

**ALASKA STATE LEGISLATURE  
CONFERENCE COMMITTEE ON SB 73**

May 24, 2005  
5:41 p.m.

**MEMBERS PRESENT**

Senator Gary Wilken, Chair  
Senator Gretchen Guess  
Senator Charlie Huggins

Representative Kevin Meyer, Chair  
Representative Max Gruenberg  
Representative Mike Kelly

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CS FOR SENATE BILL NO. 73(FIN) am

"An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; relating to the use of certain investment income for certain construction and equipment costs for the laboratory; and providing for an effective date."

CS FOR SENATE BILL NO. 73(FIN) am H

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

MOVED CCS SB 73 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 73

SHORT TITLE: STATE VIROLOGY LABORATORY

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/21/05	(S)	READ THE FIRST TIME - REFERRALS
01/21/05	(S)	HES, FIN
02/09/05	(S)	HES AT 1:30 PM BUTROVICH 205
02/09/05	(S)	Moved CSSB 73(HES) Out of Committee
02/09/05	(S)	MINUTE(HES)
02/14/05	(S)	HES RPT CS 2DP 2NR NEW TITLE
02/14/05	(S)	DP: DYSON, WILKEN
02/14/05	(S)	NR: ELTON, OLSON
05/06/05	(S)	FIN RPT CS 2DP 4NR NEW TITLE
05/06/05	(S)	DP: WILKEN, GREEN
05/06/05	(S)	NR: HOFFMAN, OLSON, DYSON, STEDMAN
05/06/05	(S)	FIN AT 4:30 PM SENATE FINANCE 532
05/06/05	(S)	Moved CSSB 73(FIN) Out of Committee
05/06/05	(S)	MINUTE(FIN)
05/08/05	(H)	FIN AT 4:00 PM HOUSE FINANCE 519
05/08/05	(H)	-- Meeting Canceled --
05/09/05	(S)	TRANSMITTED TO (H)
05/09/05	(S)	VERSION: CSSB 73(FIN) AM
05/09/05	(H)	READ THE FIRST TIME - REFERRALS
05/09/05	(H)	FIN
05/09/05	(H)	FIN AT 8:30 AM HOUSE FINANCE 519
05/09/05	(H)	Scheduled But Not Heard
05/10/05	(H)	FIN RPT 1DP 5NR 2AM
05/10/05	(H)	DP: HOLM;
05/10/05	(H)	NR: HAWKER, JOULE, FOSTER, MEYER, CHENAULT;
05/10/05	(H)	AM: STOLTZE, WEYHRAUCH
05/11/05	(S)	SPECIAL SESSION BILL - SEE S. JOURNAL PAGE 1606
05/11/05	(H)	SPECIAL SESSION BILL - SEE H. JOURNAL PAGE 1962
05/12/05	(H)	NOT TAKEN UP 5/12 - ON 5/13 CALENDAR
05/13/05	(H)	VERSION: CSSB 73(FIN) AM H
05/14/05	(S)	CONCURRENCE MESSAGE READ AND TAKEN UP
05/14/05	(S)	CONFERENCE COMMITTEE APPOINTED
05/14/05	(S)	WILKEN (CHAIR), HUGGINS, GUESS
05/15/05	(H)	CONFERENCE COMMITTEE APPOINTED
05/15/05	(H)	MEYER (CHAIR), KELLY, GRUENBERG

05/23/05 (H) 073 AT 8:30 PM SENATE FINANCE 532  
05/23/05 (H) STATE VIROLOGY LABORATORY  
05/24/05 (H) 073 AT 3:30 PM SENATE FINANCE 532

**WITNESS REGISTER**

EDDY JEANS, Director  
School Finance  
Department of Education &  
Early Development  
801 W 10<sup>th</sup> St.  
Juneau, AK 99801-1894

**POSITION STATEMENT:** Testified on SB 73.

**ACTION NARRATIVE**

**SB 73-STATE VIROLOGY LABORATORY**

**CHAIR GARY WILKEN** called the Conference Committee on SB 73 meeting to order at [5:41:59 PM](#). All members were present.

[5:42:48 PM](#)

CHAIR WILKEN said they would start by comparing the two versions with the help of a spreadsheet. He noted there were three groups of differences and reviewed them. Lines 2,3,4 and 13 were agreed upon. The remainder of the differences was in two groups, the first had to do with bond indebtedness for school debt reimbursement.

SENATOR HUGGINS moved to delete references to items 6,7,8,9,10,11 and 12 - the Grant Anticipation Revenue Vehicle (GARVEE) issues that were added in the House.

SENATOR GUESS objected to taking the GARVEE issues out unless Lake Otis and Tudor were put back into the capital budget.

REPRESENTATIVE MEYER agreed with that position.

SENATOR GUESS maintained her objection.

A roll call vote was taken. Representatives Kelly and Meyer and Senators Huggins and Wilken voted yea and Representative Gruenberg and Senator Guess voted nay. Therefore the references to GARVEE bonds were removed.

[5:47:36 PM](#)

SENATOR HUGGINS moved to adopt CCS SB 73, version S, as the working document.

SENATOR GUESS objected for discussion.

[5:50:07 PM](#)

SENATOR WILKEN asked if there were any questions, knowing that they would discuss debt reimbursement in section 4. There were no questions. Section 4 was reflected in the spreadsheet. Lines 2 on page 8 through line 15 on page 9 listed various projects in organized Alaska that totaled \$191,900,000. He asked Eddy Jeans, Director of School Finance if he could authorize any three projects for Fairbanks as long as they didn't exceed \$20 million.

EDDY JEANS, Director, School Finance, Department of Education and Early Development (DEED), replied that was correct.

[5:53:48 PM](#)

REPRESENTATIVE MEYER said that half the committee represents Anchorage that gets almost \$62 million. He asked if Anchorage could use \$50 million of that money for rebuilding Clark Junior High.

MR. JEANS replied it could.

SENATOR GUESS asked if the projects in AS 14.07.020(a)(11) have to be approved or reviewed in reference to language on page 6, lines 4 and 13.

MR. JEANS replied that projects have to be reviewed by the department to meet space eligibility guidelines to receive reimbursement funding. It's a two-step approval process, one by the local voters and one by the Department of Education.

SENATOR GUESS asked if a project could be reimbursed if it is not submitted to the department and has not been reviewed.

MR. JEANS replied that projects must submit applications to the department to review and make a determination on what the eligible reimbursable amount is.

SENATOR GUESS asked if there is a deadline for submitting an application.

[5:57:45 PM](#)

MR. JEANS answered that applications can be submitted any time prior to October 31, 2006 to be eligible.

5:58:30 PM

SENATOR GUESS asked how major maintenance and school construction levels are determined.

CHAIR WILKEN explained that the projects in this bill came out of three other bills and one of the other bills covered all the bonded indebtedness on the major maintenance list. To pass his muster, the Governor required this bill to show some fiscal constraint and that was done by limiting the time and amounts.

6:00:09 PM

SENATOR GUESS said she understands the time limits, but not the amount limits, because traditionally reimbursement is not done that way. She asked the logic behind it.

CHAIR WILKEN replied the concept of 60/40 and 70/30 was first established during the 2003 Legislature. The 60/40 had a much less stringent bar for the voters. That, in addition to the normal bonded indebtedness, adds up to about \$752 million in current obligations increasing the debt service by 90 percent between 2004 and 2005. The department wants a time-out from issuing more debt.

MR. JEANS agreed and pointed out that the prior two authorizations under the debt program had allocation limits similar to this bill's. The 2003 House bill opened the debt program and added the \$700 million.

6:02:59 PM

SENATOR GUESS said she knows why they broke from tradition three years ago and asked why they are continuing with the 60/40 approach if that is seen as a problem.

CHAIR WILKEN responded that it has been useful for the people who have chosen to use it and he didn't really know why.

REPRESENTATIVE MEYER said this whole process has been one of compromise and related that the Senate originally wanted to use the Amerada Hess bonding, but the House did not like that method and preferred to continue the current program that was established in HB 13. However, the Governor said they have too much debt. Limiting the time and amount was a compromise that he agreed with.

REPRESENTATIVE MEYER asked if Anchorage were to have an election for Clark Junior High or one of the other projects, how long would it be before they were actually given the money to do the construction.

MR. JEANS explained the way it works is that they must get voter and DOE approval. When the bonds are actually issued is up to the borough or municipality. Then they start receiving reimbursement, which is typically twice a year. The catch here is the district has to submit a notice to the department in October of what their anticipated bond reimbursement needs will be for the subsequent year, so that can be built into the department's budget that it brings to the Legislature. He has a zero fiscal note for 2006 because no one can notify him of what their needs would be nor would they be able to get it approved by the voters and issued to qualify for any reimbursement in 2006.

How much of these actually get approved and the state starts reimbursing in 2007 is a wild guess. I mean some of the bonds that were actually approved by the voters in the last go-around still have not been issued. So, they're still not in our system yet. But they will be coming on board in the next year or two.

REPRESENTATIVE MEYERS asked if the debt the state incurs on Clark Middle School could be spread out over a five-year period.

MR. JEANS replied that the minimum a bond can be issued for is 10 years; they are at about 15 years right now.

[6:06:30 PM](#)

CHAIR WILKEN reported that 43 percent of the 2003 budget was 60/40 money. It has made a difference and may be continued.

[6:08:54 PM](#) At ease 6:10

CHAIR WILKEN asked Senator Guess if she maintained her objection to adopting CCS SB 73, Version S.

SENATOR GUESS withdrew her objection and without further objection Version S was adopted.

REPRESENTATIVE GRUENBERG offered Amendment 2 to CCS SB 73 for discussion.

24-GS1117\FAA.9

A M E N D M E N T 2

OFFERED IN CONFERENCE BY REPRESENTATIVE GRUENBERG  
TO: CCS SB 73, Draft Version S

Page 8, line 2:  
To sec. 4, AS 14.11.100(q)(1):  
Add \$51,000,000 to the existing number.

Page 8, line 5:  
To sec. 4, AS 14.11.100(q)(2)(A):  
Add \$51,000,000 to the existing number.

6:09 At ease 6:10

CHAIR WILKEN objected for discussion purposes.

REPRESENTATIVE GRUENBERG explained that the \$51 million is for Clark Middle School, which is the top priority for the Anchorage school district. It is in both his and Senator Guess' district. The roof is failing and the building needs to be torn down and a whole new school built. The project can't be phased. He is afraid if they wait, the cost will go up and will cost local taxpayers and the state more money.

REPRESENTATIVE MEYER commented that he understands this school is important and he didn't get it into the original SB 155, because \$50 million would have sunk the whole bill. That might have been a mistake, because those projects ended up getting included in the capital budget and being on this list. He thought other maintenance could be postponed or that the project could be phased. He explained that the House didn't go along with using the Amerada Hess earnings, because it wanted to keep the flexibility to use that sum for priorities in any given year. He thought that next year it should be used for debt retirement and he hoped the program could be continued. He asked Representative Gruenberg for his support on that issue.

[6:14:28 PM](#)

REPRESENTATIVE GRUENBERG hoped the they would be able to do part of the project this year under this cap, but the Superintendent told him the way the program is configured, that can't be done.

That's why he offered the amendment. He didn't seem to have a choice.

[6:15:18 PM](#)

SENATOR HUGGINS remarked that some schools are being done in phases. He thought that was Anchorage's choice.

[6:15:35 PM](#)

CHAIR WILKEN said he opposed amendment 2 because the administration requested fiscal constraint. This issue could be revisited once Mr. Jeans reports to them next year on the results of the program. He said the report indicates out of that \$720 million, Anchorage has \$370 million in the pipeline for about 50 projects. They have enough to get through another season and the issue can be revisited next year.

[6:17:18 PM](#)

SENATOR GUESS explained that Anchorage normally does phase its schools and she trusts the superintendent's call on not being able to phase this project. She explained that Anchorage has a lot of schools and different areas have different growth needs.

A roll call vote was taken on Amendment 2. Representative Gruenberg and Senator Guess voted yea; Representative Kelly and Meyer and Senator Huggins and Chair Wilken voted nay; and Amendment 2 failed.

[6:20:11 PM](#) At ease [6:20:38 PM](#)

SENATOR HUGGINS moved to adopt Amendment 1.

24-GS1117\S.1  
Mischel  
11/17/05

**A M E N D M E N T 1**

OFFERED IN THE CONFERENCE COMMITTEE BY SENATOR WILKEN  
TO: CCS SB 73, Draft Version "S"

Page 6, line 13, following "section":

Insert ";

(15) subject to (h), (i), (j)(2) - (5), and (r) of this section, and after projects funded by the bonds, notes, or other indebtedness have been approved by the commissioner, 90 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 October 31, 2006, to pay

costs of school construction, additions to schools, and major rehabilitation projects and education-related facilities that exceed \$200,000, are approved under AS 14.07.020(a)(11), meet the 10 percent participating share requirement for a municipal school district under AS 14.11.008(b), and are not reimbursed under (n) or (o) of this section"

Page 6, line 23:

Delete "(a)(8) - (14)"

Insert "(a)(8) - (15)"

Page 7, line 30:

Delete "a new subsection"

Insert "new subsections"

Page 8, line 2:

Delete "191,900,000"

Insert "177,256,000"

Page 8, lines 26 - 28:

Delete all material.

Reletter the following paragraphs accordingly.

Page 9, lines 10 - 12:

Delete all material.

Reletter the following paragraph accordingly.

Page 9, following line 15:

Insert a new subsection to read:

"(r) The total amount of school construction projects approved for reimbursement by the department under (a)(15) of this section

(1) may not exceed \$14,644,000;

(2) after June 30, 1999, and until October 31, 2006, shall be allocated as follows:

(A) \$6,522,000 to projects in a municipality with a public school enrollment of at least 1,925 but less than 2,025 students in fiscal year 2005, as determined under AS 14.17.500;

(B) \$8,122,000 to projects in a municipality with a public school enrollment of at least 398 but less than 400 students in fiscal year 2005, as determined under AS 14.17.500."

CHAIR WILKEN objected for discussion and asked Mr. Jeans to explain it.

MR. JEANS said that it was brought to his attention that there were actually two districts on the school debt reimbursement list that qualified for 90 percent state funding with a 10 percent local match under the grant program. This amendment offers them 90 percent reimbursement under the debt program.

[6:22:43 PM](#)

REPRESENTATIVE GRUENBERG asked if the Northwest Arctic district would be able to participate in this.

MR. JEANS replied that he understands that Northwest Arctic is at bonding capacity and will not be able to get bonds through the municipal bond bank at this point in time.

REPRESENTATIVE GRUENBERG asked if there is anything else the committee could do that would allow it to participate.

MR. JEANS replied no, not through this program.

REPRESENTATIVE GRUENBERG said the authorization will remain and if they can later qualify by lowering their debt, they can take advantage of it.

MR. JEANS responded:

As long as that happens prior to October 31, 2006.... They could actually get voter approval and department approval prior to October 31, 2006 and sell the bonds in a year or two after that. So there is an opportunity; I'm not saying that I know for a fact that they would be able to do that.

[6:24:53 PM](#)

SENATOR GUESS said this is a big deal because they get \$6.5 million, but then they can't bond for it. She asked if he was certain they could do everything before October 31, 2006.

MR. JEANS replied that he can't make an assurance that bonding will allow anybody to bond. This legislation simply allows municipalities to go to the voters for approval.

REPRESENTATIVE MEYER added if they get approval by October 31, but don't have their finances in place for another two or three years after that, are they still able to get reimbursed.

MR. JEANS replied that they have up to three years after approval.

REPRESENTATIVE GRUENBERG asked if any schools are in that position now.

MR. JEANS answered that a number of schools have voter approval but haven't sold bonds yet, but the reason is not because they can't get the financing.

CHAIR WILKEN removed his objection and without further objection, Amendment 1 was adopted.

[6:27:57 PM](#)

SENATOR GUESS asked if any other school districts on the list are at the cap or would be over the cap with this.

MR. JEANS replied that he was not aware of any.

SENATOR GUESS asked if any school districts fall into the working draft that aren't represented on the list.

MR. JEANS said no, but he would double-check.

[6:29:04 PM](#)

CHAIR WILKEN found no further discussion.

[6:30:09 PM](#)

SENATOR HUGGINS moved to report CCS SB 73 [version S as amended] and attached fiscal notes from committee with the understanding that limited powers of free conference were needed. There were no objections and it was so ordered. There being no further business to come before the committee, Chair Wilken adjourned the meeting at [6:31:36 PM](#).