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Referred: Finance

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 689 (State Affairs)

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 but the amount  
12 withdrawn may not exceed the amount projected in the schedule of operat-  
13 ing costs for a project for that year. The amount paid by the commis-  
14 sioner of revenue under this subsection shall be used by the department  
15 that has responsibility for the operation of the capital project for  
16 operating costs of the capital project. A withdrawal under this subsec-  
17 tion may not exceed the account balance of the capital project.

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

21 (h) An appropriation to the operating cost fund is an appropria-  
22 tion for capital projects and is valid for the life of the project as  
23 provided in AS 37.25.020.

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

25 Sec. 37.15.013. OPERATING COSTS OF PROJECTS FOR WHICH GENERAL  
26 OBLIGATION BONDS MAY BE AUTHORIZED. (a) The division of budget and  
27 management, Office of the Governor, shall prepare a schedule of the  
28 expected cost of operating the proposed capital project for which general  
29 obligation bonds may be authorized for its useful life. The schedule of

1 the expected cost of operating the proposed capital project shall serve  
2 as the basis for calculating the net present value of the operating cost  
3 of the project.

4 (b) In determining the net present value of the operating cost for  
5 a proposed capital project, the division of budget and management,  
6 Office of the Governor, shall discount the total of all estimated future  
7 costs of operating the proposed capital project to the construction  
8 completion date of the project. The discount factor to be applied is  
9 the estimated compound annual rate of return of the operating cost fund  
10 under AS 37.10.067 for the useful life of the capital project, or for  
11 the first 30 years of the useful life of the capital project, whichever  
12 is less.

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

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

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

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

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

25 Sec. 37.25.022. OPERATING COSTS OF CAPITAL PROJECTS. (a) An  
26 appropriation for a capital project other than a project financed by  
27 general obligation bond proceeds that will be owned and operated by the  
28 state shall include an appropriation for the cost of operating the  
29 capital project. The appropriation for the cost of operating the capital

1 project may not be less than

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

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

8 (b) The division of budget and management, Office of the Governor,  
9 shall prepare a schedule of the expected cost of operating the proposed  
10 capital project for its useful life. The schedule of the expected cost  
11 of operating the proposed capital project shall serve as the basis for  
12 calculating the net present value of the operating cost of the proposed  
13 capital project.

14 (c) In determining the net present value of the operating cost for  
15 a proposed capital project, the division of budget and management,  
16 Office of the Governor, shall discount the total of all estimated future  
17 costs of operating the proposed capital project to the date on which the  
18 appropriation for the cost of operating the project will be paid to the  
19 operating cost fund (AS 37.10.067) in the Department of Revenue. The  
20 discount factor to be applied is the estimated compound annual rate of  
21 return of the operating cost fund for the useful life of the proposed  
22 capital project, or for the first 30 years of the useful life of the  
23 proposed capital project, whichever is less.

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

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

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

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

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

7 (7) for each bond question,

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

10 (B) a statement of the net present value of the operat-  
11 ing cost for the project;

12 \* Sec. 5. This Act takes effect July 1, 1983.  
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