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1 IN THE SENATE

2 SENATE BILL NO. 689

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to appropriations and general obliga-
7 tion bonds for capital projects; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.10 is amended by adding a new section to read:

11 Sec. 37.10.067. OPERATING COST FUND. (a) An operating cost fund
12 for capital projects is established in the Department of Revenue. The
13 operating cost fund shall be managed in accordance with this section.

14 (b) The operating cost fund consists of

15 (1) all money appropriated to it by the legislature in accor-
16 dance with AS 37.25.022; and

17 (2) interest earned by investment of the fund balance.

18 (c) The commissioner of revenue shall invest and manage the money
19 in the operating cost fund that the commissioner determines to be above
20 an amount sufficient to meet current cash expenditure needs. An invest-
21 ment by the commissioner of revenue under this subsection shall be made
22 in accordance with AS 37.10.070(b).

23 (d) The commissioner of revenue shall establish in the operating
24 cost fund an account for each capital project for which an appropriation
25 is made. The account consists of the unexpended amount of the appropria-
26 tion for the capital project and income credited to the capital project
27 under (e) of this section.

28 (e) Income earned from investment of money in the operating cost
29 fund shall be allocated by the commissioner of revenue to the account

1 for each capital project for which an appropriation for the cost of
2 operating the project has been made by the legislature. An allocation
3 under this subsection shall be made to the account for each capital
4 project specifically designated by the legislature by law in proportion
5 to the account balance for that capital project as a percentage of the
6 total amount in the operating cost fund.

7 (f) During each fiscal year, the commissioner of revenue shall
8 withdraw and pay to the department that has responsibility for the
9 operation of a capital project an amount equal to the operating cost of
10 the capital project and the commissioner of revenue shall reduce the
11 account balance of the capital project by the amount paid. The amount
12 paid by the commissioner of revenue under this subsection shall be used
13 by the department that has responsibility for the operation of the
14 capital project for operating costs of the capital project. A withdrawal
15 under this subsection may not exceed the account balance of the capital
16 project.

17 (g) The commissioner of revenue may prescribe regulations applic-
18 able to withdrawal and payment of money from the operating cost fund to
19 other departments for the operating cost of a capital project.

20 * Sec. 2. AS 37.15 is amended by adding a new section to read:

21 Sec. 37.15.013. OPERATING COSTS OF PROJECTS FOR WHICH GENERAL
22 OBLIGATION BONDS MAY BE AUTHORIZED. (a) The commissioner of each
23 department responsible for the operation of a proposed capital project
24 for which general obligation bonds may be authorized shall prepare a
25 schedule of the expected cost of operating the proposed capital project
26 for its useful life. The schedule of the expected cost of operating the
27 proposed capital project shall serve as the basis for calculating the
28 net present value of the operating cost of the project.

29 (b) In determining the net present value of the operating cost for

1 a proposed capital project, the commissioner of each department respon-
2 sible for the operation of the proposed capital project shall discount
3 the total of all estimated future costs of operating the project to the
4 construction completion date of the project. The discount factor to be
5 applied is the estimated compound annual rate of return of the operating
6 cost fund under AS 37.10.067 for the useful life of the capital project,
7 or for the first 30 years of the useful life of the capital project,
8 whichever is less.

9 (c) The provisions of this section do not apply to a proposed
10 capital project in which the net present value of cost of operating the
11 proposed capital project is less than \$100,000.

12 (d) In this section, "cost of operating" and "operating cost" mean
13 the normal, anticipated costs of maintenance and operation of a capital
14 project. The terms

15 (1) include expenses for routine maintenance, minor repairs,
16 utilities, local charges, fees and payments in place of taxes;

17 (2) exclude costs that will be offset by fees imposed on
18 persons who use the project, and for contributions from federal, muni-
19 cipal, and private sources.

20 * Sec. 3. AS 37.25 is amended by adding a new section to read:

21 Sec. 37.25.022. OPERATING COSTS OF CAPITAL PROJECTS. (a) An
22 appropriation for a capital project other than a project financed by
23 general obligation bond proceeds that will be owned and operated by the
24 state shall include an appropriation for the cost of operating the
25 capital project. The appropriation for the cost of operating the capital
26 project may not be less than

27 (1) the net present value of the estimated cost of operating
28 the capital project for its expected useful life, if the expected useful
29 life of the capital project is 30 years or less; or

1 (2) the net present value of the estimated cost of operating
2 the capital project for 30 years, if the expected useful life of the
3 capital project exceeds 30 years.

4 (b) The commissioner of each department responsible for the opera-
5 tion of a proposed capital project shall prepare a schedule of the
6 expected cost of operating the proposed capital project for its useful
7 life. The schedule of the expected cost of operating the proposed
8 capital project shall serve as the basis for calculating the net present
9 value of the operating cost of the proposed capital project.

10 (c) In determining the net present value of the operating cost for
11 a proposed capital project, the commissioner of each department respon-
12 sible for the operation of the proposed capital project shall discount
13 the total of all estimated future costs of operating the project to the
14 date on which the appropriation for the cost of operating the project
15 will be paid to the operating cost fund (AS 37.10.067) in the Department
16 of Revenue. The discount factor to be applied is the estimated compound
17 annual rate of return of the operating cost fund for the useful life of
18 the proposed capital project, or for the first 30 years of the useful
19 life of the proposed capital project, whichever is less.

20 (d) The provisions of (a) of this section do not apply to a pro-
21 posed capital project in which the net present value of cost of operat-
22 ing the proposed capital project is less than \$100,000.

23 (e) In this section, "cost of operating" and "operating cost" mean
24 the normal, anticipated costs of maintenance and operation of a proposed
25 capital project. The terms

26 (1) include expenses for routine maintenance, minor repairs,
27 utilities, local charges, fees and payments in place of taxes;

28 (2) exclude costs that will be offset by fees imposed on
29 persons who use the project, and for contributions from federal, muni-

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cipal, and private sources.

* Sec. 4. AS 15.58.020(7) is amended to read:

(7) for each bond question,

(A) a statement of the scope of each project as it appears in the Bond Authorization Act; and

(B) a statement of the net present value of the operating cost for the project;

* Sec. 5. This Act takes effect January 1, 1983.