs, the estimated amounts that will be paid by the state and by the

1 municipality, and the approximate amount that would be due in annual taxes on
2 \$100,000 in assessed value to retire the debt;

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

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

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

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

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

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

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

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

19 (A) has a preventive maintenance plan that

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

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

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

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

30 (v) includes renewal and replacement schedules for
31 electrical, mechanical, structural, and other components of facilities

1 owned or operated by the district; and

2 (B) is adequately following the preventive maintenance plan.

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

5 NOTICE AND APPROVAL OF ENTRY INTO AND FINANCING OF A LEASE-
6 PURCHASE AGREEMENT. (a) Subject to annual appropriation, the Department of
7 Administration is authorized to enter into a lease-purchase agreement for a state virology
8 laboratory in Fairbanks to be constructed under the lease-purchase agreement and to be
9 operated by the Department of Health and Social Services.

10 (b) The state bond committee is authorized to provide for the issuance of certificates
11 of participation in one or more series in the aggregate principal amount of \$24,000,000 for
12 the construction of a state virology laboratory in Fairbanks under the lease-purchase
13 agreement authorized in (a) of this section. The remaining balance of the construction and
14 equipping costs shall be paid from investment income of \$200,000 earned on the proceeds of
15 the sale of the certificates of participation. The estimated total cost of construction,
16 acquisition, and other costs of the project is \$24,200,000. The estimated annual amount of
17 rental obligations under the lease-purchase agreement is \$2,375,000. The estimated total
18 lease payment for the full term of the lease-purchase agreement is \$35,572,890. In this
19 subsection, "cost of construction" includes credit enhancement and underwriting expenses,
20 rating agency fees, bond counsel fees, financial advisor fees, printing fees, advertising fees,
21 capitalized interest, and interest earnings used for lease payments.

22 (c) The state bond committee may contract for credit enhancement, underwriting,
23 credit ratings, bond counsel, financial advisor, printing, advertising, and trustee services that
24 the committee considers necessary in financing the project described in this section.

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

27 APPROVAL OF AGREEMENT. Section 4 of this Act constitutes the approval
28 required by AS 36.30.085.

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

31 TRANSPORTATION PROJECT ALLOCATION. The Department of Transportation

1 and Public Facilities shall allocate the net proceeds derived from the sale of revenue
 2 obligations authorized in sec. 9 of this Act for construction or acquisition of the following
 3 state transportation projects among those projects as follows, subject to reallocation among
 4 the projects under AS 37.07.080(e):

5 PROJECT	ALLOCATION
6 (1) Anchorage: Glenn Highway congestion	\$ 37,500,000
7 (2) Anchorage: Lake Otis and Tudor intersection improvements	4,300,000
8 (3) Fairbanks: Gaffney Road upgrade	6,250,000
9 (4) Matanuska-Susitna Borough: Upgrade Old Glenn Highway 10 Plumley Road to City of Palmer	6,000,000
11 (5) Matanuska-Susitna Borough: Palmer-Wasilla Highway 12 expansion	6,000,000
13 (6) Richardson Highway passing lane additions 14 mileposts 265 - 341	5,000,000
15 (7) Glacier Highway: road extension	5,000,000

16 * **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
 17 read:

18 **DELEGATION OF AUTHORITY FOR LEASE-FINANCING AGREEMENTS.** The
 19 Department of Transportation and Public Facilities is delegated the Department of
 20 Administration's authority under AS 36.30.085 to enter into lease-financing agreements in
 21 connection with the issuance of revenue obligations to finance the state transportation projects
 22 described in sec. 6 of this Act.

23 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
 24 read:

25 **LEASE-FINANCING PAYMENTS.** (a) The lease payments owed under lease-
 26 financing agreements executed under sec. 7 of this Act are subject to annual appropriation by
 27 the legislature.

28 (b) The legislature intends that federal money in the form of apportionments from the
 29 Federal Highway Administration for federal highway grants will provide revenue that may be
 30 appropriated for the lease payments; however, if that revenue source is insufficient, the
 31 payments may be appropriated from any other valid revenue source.

1 * **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 NOTICE OF THE ENTRY INTO AND FINANCING OF REVENUE
4 OBLIGATIONS. (a) Subject to annual appropriation, the Department of Transportation and
5 Public Facilities is authorized to enter into lease-financing agreements for the issuance of
6 revenue obligations for the state transportation projects described in sec. 6 of this Act.

7 (b) The state bond committee is authorized to provide for the issuance of revenue
8 obligations in one or more series in the aggregate principal amount of \$71,175,000 for the
9 costs of construction of the projects described in sec. 6 of this Act. The principal amount
10 includes the estimated cost of \$70,050,000 for constructing, acquiring, and equipping the
11 projects described in sec. 6 of this Act; and an amount for the cost of issuing the revenue
12 obligations of \$1,125,000. The estimated annual amount of rental obligations under the lease-
13 financing agreements is \$6,130,000. The estimated total lease payments for the full term of
14 the lease-financing agreements is \$98,080,000.

15 (c) The average annual debt service on revenue obligations to be issued under this Act
16 may not exceed 25 percent of the most recent annual obligation authority received by the
17 State of Alaska from the Federal Highway Administration for the state's federal highway
18 program. As further protection for the holders of the revenue obligations, the resolution of the
19 state bond committee authorizing the issuance of the revenue obligations authorized under
20 this Act shall include the same percentage limitation on the average annual debt service for all
21 outstanding revenue obligations payable from the State of Alaska's federal highway program.

22 (d) The state bond committee may contract for credit enhancement, underwriting,
23 credit ratings, bond counsel, financial advisor, printing, and trustee services that the
24 committee considers necessary in financing the projects described in sec. 6 of this Act.

25 (e) There is created the 2005 state transportation project fund. The proceeds of the
26 revenue obligations issued under this Act shall be deposited into the 2005 state transportation
27 project fund.

28 (f) In this section,

29 (1) "costs of construction" includes credit enhancement and underwriting
30 expenses, rating agency fees, bond counsel fees, financial advisor fees, printing fees, trustee
31 fees, and interest earnings used for lease payments;

1 (2) "revenue obligation" means a certificate of participation in the right to
2 receive a payment under a lease-financing agreement made to finance the costs of
3 construction or acquisition of a state transportation project.

4 * **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 NOTICE AND APPROVAL OF AGREEMENTS. Section 9 of this Act constitutes
7 the notice and approval of lease-financing agreements to finance the transportation projects
8 described in sec. 6 of this Act that is required by AS 36.30.085.

9 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 STATE TRANSPORTATION PROJECTS IN METROPOLITAN PLANNING
12 AREAS. If an amount allocated in sec. 4 of this Act for a state transportation project in a
13 metropolitan planning area is not sufficient to complete the project, it is the intent of the
14 legislature that the metropolitan planning organization for the metropolitan planning area
15 include the project in the organization's transportation improvement program and fund the
16 project to completion.

17 * **Sec. 12.** Sections 6 - 11 of this Act take effect July 1, 2005.

18 * **Sec. 13.** Sections 1, 4 and 5 of this Act take effect immediately under AS 01.10.070(c).