

Introduced: 1/27/86  
Referred: Health, Education &  
Social Services, Community &  
Regional Affairs and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 520

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public school construction; and  
7 providing for an effective date."

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

9 \* Section 1. AS 14.08.151 is amended by adding new subsections to read:

10 (c) The interest conveyed to the regional school board under  
11 this section is subject to (1) all the limitations imposed by the  
12 state's predecessors in interest; (2) the rights of municipalities  
13 established after the effective date of this Act that are authorized  
14 by AS 29 to operate schools in the community; and (3) other terms,  
15 including possibilities of reverter and reversions, that the depart-  
16 ment holding title imposes.

17 (d) If a school facility constructed by a regional educational  
18 attendance area under authority assumed under AS 14.11.020, in which  
19 the state retains an interest, ceases to be used for school purposes,  
20 the department shall dispose of the facility in accordance with law.

21 \* Sec. 2. AS 14.11.010(b) is amended to read:

22 (b) With regard to projects requested under (a) of this section  
23 the department shall

24 (1) rank each project in the order of priority that serves  
25 the best interests of the state;

26 (2) request [PREPARE] an estimate from the Department of  
27 Transportation and Public Facilities of the amount of money needed to  
28 finance each project approved by the department and recommend to the  
29 governor appropriations, based upon the estimates prepared under

1 AS 35.15.210, for projects to be included in the budget submitted to  
2 the legislature;

3 (3) provide the governor with a copy of the report of the  
4 assembly, council, or regional school board that requested each proj-  
5 ect approved by the department;

6 (4) provide to the legislature within the first 10 days of  
7 each regular session a summary of the projects requested by each  
8 assembly, council, or regional school board.

9 \* Sec. 3. AS 14.11.010(c) is amended to read:

10 (c) In establishing priorities among requested projects the  
11 department shall evaluate at least the following factors:

12 (1) priorities assigned by the assembly, council, or school  
13 board to the projects requested;

14 (2) emergency requirements;

15 (3) the number of students without classroom space;

16 (4) new local elementary or secondary programs;

17 (5) existing regional, community, and school facilities and  
18 the condition of the facilities;

19 (6) the economic and social stability of the municipality  
20 or region;

21 (7) demographic data indicating present and projected  
22 enrollment, and population trends in the municipality or region; and

23 (8) after December 31, 1988, the condition of existing  
24 school facilities in the community in comparison to all other schools  
25 in the state.

26 \* Sec. 4. AS 14.11 is amended by adding a new section to read:

27 Sec. 14.11.030. SCHOOL CONDITION SURVEY. (a) Each school  
28 district requesting project approval under AS 14.11.010 or AS 14.11.-  
29 102 shall inspect and inventory each of its schools and education

1                   (3) an amount equal to the interest earned, which is not  
2                   considered arbitrage, on the investment of the proceeds of bonds  
3                   issued for a school construction project.

4 \* Sec. 8. AS 14.11.100(h) is amended to read:

5                   (h) In determining an [AN] allocation under (a)(4), [OR] (5), or  
6                   (6) of this section for school construction begun after July 1, 1982,  
7                   the costs of school construction must [SHALL] be reduced by the amount  
8                   of money used for the construction of residential space, hockey rinks,  
9                   planetariums, saunas, and other facilities for single purpose sporting  
10                   or recreational uses that are not suitable for other activities and by  
11                   the money used for construction that exceeds the amount needed for  
12                   construction of a facility of efficient design as determined by the  
13                   Department of Transportation and Public Facilities [DEPARTMENT] under  
14                   AS 35.15.220. The costs of school construction [AN ALLOCATION UNDER  
15                   (a)(4) OR (5) OF THIS SECTION] may not be reduced by the amount of  
16                   money used for construction of a small swimming pool, tank, or water  
17                   storage facility used for water sports. However, an allocation shall  
18                   be reduced by the difference between the amount of money used to  
19                   construct a swimming pool that exceeds the standards adopted by the  
20                   Department of Transportation and Public Facilities under AS 35.15.230  
21                   [DEPARTMENT] and the amount of money that would have been used to  
22                   construct a small swimming pool, tank, or water storage facility, as  
23                   determined by the commissioner.

24 \* Sec. 9. AS 14.11.100(i) is amended to read:

25                   (i) For the purposes of (a)(4), [AND] (5), and (6) of this  
26                   section

27                   (1) an indebtedness for bonds is incurred after the bonds  
28                   are sold;

29                   (2) reimbursement for a cash payment may only be made after

1 the payment is made to a vendor; and

2 (3) payments may not be made for costs that are incurred  
3 under a contract after the contract has been released.

4 \* Sec. 10. AS 14.11.100(j) is amended to read:

5 (j) The state may not allocate money to a municipality for a  
6 school construction project under (a)(5) or (6) of this section unless  
7 the municipality complies with the requirements of (1) -- (4) of this  
8 subsection and the project is approved under AS 14.11.102 [BY THE  
9 COMMISSIONER] before the local vote on the bond issue for the project.  
10 In approving a project under this subsection, the commissioner shall  
11 require

12 (1) the municipality to include on the ballot for the bond  
13 issue the estimated total cost of each project including estimated  
14 annual operation and maintenance costs and the estimated amounts that  
15 will be paid by the state and by the municipality;

16 (2) that the bonds may not be refunded unless the present  
17 value of the annual debt service on the refunding issue is not greater  
18 than 95 percent of the present value of the annual debt service on the  
19 original issue;

20 (3) that the bonds must be repaid in approximately equal  
21 annual principal payments [OR APPROXIMATE EQUAL DEBT SERVICE PAYMENTS]  
22 over a period of [AT LEAST] 10 years or a different term that may be  
23 established by the state bond committee under AS 37.15.790;

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

26 (A) projected long-term student enrollment that indi-  
27 cates the district has inadequate facilities to meet present or  
28 projected enrollment; or

29 (B) facilities that require repair or replacement in

1 related facilities, under standards adopted by the department in  
2 compliance with AS 44.62, noting their age condition, compliance with  
3 laws and regulations relating to health and safety, building codes,  
4 and annual maintenance and operations costs. The inventory shall be  
5 submitted to the department for review and analysis.

6 (b) The department may inspect and inventory the schools and  
7 education related facilities in the state under standards adopted  
8 under the Administrative Procedure Act (AS 44.62).

9 (c) Each school district shall annually revise its inventory by  
10 including new schools constructed, rehabilitations or additions to  
11 existing schools, and major maintenance and repairs paid for with  
12 local money, state municipal grants, appropriations under AS 14.11.020  
13 and debt reimbursed under AS 14.11.100. Each school district shall  
14 also annually report the amount of money spent in the previous fiscal  
15 year for maintenance and operations costs. The annual revisions must  
16 be submitted to the department for review and analysis.

17 (d) After December 31, 1988, the condition of the school dis-  
18 trict's schools and education related facilities in comparison to all  
19 other schools in the state must be a factor in evaluation of projects  
20 under AS 14.11.010 and 14.11.102.

21 \* Sec. 5. AS 14.11.100(a)(5) is amended to read:

22 (5) subject to (h), (i), and (j) of this section, 80 per-  
23 cent of

24 (A) payments made by the municipality during the  
25 fiscal year for the retirement of principal and interest on  
26 outstanding bonds, notes or other indebtedness authorized by the  
27 qualified voters of the municipality after June 30, 1983, and  
28 before April 1, 1986, to pay costs of school construction, addi-  
29 tions to schools, and major rehabilitation projects that exceed

1           \$25,000 and are approved under AS 14.07.020(11); and

2                   (B) cash payments made after June 30, 1983, and before  
3           July 1, 1986, by the municipality during the fiscal year two  
4           years earlier to pay costs of school construction, additions to  
5           schools, and major rehabilitation projects that exceed \$25,000  
6           and are approved under AS 14.07.020(11).

7   \* Sec. 6. AS 14.11.100(a) is amended by adding a new paragraph to read:

8                   (6) subject to (h), (i), and (j) of this section, payments  
9           made by a municipality during the fiscal year two years earlier for  
10          the retirement of principal on outstanding bonds, notes, or other  
11          indebtedness, authorized after March 31, 1986, to pay costs of school  
12          construction, additions to schools, and major rehabilitation projects  
13          that exceed \$25,000 and that are approved under AS 14.11.102.

14   \* Sec. 7. AS 14.11.100(b) is amended to read:

15                   (b) The commissioner shall administer the program of reimburse-  
16          ment authorized under this section and shall provide by regulation for  
17          the filing of applications for reimbursement, the form of proof of  
18          costs for which application for reimbursement is made, and other  
19          regulations necessary to administer the program. The commissioner  
20          shall exclude from the total school construction cost of the local  
21          district all state and federal funds included in these costs except  
22          funds provided under this section and AS 43.50.140. In approving  
23          applications for reimbursement, the commissioner shall offset against  
24          the amount of the reimbursement authorized

25                   (1) [OFFSET AGAINST THE AMOUNT OF REIMBURSEMENT AUTHORIZED]  
26          the amount of any funds distributed to the borough or city in the  
27          second preceding fiscal year from the school fund provided for in  
28          AS 43.50.140; and

29                   (2) [Repealed, sec. 10, ch. 92, SLA 1982.]

1 order to meet health and safety laws or regulations or building  
2 codes.

3 \* Sec. 11. AS 14.11.102 is amended to read:

4 Sec. 14.11.102. EVALUATION OF PROJECTS. (a) The department  
5 shall evaluate projects for which retirement of school construction  
6 debt under AS 14.11.100(a)(6) is requested by school districts in  
7 accordance with the procedures and criteria set out in AS 14.11.010.  
8 [A REQUEST FOR AN ALLOCATION OF FUNDS UNDER AS 14.11.100 MUST BE  
9 SUBMITTED TO THE DEPARTMENT BY THE SCHOOL DISTRICT NO LATER THAN  
10 OCTOBER 15 OF THE FISCAL YEAR BEFORE THE FISCAL YEAR FOR WHICH THE  
11 REQUEST IS MADE.]

12 (b) The department shall request from the Department of Trans-  
13 portation and Public Facilities an estimate of the amount needed to  
14 construct each project for which retirement of school construction  
15 debt is requested by a school district under appropriate design stan-  
16 dards for its geographic location.

17 (c) After reviewing all projects for which retirement of school  
18 construction debt is requested, the department shall rank the projects  
19 approved under this section in the order that which each serves the  
20 best interests of the state. All projects approved, but for which no  
21 allocation of money has been made under AS 14.11.103, must be included  
22 in the same ranking.

23 (d) In considering requests under this section, the department  
24 may reject requests due to

25 (1) incomplete information or documentation provided by the  
26 school district;

27 (2) a determination that existing facilities can adequately  
28 serve the program requirements or that alternative projects are in the  
29 best interests of the state;

1           (3) a determination that the project is inappropriate for  
2 education construction and should be a district maintenance and opera-  
3 tion expenditure; or

4           (4) a determination that the project is not in the best  
5 interest of the state.

6           (e) The department may, based upon the estimate prepared by the  
7 Department of Transportation and Public Facilities under AS 35.15.220,  
8 either approve the project in the amount requested or approve the  
9 school district's request in a lesser amount.

10 \* Sec. 12. AS 14.11 is amended by adding a new section to read:

11           Sec. 14.11.103. ALLOCATIONS OF MONEY FOR SCHOOL DEBT RETIREMENT.

12           (a) A request for an allocation of money under AS 14.11.100 for  
13 school construction debt retirement must be submitted to the  
14 department by the school district no later than October 15 of the  
15 fiscal year before the fiscal year for which the request is made.

16           (b) Before a request for an allocation of money for retirement  
17 of school construction debt under AS 14.11.100(a)(6) is submitted, the  
18 project must have been approved and ranked under the provisions of  
19 AS 14.11.102.

20           (c) The department shall approve requests for allocations for  
21 debt retirement, for which no previous allocation has been made, in  
22 the order of the priority established under AS 14.11.102,

23           (1) if state allocations under AS 14.11.100(a)(6), when  
24 combined with all existing state allocations under AS 14.11.100(a)(6),  
25 result in total state allocations for retirement of principal which do  
26 not exceed (A) \$10,000,000, or (B) an amount determined by the state  
27 bond committee under AS 37.15.790, in any year before the retirement  
28 of all debt entitled to an allocation under AS 14.11.100(a)(6); and

29           (2) which meet the requirements of AS 14.11.100.

1 \* Sec. 13. AS 14.11.135(3) is amended to read:

2 (3) "costs of school construction" means the cost of  
3 acquiring, constructing, enlarging, repairing, remodeling, equipping  
4 or furnishing of public elementary and secondary school buildings and  
5 includes the sum total of all costs of financing and carrying out the  
6 project; these include, but are not limited to, the costs of all  
7 necessary studies, surveys, plans and specifications, architectural,  
8 engineering or other special services, acquisition of real property,  
9 site preparation and development, purchase, construction, reconstruc-  
10 tion and improvement of real property and the acquisition of machinery  
11 and equipment as may be necessary in connection with the project; an  
12 allocable portion of the administrative and operating expenses of the  
13 grantee; the cost of financing the project, including interest on  
14 bonds issued to finance the project; and the cost of other items,  
15 including any indemnity and surety bonds and premiums on insurance,  
16 legal fees, fees and expenses of trustees, depositaries, financial  
17 advisors, and paying agents for the bonds issued as the issuer consid-  
18 ers necessary; however, for the purposes of AS 14.11.100(a)(6), "costs  
19 of school construction" does not include the costs of financing the  
20 project, such as interest on bonds, reserve funds for bonds, or fees  
21 and expenses of trustees, depositaries, financial advisors, bond  
22 counsel, and paying agents for bonds issued to finance the project;

23 \* Sec. 14. AS 35.15 is amended by adding new sections to read:

24 ARTICLE 2. PUBLIC SCHOOL CONSTRUCTION.

25 Sec. 35.15.210. COST ESTIMATES OF SCHOOL CONSTRUCTION PROJECTS  
26 FINANCED BY APPROPRIATION. (a) The department shall prepare an  
27 estimate of the amount of money needed to construct each school con-  
28 struction project, under appropriate design standards for its geo-  
29 graphic location, for which an appropriation has been requested under

1 AS 14.11.010.

2 (b) The department shall consider the following when making  
3 project estimates under this section:

4 (1) existing plant maintenance and operation costs;

5 (2) a technical evaluation of the proposed project;

6 (3) educational program requirements established by the  
7 Department of Education under AS 14.07.020 and adopted in compliance  
8 with the Administrative Procedure Act (AS 44.62);

9 (4) preliminary cost estimates provided by the school  
10 district under AS 14.11.010; and

11 (5) alternative means, if any, to provide an adequate  
12 facility to correct any deficiencies which arise under health or  
13 safety laws or regulations, and under building codes.

14 Sec. 35.15.220. COST ESTIMATES OF SCHOOL CONSTRUCTION PROJECTS  
15 FINANCED WITH MUNICIPAL DEBT. (a) The department shall prepare an  
16 estimate of the amount of money needed to construct each school con-  
17 struction project submitted to it for review and analysis by the  
18 Department of Education for which a municipality may seek reimburse-  
19 ment under AS 14.11.100.

20 (b) The amount requested for project approval for school con-  
21 struction debt must be reduced by the amount of money used for the  
22 construction of residential space, hockey rinks, planetariums, saunas,  
23 and other facilities for single purpose sporting or recreational uses  
24 that are not suitable for other activities and by the money used for  
25 construction that exceeds the amount needed for construction of a  
26 facility of efficient design as determined by the department. A  
27 project approval under this section may not be reduced by the amount  
28 of money used for construction of a small swimming pool, tank, or  
29 water storage facility used for water sports. However, a project

1 approval must be reduced by the difference between the amount of money  
2 used to construct a swimming pool that exceeds the standards adopted  
3 by the department and the amount of money that would have been used to  
4 construct a small swimming pool, tank, or water storage facility, as  
5 determined by the commissioner.

6 (c) The department shall also consider, when estimating con-  
7 struction costs,

8 (1) educational program requirements established by the  
9 Department of Education under AS 14.07.020 and adopted in compliance  
10 with AS 44.62;

11 (2) preliminary cost estimates submitted by the school  
12 district;

13 (3) construction costs for the proposed project under  
14 appropriate design standards for its geographic location;

15 (4) maintenance and operation costs arising from the phys-  
16 ical operation of the facility; and

17 (5) alternative means, if any, to provide an adequate  
18 facility to correct any deficiencies that arise under health safety  
19 laws or regulations, and under building codes.

20 Sec. 35.15.230. DESIGN STANDARDS. (a) The department shall  
21 develop design standards for school construction projects for each  
22 geographic region of the state which must be applied to cost estimates  
23 prepared under AS 35.15.210 and 35.15.220.

24 (b) The standards developed under this section must incorporate  
25 common design features, consistent with educational program standards  
26 established by the Department of Education, to achieve

27 (1) reduced design and construction costs;

28 (2) reduced maintenance and operation costs;

29 (3) energy efficiency;

1 (4) compliance with safety and health laws and regulations;  
2 (5) compliance with building codes; and  
3 (6) maximum use of the facility in support of the education  
4 program.

5 \* Sec. 15. AS 37.15 is amended by adding a new section to read:

6 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the  
7 state bond committee, in its judgment, determines that the amount or  
8 retirement of debt issued by municipalities subject to reimbursement  
9 by the state under AS 14.11.100 is not in the best interests of the  
10 state, the committee may

11 (1) establish an amount or amounts, for any or all years  
12 before the maturity of all of that municipal debt, which may not be  
13 exceeded by the Department of Education in approving requests for  
14 allocations under AS 14.11.103; or

15 (2) establish, under AS 14.11.100(j)(3), a term required  
16 for the maturities of municipal debt authorized by local voters after  
17 March 31, 1986.

18 \* Sec. 16. AS 14.11.100(k) is repealed.

19 \* Sec. 17. The Department of Education and the Department of Transpor-  
20 tation and Public Facilities shall study and evaluate school construction  
21 requirements based upon projected enrollments and facility needs and recom-  
22 mend to the legislature by January 25, 1988, a plan of school construction  
23 to meet the enrollment demands and its estimated costs through the year  
24 2001.

25 \* Sec. 18. This Act takes effect July 1, 1986.