

H B

137

COMMITTEE REPORT

HOUSE

FURTHER: LAR
FINANCE

1/23/83

Date: March 9, 1983

Mr. Speaker:

The Committee on HESS has had HB 137

An Act making a supplemental appropriation to the Department of Education for the retirement of school construction debts; and providing for an effective date.

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

Mike Davis

M.W. Miller

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

CHAIRMAN

SUMMARY: HB 137 "AN Act making a supplemental appropriation to the Department of Education for the retirement of school construction debts; and providing for an effective date."

Section 1. The supplemental appropriation requested is broken down further as two requests:

1. \$5,522.0 - This amount is the difference between the 'estimated' and 'actual' claims from the municipalities under the new program as enacted last year. HB 279 (Chp. 92 SLA 82) removed the two year lag time for state reimbursement of the municipal debt retirement. It also raised the reimbursement rate from 80% to 90%.

43.18.100 - STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT. (copy attached) This section outlines the formula used for the state reimbursement.

\$7,577.7 - Shortfall due to an attempt by last year's Legislature to utilize the Cigarette Tax Revenues to fund a portion of the entitlement.

Section 2. Immediate effective date clause.

enclosures in file:

left

Statutes: 43.18.100 School Const. Aid
43.50.150 Tobacco Tax (distribution)
4AAC 36-010 Dept. Reg's re/Cig. Tax

right

Dept. Educ. Explanation/ actual vs estimated claims - \$5,522.0
Dollar Differences - Chart (\$5,522.0)
Dept. of Educ. Explanation/ Shortfall - Use of Tobacco Tax - \$7,577.7
Chart - Formula showing Shortfall - \$7,577.7
Distribution of \$ under HB 137
DOE Fiscal Note

Article

- 1. Aid for Miscellaneous Municipal Purposes (Repealed)
- 2. Aid for School Construction (§§ 43.18.100 — 43.18.135)
- 5. Cultural Facilities (§ 43.18.500)

Article 1. Aid for Miscellaneous Municipal Purposes.

Section

10—46. (Repealed)

Secs. 43.18.010 — 43.18.045.

Repealed by § 11 ch 155 SLA 1980.

Cross references. — For programs of municipal assistance, see AS 29.88.010 — 29.88.045, 29.89.010 — 29.89.100, 29.90.010 — 29.90.030 and 29.95.010 — 29.95.030.

Editor's notes. — The repealed article derived from § 10, ch. 95, SLA 1969; §§ 1 — 5, ch. 194, SLA 1970; § 3, ch. 84, SLA 1971; §§ 1, 2, ch. 127, SLA 1971; § 43, ch.

71, SLA 1972; §§ 3, 4, ch. 200, SLA 1972; § 6, ch. 32, SLA 1973; §§ 1, 2, ch. 87, SLA 1973; §§ 1, 2, ch. 43, SLA 1974; § 1, ch. 14, SLA 1974; §§ 44, 45, ch. 127, SLA 1974; § 1, ch. 45, SLA 1975; § 1, ch. 100, SLA 1976; §§ 1, 2, ch. 208, SLA 1976; §§ 1, 1 ch. 265, SLA 1976; §§ 4, 5, ch. 120, SLA 1977; § 24, ch. 168, SLA 1978; § 3, ch. 171, SLA 1978.

Article 2. Aid for School Construction.

Section

- 100. State aid for retirement of school construction debt
- 105. Public school facilities construction advance account
- 110. Eligibility

Section

- 115. State aid
- 120. Application for aid
- 125. Conditions of state aid
- 130. Construction and implementation
- 135. Definitions

Sec. 43.18.100. State aid for retirement of school construction debt. (a) During each fiscal year, the state shall allocate to a municipality that is a school district, the following sums:

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

(2) 90 percent of

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

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

(3) 90 percent of

years earlier for the retirement of principal and interest on outstanding bonds, notes or other indebtedness incurred after June 30, 1978 and before January 1, 1982 to pay costs of school construction projects approved under AS 14.07.020(11);

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

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

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

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

(b) The commissioner shall administer the program of reimbursement authorized under this section and shall provide by regulation for the filing of applications for reimbursement, the form of proof of costs for which application for reimbursement is made, and other regulations necessary to administer the program. The commissioner shall exclude from the total school construction cost of the local district all state and federal funds included in these costs except funds provided under this section and AS 43.50.140. In approving applications for reimbursement, the commissioner shall

(1) offset against the amount of reimbursement authorized the amount of any funds distributed to the borough or city in the second preceding fiscal year from the school fund provided for in AS 43.50.140;

(2) Repealed by § 10 ch 92 SLA 1982.

(c) The school construction account is established. Funds to carry out the provisions of this section may be appropriated annually by the legislature to the account. If amounts in the account are insufficient for the purpose of providing the share to which a borough or city is entitled under this section, those funds that are available shall be distributed pro rata among the eligible local governments.

(d) Money in the school construction account which, at the end of the fiscal year for which the money is appropriated, exceeds the amount required for the allocations authorized in this section reverts to the general fund.

(e) The commissioner shall annually provide a report to the legislature on allocations of state aid made under this section, including but not limited to, the amount of state aid paid on a per capita and per student basis and the resultant effect on the rate of levy of taxes by the municipality for educational purposes.

(f) Repealed by § 17 ch 147 SLA 1978.

(g) In this section, unless the context requires otherwise,

(1) "commissioner" means the commissioner of education;

(2) "costs of school construction" means the cost of acquiring, constructing, enlarging, repairing, remodeling, equipping or furnishing of public elementary and secondary school buildings and includes the sum total of all costs of financing and carrying out the project; these include, but are not limited to, the costs of all necessary studies, surveys, plans and specifications, architectural, engineering or other special services, acquisition of real property, site preparation and development, purchase, construction, reconstruction and improvement of real property and the acquisition of machinery and equipment as may be necessary in connection with the project; an allocable portion of the administrative and operating expenses of the grantee; the cost of financing the project, including interest on bonds issued to finance the project; and the cost of other items, including any indemnity and surety bonds and premiums on insurance, legal fees, fees and expenses of trustees, depositaries, financial advisors, and paying agents for the bonds issued as the issuer considers necessary.

(h) An allocation under (a)(4) of this section for school construction begun after July 1, 1982, shall be reduced by the amount of money used for the construction of residential space, hockey rinks, planetariums, saunas, and other facilities for single purpose sporting or recreational uses that are not suitable for other activities. An allocation under (a)(4) of this section may not be reduced by the amount of money used for construction of a small swimming pool, tank, or water storage facility used for water sports. However, an allocation shall be reduced by the difference between the amount of money used to construct a swimming pool that is competition size or larger and the amount of money that would have been used to construct a small swimming pool, tank, or water storage facility, as determined by the commissioner.

(i) For the purposes of (a)(4) of this section:

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

(2) reimbursement for a cash payment may only be made after the payment is made to a vendor; and

(3) payments may not be made for costs that are incurred under a contract after the contract has been released. (§ 1 ch 249 SLA 1970; am § 1 ch 93 SLA 1971; am § 2 ch 137 SLA 1972; am § 1 ch 28 SLA 1973; am § 47 ch 127 SLA 1974; am §§ 1 — 3 ch 120 SLA 1977; am §§ 12, 17 ch 147 SLA 1978; am § 25 ch 168 SLA 1978; am §§ 8 — 10 ch 92 SLA 1982)

Effect of amendments. — The 1977 amendment beginning "including but not limited to" amendment repeals the 1977 amendment.

to pay the cost of school construction" from the end of paragraph (1), substituted "80 percent" for "60 percent" at the beginning of paragraph (2), substituted "June 30, 1978 and before June 30, 1978" for "July 1, 1978" in subparagraphs (A) and (B) of paragraph (2), and added paragraph (3). The amendment also repealed subsection (g) which read "The provisions of (a)(2) of this section apply only to payments made before July 1, 1971. The provisions of (a)(3) of this section apply to payments made after June 30, 1971."

The second 1978 amendment, in paragraph (2) of subsection (g), substituted "the sum total of all costs of financing and carrying out the project" for "but is not limited to the costs of acquisition of sites, legal, engineering, fiscal, architectural and other fees of specialists or consultants, costs of labor, materials, equipment and supplies, costs of authorization, issuance and sale of bonds, notes, or other evidences of debt" at the end of the first sentence and added the second sentence.

The 1982 amendment, effective July 1, 1982, substituted "a municipality that" for "an organized borough or a city which" in the introductory language of subsection (a), substituted "the municipality" for "the borough or city" in paragraphs (1), (2)(A) and (B), and (3)(A) and (B), substituted "90 percent" for "80 percent" in the introductory language of paragraphs (2) and (3), inserted "and before January 1, 1982" in paragraph (3)(A) and (B), and added paragraph (4). The amendment also repealed paragraph (2) of subsection (b), which read "required the borough or city to provide, with its application, a certified copy of the notice to taxpayers required by AS 43.18.030," and added subsections (h) and (i).

Editor's notes. — AS 43.18.030, referred to in paragraph (2) of subsection (b), was repealed by § 11, ch. 166, SLA 1980. For programs of municipal assistance, see AS 29.88.010 — 29.95.030.

Sec. 43.18.105. Public school facilities construction advance account. The public school facilities construction advance account is established. The account consists of appropriations for distribution under AS 43.18.105 — 43.18.135 to boroughs and cities which are school districts to assist in paying the costs of public school facilities projects approved under AS 14.07.020(10) for which construction is commenced after June 30, 1978 and for which no bonding, notes, or other indebtedness was incurred before July 1, 1978. (§ 13 ch 147 SLA 1978)

Sec. 43.18.110. Eligibility. Eligibility of a proposed construction project for funding assistance under AS 43.18.105 — 43.18.135 shall be determined by the department based on standards and criteria established by regulation. The standards and criteria to be considered in determining eligibility include the following:

- (1) emergency requirements;
- (2) number of unhoused students;
- (3) new elementary or secondary programs;
- (4) existing community and school facilities and their condition; and
- (5) economic and social stability of the community. (§ 13 ch 147 SLA 1978)

Sec. 43.18.115. State aid. (a) The

Chapter 50. Tobacco Tax.

Tax Act (§§ 43.50.010 — 43.50.180)
Cigarette Tax (§ 43.50.190)

Article 1. Cigarette Tax Act.

	Section
	90. Tax imposed
	100. Civil penalties
	110—120. [Repealed]
	130. Records
	140. Disposition of proceeds
	150. Administration
	160. Criminal penalties
	170. Definitions
	180. Short title

License
 License fees
 Retailer-distributor license
 Issuance of licenses
 Transfer of licenses
 Denial
 Revocation of licenses
 Renewal

§ 43.50.010. License. (a) No person may sell, purchase, possess, acquire cigarettes as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer without a license.

(b) The department, upon application and payment of the fee, shall issue a license to each manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer. The department shall make reasonable regulations which it considers necessary in respect to the application for and the issuance of licenses.

(c) The department may refuse to issue a license if there is reasonable cause to believe that the applicant has wilfully withheld information requested of him to determine his eligibility to receive a license, or if there is reasonable cause to believe that information submitted in the application is false or misleading and is not made in good faith.

(d) A license required by §§ 10—180 of this chapter is in addition to any other license required by law. (§ 3 ch 187 SLA 1955)

See Jur. and C.J.S. references. — 33
See Licenses, §§ 17, 20, 54, 57, 79.
See C.J.S. Licenses §§ 6, 22, 44.

§ 43.50.020. Separate licenses. If a person operates more than one place of business, the person must obtain a separate license for each place of business, except that a person operating one or more cigarette vending machines is considered to have only one place of business for the purpose of a license under §§ 10—180 of this chapter. A person licensed only as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer may not operate in another capacity unless the appropriate license for it is first secured. Each license shall be exhibited at the place of business for which it is issued and in the manner prescribed by the department. (§ 4 ch 187 SLA 1955)

State Government
Title 44

reference. — For present covering the subject matter of section, see AS 43.05.240.

Editor's note. — The repealed section derived from § 13, ch. 187, SLA 1955.

43.50.120. Lien.

repealed by § 4 ch 94 SLA 1976.

reference. — For present covering the provisions of the section, see AS 43.10.035.

Editor's note. — The repealed section derived from § 14, ch. 187, SLA 1955.

43.50.130. Records: (a) Every licensee shall keep a complete and true record of all cigarettes manufactured, purchased, or acquired. Records, except in the case of a manufacturer, shall include a written statement containing the name and address of the seller and the buyer, the date of delivery, the quantity of cigarettes, the trade name and brand, and the price paid for each brand of cigarettes sold. The licensee shall keep such other records as the department requires. All statements and records required by this section shall be in the form prescribed by the department, shall be preserved for three years, and shall be offered for inspection upon demand by the department.

No licensee may issue or accept a written statement which falsely states the name of the customer, the type of merchandise, the price, the quantity, or the terms of sale.

Where an invoice is given or accepted by a licensee (1) a statement which makes the invoice a false record of the transaction may not be included in the invoice; and (2) a statement which should be included in the invoice may not be omitted from the invoice if the invoice does not contain the transaction involved without the statement.

An invoice for the sale of cigarettes given or accepted by a licensee under § 10 — 180 of this chapter shall state whether the tax imposed under § 9 — 180 of this chapter has been paid. (§ 15 ch 187 SLA 1955)

reference. — 53 C.J.S. Licenses

43.50.140. Disposition of proceeds. The proceeds derived from the payment of taxes, fees, and penalties, provided for under §§ 10 — 180 of this chapter, and the license fees received by the department shall be deposited into a state fund entitled "School Fund," and shall be used exclusively to rehabilitate, construct, and repair the state's school buildings and for costs of insurance on buildings comprising school buildings during the rehabilitation, construction, and repair, and for the repair of the buildings. (§ 16 ch 187 SLA 1955)

Provisions relating to expenditure of tobacco funds — In order to insure that tobacco funds are used most effectively as a part of major rehabilitation, construction, and major repair projects, the department shall ensure that expenditures from such

funds be made only after study and concurrence by the city school board, the city council, and the commissioner of education (now Department of Education). 1962 Op. Att'y Gen., No. 24.

Title 44
State Government

CHAPTER 36.
CIGARETTE TAX ADMINISTRATION

Section

10. Cigarette tax distribution

4 AAC 36.010. CIGARETTE TAX DISTRIBUTION. (a) The term "rehabilitation, construction, and repair" of school facilities, as used in the Cigarette Tax Act, refers to major repair projects, and cigarette tax funds may not be used for projects which are properly considered as normal operating and maintenance expenses of the school districts. The commissioner has discretion to disapprove expenditures which he determines should not be made from cigarette tax funds.

(b) Purchase of equipment shall not be approved unless it is in connection with a construction or major repair or rehabilitation project. Prior approval, by the commissioner, of the projects shall be obtained if reasonable question appears as to whether or not they may be approved.

(c) For distribution, cigarette tax moneys are divided into two major divisions

(1) the regional educational attendance area districts' share is determined by the ratio between the average daily membership in all regional educational attendance area districts and the average daily membership for all school districts in the state;

(2) the share for city and borough school districts is determined by deducting the regional educational attendance area districts' share, determined under (1) of this subsection, from the total tax. Each district will receive a portion of this share in accordance with the following formula:

$$Ca = \frac{Cs - Es}{2}$$

$$Cp = \frac{Cs - Es}{2}$$

$$Cl = \frac{Ca}{At} \times At + \frac{Cp}{Pt} \times Pt + El$$

C Cigarette tax
s Participating school districts

- A Average daily membership
- E Basic allotment or equalization fund
- l Any individual school district
- Cs Total state cigarette tax allocated to school districts
- Cl Any individual district's share of cigarette tax
- At Total ADM in participating school districts
- Pt Total professional workers in participating district schools
- Cp Portion of total tax to be allotted on basis of professional workers
- Pl Number professional workers in any individual school district
- El Basic allotment of \$3,000 per year to each participating school district
- Ca Portion of cigarette tax to be allotted on basis of ADM

(d) Other conditions:

(1) Collection periods run from July 1 to June 30, inclusive, of each year. Distribution is based on the total sum available in each collection period;

(2) To be eligible to participate in a distribution for a given collection period, the applicant shall meet the following requirements:

(A) A district must have been in operation as a district school for the entire collection period for which distribution is sought;

(B) Within 21 days following the closing of the collection period, all participating districts must submit to the commissioner a "Letter of Application" on forms to be provided by the commissioner. The "Letter of Application" shall include a full explanation of the intended use of cigarette tax funds or justification of the need of the funds;

(C) All district which have had a previous distribution shall submit within 45 days following the closing of the collection period, a complete "Statement of Expenditures," on forms to be provided by the commissioner. Assurance must be given that state and local sales taxes, and federal transportation, long distance, or telegram taxes were not paid;

(D) Income derived from the investment of cigarette tax funds shall become cigarette tax funds and shall be accounted for in the same manner;

(E) All districts shall submit any other reports on cigarette tax funds as may be prescribed from time to time by the commissioner;

(3) Repealed 5/10/78;

(4) All cigarette tax disbursements shall be made only upon the specific authorization of the local school board and the minutes of the board shall include a listing of the expenditures as approved. Custody of cigarette tax funds is the responsibility of the school board and funds shall not be turned over to any other body unless a specific obligation must be met;

(5) Each district school shall maintain a separate bank account for cigarette tax moneys and shall file with the commissioner the name of the cigarette tax account and the name of the bank in which the account is kept;

(6) If a district school disincorporates, any unobligated balance owed to or remaining in their cigarette tax account shall be forwarded to the commissioner to be deposited to the cigarette tax fund and shall be included in the funds of the collection period in which returned;

(7) The average daily membership of schools operated under contract for the department is not included for the purpose of determining a district's cigarette tax share. (In effect before 7/28/59; rewrite (no changes made concerning intent) 4/17/68, Reg. 24; am 5/10/78, Reg. 66)
Authority: AS 43.50.140
AS 14.07.020(1)

CHAPTER 39.
DIPLOMAS UNDER SPECIAL
CONDITIONS

Article

- 1. Eighth Grade and Adult Education Diplomas (4 AAC 29.010-4 AAC 29.040)
- 2. High School Equivalency Test (4 AAC 29.110-4 AAC 29.190)

ARTICLE 1.
EIGHTH GRADE AND ADULT
EDUCATION DIPLOMAS

Section

- 10. (Repealed)
 - 20. (Repealed)
 - 30. (Repealed)
 - 40. Delegation of authority to issue diplomas in connection with adult education programs
- 4 AAC 39.010. VETERANS. Repealed 12/30/77.
- 4 AAC 39.020. SPECIAL EXAMINATIONS. Repealed 3/1/78.
- 4 AAC 39.030. EIGHTH GRADE DIPLOMAS. Repealed 5/10/78.
- 4 AAC 39.040. DELEGATION OF AUTHORITY TO ISSUE DIPLOMAS IN CONNECTION WITH ADULT EDUCATION PROGRAMS. District school boards offering secondary education programs for adults may issue certificates of completion or diplomas provided the program standards for graduation meet those prescribed by the commissioner. (In effect before 7/28/59; am 9/24/65, Reg. 24; am 10/14/68, Reg. 27)
Authority: AS 14.07.060
AS 44.27.020(1)

ARTICLE 2.
HIGH SCHOOL EQUIVALENCY TEST

Section

- 110. High school equivalency test
- 120. Eligibility
- 130. Official test sites
- 140. State GED program office

FEB 28 1983



Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-4801

DEPARTMENT OF ADMINISTRATION

February 24, 1983

Mae Tischer, Chairman
House Committee on Health & Social Services
Pouch V
Juneau, AK 99811

RE: HB 137 Supplemental Appropriation for School Debt
Reimbursement

Dear Ms. Tischer:

I appreciate the opportunity to spend time with you on HB 137 providing for a supplemental appropriation for debt reimbursement. Would you share this letter with the members of your committee.

The Matanuska-Susitna Borough will have a school bond election on April 12, 1983 for a \$20 million bond issue for construction of a new elementary school north and west of Wasilla and for renovation of the Palmer Junior High School, which was constructed in 1954.

We want to tell the voters how much this bond issue will cost them assuming that they have a \$100,000 house, assuming a 10 or 20 year term, assuming present day interest rates, and assuming State reimbursement of school debt principal and interest at 90% as provided in HB 279, passed by the last session of the Legislature.

We believe that the voters are entitled to know how much the State will be paying for construction of schools in organized school districts and how much local taxpayers will be paying. We have always given voters this type of information with the expectation that it could be relied upon and, up until this last year, we have given voters information upon the basis of which they could make an informed choice. We thought we gave the voters reliable information on the last bond issue of about \$15 million, but as it turned out we were pretty far off.

There was a sudden unexpected and unprecedented change in State policy toward school construction for this current fiscal year, which I think was based upon mistaken projections of school debt reimbursement requirements. The effect of this short-funding with respect to the recently incurred \$15 million of school bonded indebtedness is \$605,249 and the effect on previously incurred debt is \$705,820 for a total shortfall of \$1,311,069. The new debt, which will cause an unexpected increase in mill levy of about .6 mills, was funded at approximately 64% instead of the statutory 90%, and the old debt was funded at about 70% instead of the statutory 80%. The total effect of the short-funding on

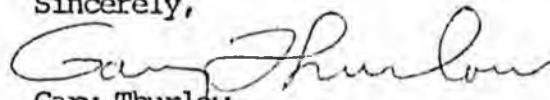
our mill levy is approximately 1.3 mills since 1 mill raises about one million dollars in this Borough. Our current areawide mill levy is 4.9 so an unexpected 1.3 mill increase due to shortfunding affects our mill levy by about 25%.

I think that we were honest and reasonable in telling the voters what to expect when the last bond issue was put to a vote. I have been familiar with a history of state support for education going back into territorial days. Even though new State programs and other State programs have been phased out or reduced, there has been a consistency of support for education among the territorial legislatures and the State legislatures which I think we can be very proud of. I have seen the number of Anchorage schools increase from four in 1951 to 64 today, with very little double shifting over the years. In this Borough, we are going to have to build an average of about 1.5 schools a year if we are going to continue to see an 800 plus increase in students per year. We don't want to complain about the rapid increase in population in students that we have been experiencing. We want to solve these problems of growth in a responsible and consistent manner and we want to know what the ground rules are. We have not asked for 100% financing of new school buildings, because we are willing to shoulder a portion of the burden ourselves. So we are not asking for special treatment, or, for that matter, even treatment equal to that received by those who obtain 100% financing of new schools. We are asking for consistency and predictability in State school financing and believe that this ought to be a bedrock of State fiscal policy.

So, we do believe that HB 137 is a bill that fiscal conservatives ought to support as a matter of principle. We want to make good on our word because we think property taxpayers are entitled to accurate information.

I hope that the State HESS Committee will report out the bill with a strong and unanimous yes vote. Please let me know if you will have a teleconference on the bill.

Sincerely,

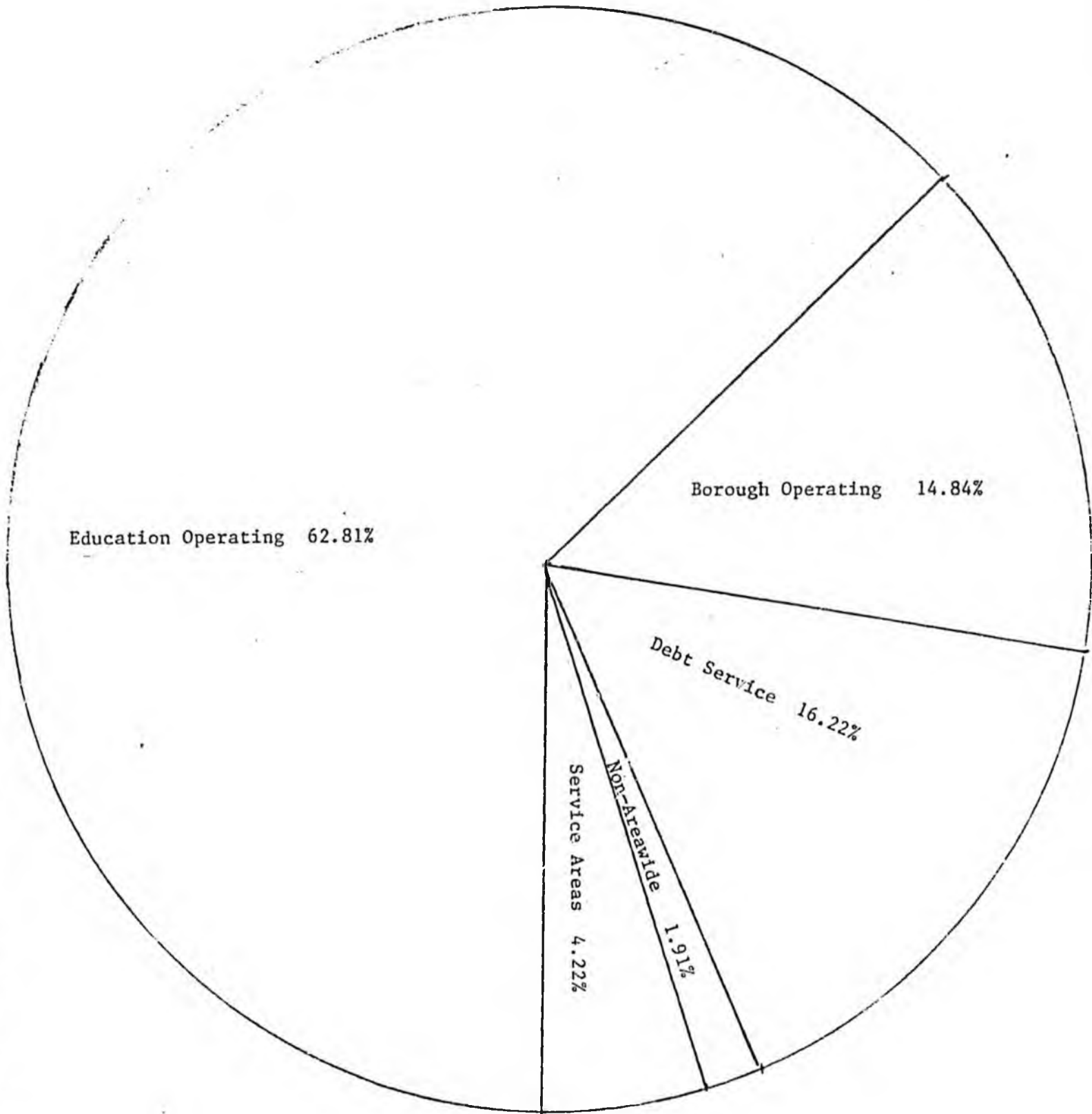


Gary Thurlow
Borough Manager

GT/clm

BUDGETED EXPENDITURES

FISCAL YEAR 1983



Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

March 2, 1983

to: House HESS Committee
from: Ginny Chitwood, AML Executive Director G.C.
re: HB 137 - School Debt Supplemental Funding

The Alaska Municipal League supports HB 137 - Supplemental Appropriation for State Aid for the Retirement of School Construction Debt.

Several years ago the Legislature developed this program to reduce the inequities between the REAA's, where the state pays 100% of school construction costs and the municipal school districts, where the local taxpayers were footing the bill. The original program provided for a 80% reimbursement on a two-year time delay. Over the years, changes have been made, including giving the Department of Education plan approval authority and raising the percentage of reimbursement to 100% for payments on debt issued before July 1, 1977.

Last session, two other changes were made to the program. In order to partially alleviate the cash flow problems in rapidly growing areas that were caused by the two-year time delay in reimbursements, the program was modified last year to phase in a current year reimbursement program, providing for current year reimbursements of payments on debt issued after December 31, 1981. The other change made last year raised the percentage of reimbursement from 80% to 90% on debt issued after July 1, 1977.

The shortfall in FY 83 funding for this program was the result of two factors: incorrect application of tobacco tax receipts to this program and underestimation of the funding requirements for the current year reimbursement program. These problems should not reoccur because the tobacco tax issue has been clarified and the bugs should be worked out implementing the new section of the program.

MEMORANDUM

State of Alaska

TO: Members, State Board of Education

DATE: December 30, 1982

FILE NO: 83-89.2

TELEPHONE NO: 465-2800

FROM: 
Office of the Commissioner

SUBJECT: FY 83 Debt Retirement
Supplemental Request for post
December 31, 1981 Indebtedness

ABSTRACT

Funds appropriated by the last legislature are insufficient to cover all claims for reimbursement under AS 43.16.100(a)(4), (current year reimbursement of school construction debt retirement payments).

ISSUE

Last year the legislature enacted legislation, (Chapter 92, SLA 1982), which provided for reimbursement to municipalities for school construction debt retirement payments in the same year in which they are made, rather than two years after they are made. The appropriation, based on the Alaska Municipal League estimate of FY 83 claims under this new program, was \$13,466.4. Actual claims total \$18,988.4, leaving the account (\$5,522.0) short.

COMMISSIONER'S RECOMMENDATION

It is recommended that the Board concur with this request.

7-6

Chp. 92 51A 82
(HB 279)

State and for school construction
diff retirement.

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1	11934	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134
2	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
3	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
4	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
5	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
6	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
7	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
8	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
9	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
10	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
11	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
12	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
13	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
14	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
15	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
16	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
17	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
18	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
19	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
20	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
21	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
22	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
23	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
24	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
25	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
26	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
27	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
28	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
29	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134
30	8371	4924	12444	652	1144.5	4559719	4103727	2910335	2910222	19134	19134

Total

21098354 18928428 13446400 4483924

\$ 5,522,100

Difference in amounts

Grand Total 70,9190 Paid

100% 50% @ 70,9190

MEMORANDUM

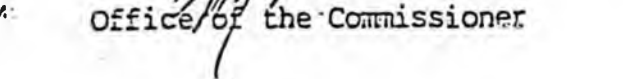
State of Alaska

TO: Members, State Board of Education

DATE: December 30, 1982

FILE NO: 83-89.1

TELEPHONE NO: 465-2800

FROM: 
Office of the Commissioner

SUBJECT: FY 83 Debt Retirement
Supplemental Request for pre
December 31, 1981 Indebtedness

ABSTRACT

Funds appropriated by the last legislature are insufficient to cover all claims for reimbursement under AS 43.18.100 (school construction debt retirement payments).

ISSUE

The department requested \$44,103.3 for FY 83 debt retirement reimbursement claims under AS 43.18.100(a)(1)-(3), the two year lag reimbursement program. The legislature appropriated 36,203.3, assuming that that amount, in conjunction with the \$7,000.0 appropriated in the Cigarette Tax category, would comprise a total sufficient to meet all claims. Actual claims for reimbursement for FY 83 total \$43,781.0, and since the Cigarette Tax appropriation must be separate from the debt retirement appropriation, the debt retirement appropriation is \$7,577.7 short.

BACKGROUND AND/OR PERTINENT INFORMATION

Because Cigarette Tax revenues are dedicated for school rehabilitation and renovation projects, there is a tendency to confuse them with school construction debt service payments reimbursement. However, debt retirement reimbursement is made on the basis of claims for payment, and Cigarette Tax revenues are disbursed on an entitlement basis, e.g., not every city and borough district has bonds eligible for debt retirement reimbursement, but all city and borough districts are entitled to receive Cigarette Tax payments. Therefore, the two appropriations must be distributed separately. Because of this distinction, only the actual appropriation for debt retirement could be used to pay the claims for reimbursement leaving a shortfall of 7,577.7 in that account.

COMMISSIONER'S RECOMMENDATION

It is recommended that the Board concur with this request. 25

Sample - Retirement

STATE OF ALASKA
DEPARTMENT OF EDUCATION
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT
1982-83

Difference (shortfall)
7,577,662

(1) + (3) + (5) = (6) - (7) = (8) - (9)

1 District	Debt Service at 100% Prior 7-1-77	Debt Service at 100% After 7-1-77	90% of Debt Service	Cash Payments 1980-81	90% of Cash Payment	Debt Service Plus Cash Payment	Leas Cig. Tax FY 80-81	Total Entitlement Due	Prorated @32.6919%
Age	10,978,437	1,595,620	1,436,058	319,027	287,124	12,701,619	855,623	11,845,996	9,795,671
ol Bay	-0-	320,071	288,064	-0-	-0-	288,064	10,449	277,615	229,561
va	120,528	-0-	-0-	-0-	-0-	120,528	17,693	102,835	85,031
	-0-	-0-	-0-	-0-	-0-	-0-	9,494	-0-	-0-
ingham	-0-	-0-	-0-	377,929	340,136	340,136	16,323	323,813	267,761
anks	4,663,659	-0-	-0-	-0-	-0-	4,663,659	240,689	4,422,970	3,657,431
n	-0-	-0-	-0-	58,766	52,889	52,889	9,420	43,469	35,941
s	95,106	-0-	-0-	-0-	-0-	95,106	16,561	78,545	64,950
h	-0-	-0-	-0-	-0-	-0-	-0-	11,480	-0-	-0-
arg	-0-	-0-	-0-	-0-	-0-	-0-	6,451	-0-	-0-
u	774,901	-0-	-0-	-0-	-0-	774,901	108,394	666,507	551,141
	-0-	-0-	-0-	-0-	-0-	-0-	10,047	-0-	-0-
	2,550,949	2,604,449	2,344,004	923,757	831,381	5,726,334	164,826	5,561,508	4,598,911
ikan	521,722	-0-	-0-	218,513	196,662	718,384	71,198	647,186	535,161
cove	-0-	-0-	-0-	-0-	-0-	-0-	8,174	-0-	-0-
ck	-0-	-0-	-0-	-0-	-0-	-0-	5,793	-0-	-0-
k	433,521	-0-	-0-	99,863	89,877	523,398	65,784	457,614	378,401
u	2,783,850	1,577,127	1,419,414	-0-	-0-	4,203,264	125,290	4,077,974	3,372,154
	21,980	-0-	-0-	-0-	-0-	21,980	10,547	11,433	9,454
	-0-	-0-	-0-	60,000	54,000	54,000	28,441	25,559	21,131
Slope	7,656,975	3,508,038	3,157,234	-0-	-0-	10,814,209	47,123	10,767,086	8,903,507
nn	-0-	-0-	-0-	-0-	-0-	-0-	4,779	-0-	-0-
burg	495,114	-0-	-0-	142,089	127,800	622,994	20,322	602,672	498,360
Point	-0-	-0-	-0-	-0-	-0-	-0-	7,684	-0-	-0-
	436,950	-0-	-0-	388,560	349,704	786,654	50,873	735,781	608,431
	34,906	-0-	-0-	-0-	-0-	34,906	9,164	25,742	21,286
's	-0-	-0-	-0-	-0-	-0-	-0-	8,424	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-	-0	-0-	-0-
ka	-0-	-0-	-0-	-0-	-0-	-0-	9,145	-0-	-0-
z	1,474,175	1,670,546	1,503,491	94,574	85,117	3,062,783	27,425	3,035,358	2,509,995
oll	-0-	98,233	88,410	-0-	-0-	88,410	17,111	71,299	58,958
ut	-0-	-0-	-0-	-0-	-0-	-0-	8,473	-0-	-0-
S	33,042,773	11,374,084	10,236,675	2,683,078	2,414,770	45,694,218	2,003,200	43,780,962	36,203,300

entitlement

pymts. made

90% of actual pymt.

cash pymt

90% of pymt

(9)

FY-83

HB-137 DISTRIBUTION

	<u>Pre 12-31-81</u>	<u>Post 12-31-81</u>	<u>Total</u>
Anchorage	2,050,317	1,193,412	3,243,729
Bristol Bay	48,050	-0-	48,050
Cordova	17,799	-0-	17,799
Craig	-0-	-0-	-0-
Dillingham	56,046	-0-	56,046
Fairbanks	765,533	837,075	1,602,608
Galena	7,524	-0-	7,524
Haines	13,595	-0-	13,595
Hoonah	-0-	-0-	-0-
Hydaburg	-0-	-0-	-0-
Juneau	115,350	492,411	607,771
Kake	-0-	-0-	-0-
Kenai	962,592	1,244,420	2,207,012
Ketchikan	112,017	-0-	112,017
King Cove	-0-	-0-	-0-
Klawock	-0-	-0-	-0-
Kodiak	79,205	-0-	-0-
Mat-Su	705,820	605,249	1,311,069
Nenana	1,979	-0-	1,979
Nome	4,424	-0-	4,424
North Slope	1,863,579	1,149,461	3,013,040
Pelican	-0-	-0-	-0-
Petersburg	104,312	-0-	104,312
Sand Point	-0-	-0-	-0-
Sitka	127,350	-0-	127,350
Skagway	4,456	-0-	4,456
St. Mary's	-0-	-0-	-0-
Tanana	-0-	-0-	-0-
Unalaska	-0-	-0-	-0-
Valdez	525,363	-0-	525,363
Wrangell	12,341	-0-	12,341
Yakutat	-0-	-0-	-0-
TOTAL	7,577,662	5,522,028	13,099,690

↓
 Shortfall from
 unavailability of
 cig. tax revenues

↓
 FY83 estimate
 was 13,466,4 -
 actual was
 18,988 = difference
 of 5.522.

(Claims for debt)
 Retirement

↓
 Total Request
 HB 137 = 13.1 mill

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB-137
 Title An Act making a supplemental appropriation to the
 Requested by House HESS Date 2/8/83

II. FISCAL DETAIL

Agency Affected Education
 Program Category Affected Elementary and Secondary
 BRU, Program, Or Subprogram(s) Affected Debt Retirement, Local
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	13,100.0					
TOTAL	13,100.0					

FUNDING (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND	13,100.0					
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

N/A

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 2/8/83 PREPARED BY Steve Hole
 AGENCY Education
 Original: Legislative Finance PHONE 465-2865
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

SELECT - QUERY

00001 ALL SECTION EQ 43.18.100

AS43.18.100 DOCUMENT# 1 OF 1

CHAPTER = 43.18
SECTION = 43.18.100
TITLE = 43

HEADINGS TITLE 43.
REVENUE AND TAXATION.
CHAPTER 18.
STATE AID TO LOCAL GOVERNMENTS.
ARTICLE 2.
AID FOR SCHOOL CONSTRUCTION.

CITATION SEC. 43.18.100.

CATCH LINE

STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT.

TEXT

(A) DURING EACH FISCAL YEAR, THE STATE SHALL ALLOCATE TO A MUNICIPALITY THAT IS A SCHOOL DISTRICT, THE FOLLOWING SUMS:

(1) PAYMENTS MADE BY THE MUNICIPALITY DURING THE FISCAL YEAR TWO YEARS EARLIER FOR THE RETIREMENT OF PRINCIPAL AND INTEREST ON OUTSTANDING BONDS, NOTES OR OTHER INDEBTEDNESS INCURRED BEFORE JULY 1, 1977 TO PAY COSTS OF SCHOOL CONSTRUCTION;

(2) 90 PERCENT OF

(A) PAYMENTS MADE BY THE MUNICIPALITY DURING THE FISCAL YEAR TWO YEARS EARLIER FOR THE RETIREMENT OF PRINCIPAL AND INTEREST ON OUTSTANDING BONDS, NOTES OR OTHER INDEBTEDNESS INCURRED AFTER JUNE 30, 1977 AND BEFORE JULY 1, 1978 TO PAY COSTS OF SCHOOL CONSTRUCTION;

(B) CASH PAYMENTS MADE AFTER JUNE 30, 1976 AND BEFORE JULY 1, 1978 BY THE MUNICIPALITY DURING THE FISCAL YEAR TWO YEARS EARLIER TO PAY COSTS OF SCHOOL CONSTRUCTION;

(3) 90 PERCENT OF

(A) PAYMENTS MADE BY THE MUNICIPALITY DURING THE FISCAL YEAR TWO YEARS EARLIER FOR THE RETIREMENT OF PRINCIPAL AND INTEREST ON OUTSTANDING BONDS, NOTES OR OTHER INDEBTEDNESS INCURRED AFTER JUNE 30, 1978 AND BEFORE JANUARY 1, 1982 TO PAY COSTS OF SCHOOL CONSTRUCTION PROJECTS APPROVED UNDER AS 14.07.020(11);

(B) CASH PAYMENTS MADE AFTER JUNE 30, 1978 AND BEFORE JULY 1, 1982 BY THE MUNICIPALITY DURING THE FISCAL YEAR TWO YEARS EARLIER TO PAY COSTS OF SCHOOL CONSTRUCTION PROJECTS APPROVED UNDER AS 14.07.020(11);

(4) SUBJECT TO (H) AND (I) OF THIS SECTION 90 PERCENT

OF

(A) PAYMENTS MADE BY THE MUNICIPALITY DURING THE CURRENT FISCAL YEAR FOR THE RETIREMENT OF PRINCIPAL AND INTEREST ON OUTSTANDING BONDS, NOTES OR OTHER INDEBTEDNESS INCURRED AFTER DECEMBER 31, 1981 TO PAY COSTS OF SCHOOL CONSTRUCTION, ADDITIONS TO SCHOOLS, AND MAJOR REHABILITATION PROJECTS THAT EXCEED \$25,000 AND ARE APPROVED UNDER AS 14.07.020(11); AND

(B) CASH PAYMENTS MADE AFTER JUNE 30, 1982 BY THE MUNICIPALITY DURING THE FISCAL YEAR TWO YEARS EARLIER TO

PAY COSTS OF SCHOOL CONSTRUCTION, ADDITIONS TO SCHOOLS, AND MAJOR REHABILITATION PROJECTS THAT EXCEED \$25,000 AND ARE APPROVED UNDER AS 14.07.020(11).

(B) THE COMMISSIONER SHALL ADMINISTER THE PROGRAM OF REIMBURSEMENT AUTHORIZED UNDER THIS SECTION AND SHALL PROVIDE BY REGULATION FOR THE FILING OF APPLICATIONS FOR REIMBURSEMENT, THE FORM OF PROOF OF COSTS FOR WHICH APPLICATION FOR REIMBURSEMENT IS MADE, AND OTHER REGULATIONS NECESSARY TO ADMINISTER THE PROGRAM. THE COMMISSIONER SHALL EXCLUDE FROM THE TOTAL SCHOOL CONSTRUCTION COST OF THE LOCAL DISTRICT ALL STATE AND FEDERAL FUNDS INCLUDED IN THESE COSTS EXCEPT FUNDS PROVIDED UNDER THIS SECTION AND AS 43.50.140. IN APPROVING APPLICATIONS FOR REIMBURSEMENT, THE COMMISSIONER SHALL

(1) OFFSET AGAINST THE AMOUNT OF REIMBURSEMENT AUTHORIZED THE AMOUNT OF ANY FUNDS DISTRIBUTED TO THE BOROUGH OR CITY IN THE SECOND PRECEDING FISCAL YEAR FROM THE SCHOOL FUND PROVIDED FOR IN AS 43.50.140;

(2) REPEALED BY SEC. 10 CH 92 SLA 1982.

(C) THE SCHOOL CONSTRUCTION ACCOUNT IS ESTABLISHED. FUNDS TO CARRY OUT THE PROVISIONS OF THIS SECTION MAY BE APPROPRIATED ANNUALLY BY THE LEGISLATURE TO THE ACCOUNT. IF AMOUNTS IN THE ACCOUNT ARE INSUFFICIENT FOR THE PURPOSE OF PROVIDING THE SHARE TO WHICH A BOROUGH OR CITY IS ENTITLED UNDER THIS SECTION, THOSE FUNDS THAT ARE AVAILABLE SHALL BE DISTRIBUTED PRO RATA AMONG THE ELIGIBLE LOCAL GOVERNMENTS.

(D) MONEY IN THE SCHOOL CONSTRUCTION ACCOUNT WHICH, AT THE END OF THE FISCAL YEAR FOR WHICH THE MONEY IS APPROPRIATED, EXCEEDS THE AMOUNT REQUIRED FOR THE ALLOCATIONS AUTHORIZED IN THIS SECTION REVERTS TO THE GENERAL FUND.

(E) THE COMMISSIONER SHALL ANNUALLY PROVIDE A REPORT TO THE LEGISLATURE ON ALLOCATIONS OF STATE AID MADE UNDER THIS SECTION, INCLUDING BUT NOT LIMITED TO, THE AMOUNT OF STATE AID PAID ON A PER CAPITA AND PER STUDENT BASIS AND THE RESULTANT EFFECT ON THE RATE OF LEVY OF TAXES BY THE MUNICIPALITY FOR EDUCATIONAL PURPOSES.

(F) REPEALED BY SEC. 17 CH 147 SLA 1978.

(G) IN THIS SECTION, UNLESS THE CONTEXT REQUIRES OTHERWISE,

(1) "COMMISSIONER" MEANS THE COMMISSIONER OF EDUCATION;

(2) "COSTS OF SCHOOL CONSTRUCTION" MEANS THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, REPAIRING, REMODELING, EQUIPPING OR FURNISHING OF PUBLIC ELEMENTARY AND SECONDARY SCHOOL BUILDINGS AND INCLUDES THE SUM TOTAL OF ALL COSTS OF FINANCING AND CARRYING OUT THE PROJECT; THESE INCLUDE, BUT ARE NOT LIMITED TO, THE COSTS OF ALL NECESSARY STUDIES, SURVEYS, PLANS AND SPECIFICATIONS, ARCHITECTURAL, ENGINEERING OR OTHER SPECIAL SERVICES, ACQUISITION OF REAL PROPERTY, SITE PREPARATION AND DEVELOPMENT, PURCHASE, CONSTRUCTION, RECONSTRUCTION AND IMPROVEMENT OF REAL PROPERTY AND THE ACQUISITION OF MACHINERY AND EQUIPMENT AS MAY BE NECESSARY IN CONNECTION WITH THE PROJECT, AN ALLOCABLE PORTION OF THE ADMINISTRATIVE AND OPERATING EXPENSES OF THE GRANTEE, THE COST OF FINANCING THE PROJECT, INCLUDING INTEREST ON BONDS ISSUED TO FINANCE THE PROJECT; AND THE COST OF OTHER ITEMS, INCLUDING ANY INDEMNITY AND SURETY BONDS AND PREMIUMS ON INSURANCE, LEGAL FEES, FEES AND EXPENSES OF TRUSTEES, DEPOSITARIES, FINANCIAL ADVISORS, AND PAYING AGENTS FOR THE

BONDS ISSUED AS THE ISSUER CONSIDERS NECESSARY.

(H) AN ALLOCATION UNDER (A)(4) OF THIS SECTION FOR SCHOOL CONSTRUCTION BEGUN AFTER JULY 1, 1982, SHALL BE REDUCED BY THE AMOUNT OF MONEY USED FOR THE CONSTRUCTION OF RESIDENTIAL SPACE, HOCKEY RINKS, PLANETARIUMS, SAUNAS, AND OTHER FACILITIES FOR SINGLE PURPOSE SPORTING OR RECREATIONAL USES THAT ARE NOT SUITABLE FOR OTHER ACTIVITIES. AN ALLOCATION UNDER (A)(4) OF THIS SECTION MAY NOT BE REDUCED BY THE AMOUNT OF MONEY USED FOR CONSTRUCTION OF A SMALL SWIMMING POOL, TANK, OR WATER STORAGE FACILITY USED FOR WATER SPORTS. HOWEVER, AN ALLOCATION SHALL BE REDUCED BY THE DIFFERENCE BETWEEN THE AMOUNT OF MONEY USED TO CONSTRUCT A SWIMMING POOL THAT IS COMPETITION SIZE OR LARGER AND THE AMOUNT OF MONEY THAT WOULD HAVE BEEN USED TO CONSTRUCT A SMALL SWIMMING POOL, TANK, OR WATER STORAGE FACILITY, AS DETERMINED BY THE COMMISSIONER.

(I) FOR THE PURPOSES OF (A)(4) OF THIS SECTION

(1) AN INDEBTEDNESS FOR BONDS IS INCURRED AFTER THE BONDS ARE SOLD;

(2) REIMBURSEMENT FOR A CASH PAYMENT MAY ONLY BE MADE AFTER THE PAYMENT IS MADE TO A VENDOR; AND

(3) PAYMENTS MAY NOT BE MADE FOR COSTS THAT ARE INCURRED UNDER A CONTRACT AFTER THE CONTRACT HAS BEEN RELEASED.

HISTORY (SEC. 1 CH 249 SLA 1970; AM SEC. 1 CH 93 SLA 1971; AM SEC. 2 CH 137 SLA 1972; AM SEC. 1 CH 28 SLA 1973; AM SEC. 47 CH 127 SLA 1974; AM SECS. 1 - 3 CH 120 SLA 1977; AM SECS. 12, 17 CH 147 SLA 1978; AM SEC. 25 CH 168 SLA 1978; AM SECS. 8 - 10 CH 92 SLA 1982)

R0601 * END) OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

Linda please send a message to the Finance with HB 137 & indicate there is a potential problem that I foresee & that is accelerated rate payback of indebtedness
i.e. — Presently the payback may range from 10-20 years. There is a trend for a shorter payback schedule like 3-6 years, which may increase the problem we are addressing ~~by~~ⁱⁿ HB 137. I hasten to point out that interest ~~payments~~ payments would drop significantly & would therefore save money but that short payback schedule would require larger funds in shorter period of time.

Do you want this to go as a letter of intent — if so — the committee must vote on it. no, just a regular memo to al. as a comment of concern.

MEMORANDUM

TO: Rep. Al Adams, Chairman
House Finance Committee

DATE: March 3, 1983

FROM: Rep. Mae Tischer, Co-Chairperson
House HESS Committee

RE: HB 137

The House HESS Committee has passed out HB 137 with a do pass recommendation. During the discussion in regard to the supplemental appropriation for state aid for the retirement of school construction debt, the Committee focused briefly on the concern of a potential problem in the accelerated rate of reimbursements for indebtedness annually. Presently the payback may range from 10 to 20 years. There is a trend for a shorter payback schedule, possibly 3 to 6 years, which may increase the problem we are attempting to resolve in HB 137. I hasten to point out that interest payments would drop significantly and would therefore save money. However, the same short payback schedule would require larger appropriations in a shorter period of time.

March 2, 1982

Marilyn Simmick - Kenai BORO - endorses passage
shortfall will cost 1.3 mill
2% sales tax for opr. costs of school budget

Rep Larsen - 14 B Dist. Correcting deficiency in approp
bill of last year

① disparity - org & unorg areas of state

② Responsibility @ local level

③ Continues shortfalls of HB 73

④ Pre 1978 - 80-20 / Post 1978 90-10

Bill Allen - Ft. Belknap Bor. Mayor - Supp would help
protect bond rating.

Harry Case - Pres. AMU - Rep. Mayor of Juneau & Chair
of June Finance Comm.

① Mill levy - 5.2 / not included debt service @ 3.4 mills

② HB 137 = $\frac{3}{4}$ of a mill rate to June

③ Debt Service - 82-745,900 / 83-2,800 / 84-5,290,

④ Sell bonds in excess of 22 mill -

⑤ May reciv 8% interest rate

Vern Roberts - Finance - Mat - Su

AMH - G. Chitwood - last yr. legis intent = fully funded. Mistakes ① tobacco tax
② estimates vs. actuals

Steve Hole - DOE

Craig - Klawock - const w/ direct state approp - no local debt incurred

Pyments - July 77-78 - after 78 - dept reqs & act amended

① sq. footage & kinds of facilities -

Chp 93 - ① Excludes rocky units w/le ranges - sq ft purpose types of space

AMH - G. Chitwood - Bill asked ques - pro-ration of avail funds - less able to retire debts - may plans to deal with future lack of funding for debt retirement

- Davis - move bill out -

- Discussion - Larsen - \$8mil for supp approp -

Consti mandate to fund education

① local munis need to know forward funding
② Organized & Unorganized areas of state

- Davis - move out w/ind rec.

Alaska MUNICIPAL League

TELEPHONES
907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

March 2, 1983

to: House HESS Committee
from: Ginny Chitwood, AML Executive Director *G.C.*
re: HB 137 - School Debt Supplemental Funding

The Alaska Municipal League supports HB 137 - Supplemental Appropriation for State Aid for the Retirement of School Construction Debt.

Several years ago the Legislature developed this program to reduce the inequities between the REAA's, where the state pays 100% of school construction costs and the municipal school districts, where the local taxpayers were footing the bill. The original program provided for a 80% reimbursement on a two-year time delay. Over the years, changes have been made, including giving the Department of Education plan approval authority and raising the percentage of reimbursement to 100% for payments on debt issued before July 1, 1977.

Last session, two other changes were made to the program. In order to partially alleviate the cash flow problems in rapidly growing areas that were caused by the two-year time delay in reimbursements, the program was modified last year to phase in a current year reimbursement program, providing for current year reimbursements of payments on debt issued after December 31, 1981. The other change made last year raised the percentage of reimbursement from 80% to 90% on debt issued after July 1, 1977.

The shortfall in FY 83 funding for this program was the result of two factors: incorrect application of tobacco tax receipts to this program and underestimation of the funding requirements for the current year reimbursement program. These problems should not reoccur because the tobacco tax issue has been clarified and the bugs should be worked out implementing the new section of the program.

FEB 28 1983



Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-4801

DEPARTMENT OF ADMINISTRATION

February 24, 1983

Mae Tischer, Chairman
House Committee on Health & Social Services
Pouch V
Juneau, AK 99811

RE: HB 137 Supplemental Appropriation for School Debt
Reimbursement

Dear Ms. Tischer:

I appreciate the opportunity to spend time with you on HB 137 providing for a supplemental appropriation for debt reimbursement. Would you share this letter with the members of your committee.

The Matanuska-Susitna Borough will have a school bond election on April 12, 1983 for a \$20 million bond issue for construction of a new elementary school north and west of Wasilla and for renovation of the Palmer Junior High School, which was constructed in 1954.

We want to tell the voters how much this bond issue will cost them assuming that they have a \$100,000 house, assuming a 10 or 20 year term, assuming present day interest rates, and assuming State reimbursement of school debt principal and interest at 90% as provided in HB 279, passed by the last session of the Legislature.

We believe that the voters are entitled to know how much the State will be paying for construction of schools in organized school districts and how much local taxpayers will be paying. We have always given voters this type of information with the expectation that it could be relied upon and, up until this last year, we have given voters information upon the basis of which they could make an informed choice. We thought we gave the voters reliable information on the last bond issue of about \$15 million, but as it turned out we were pretty far off.

There was a sudden unexpected and unprecedented change in State policy toward school construction for this current fiscal year, which I think was based upon mistaken projections of school debt reimbursement requirements. The effect of this short-funding with respect to the recently incurred \$15 million of school bonded indebtedness is \$605,249 and the effect on previously incurred debt is \$705,820 for a total shortfall of \$1,311,069. The new debt, which will cause an unexpected increase in mill levy of about .6 mills, was funded at approximately 60% instead of the statutory 90%, and the old debt was funded at about 70% instead of the statutory 80%. The total effect of the short-funding on

our mill levy is approximately 1.3 mills since 1 mill raises about one million dollars in this Borough. Our current areawide mill levy is 4.9 so an unexpected 1.3 mill increase due to shortfunding affects our mill levy by about 25%.

I think that we were honest and reasonable in telling the voters what to expect when the last bond issue was put to a vote. I have been familiar with a history of state support for education going back into territorial days. Even though new State programs and other State programs have been phased out or reduced, there has been a consistency of support for education among the territorial legislatures and the State legislatures which I think we can be very proud of. I have seen the number of Anchorage schools increase from four in 1951 to 64 today, with very little double shifting over the years. In this Borough, we are going to have to build an average of about 1.5 schools a year if we are going to continue to see an 800 plus increase in students per year. We don't want to complain about the rapid increase in population in students that we have been experiencing. We want to solve these problems of growth in a responsible and consistent manner and we want to know what the ground rules are. We have not asked for 100% financing of new school buildings, because we are willing to shoulder a portion of the burden ourselves. So we are not asking for special treatment, or, for that matter, even treatment equal to that received by those who obtain 100% financing of new schools. We are asking for consistency and predictability in State school financing and believe that this ought to be a bedrock of State fiscal policy.

So, we do believe that HB 137 is a bill that fiscal conservatives ought to support as a matter of principle. We want to make good on our word because we think property taxpayers are entitled to accurate information.

I hope that the State HESS Committee will report out the bill with a strong and unanimous yes vote. Please let me know if you will have a teleconference on the bill.

Sincerely,

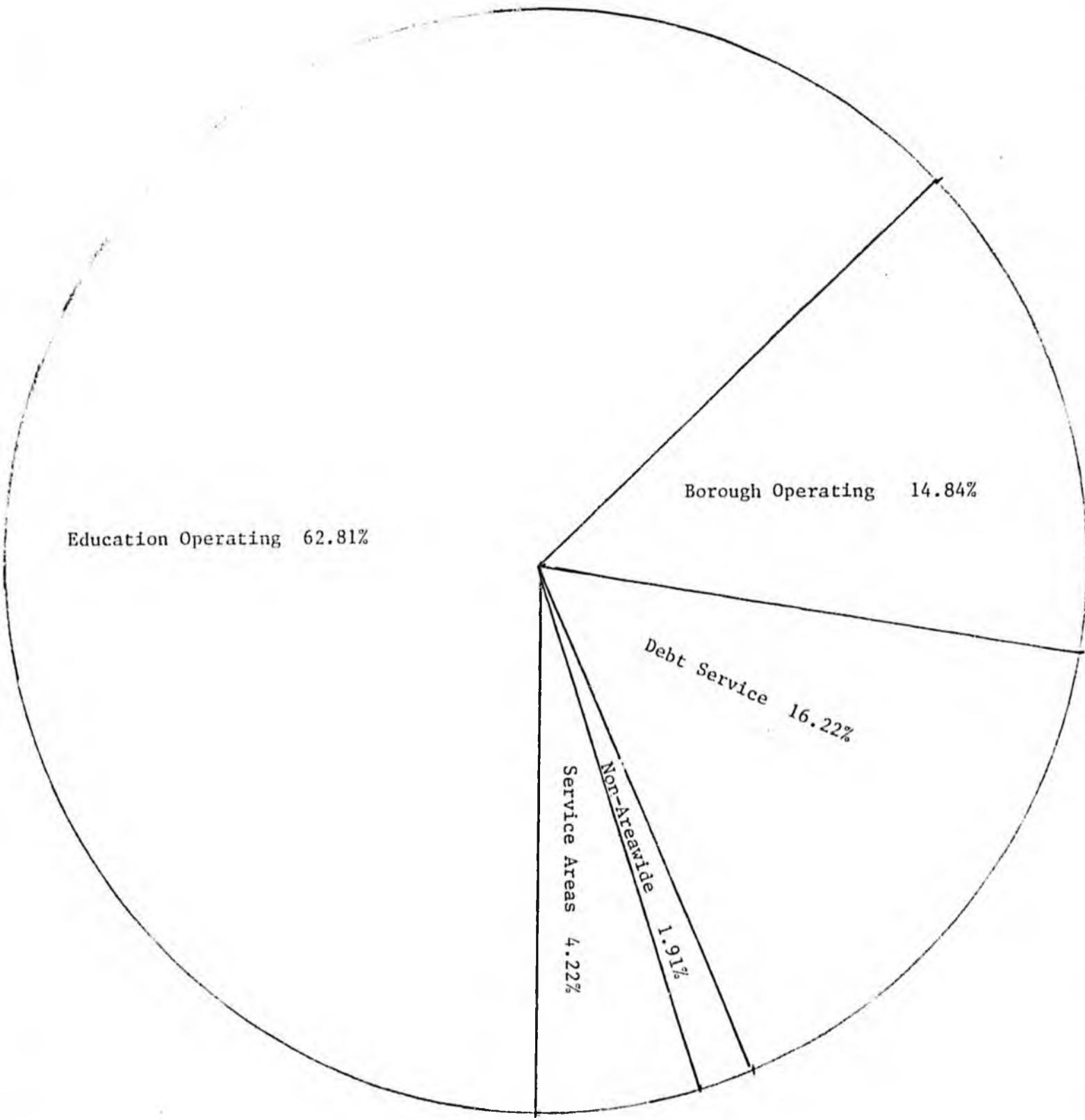


Gary Thurlow
Borough Manager

GT/clm

BUDGETED EXPENDITURES

FISCAL YEAR 1983



MEMORANDUM

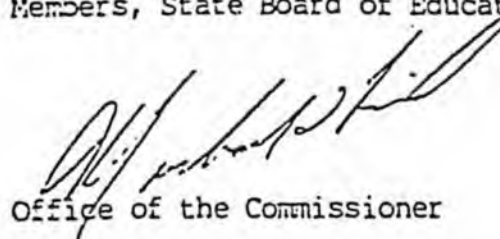
State of Alaska

TO: Members, State Board of Education

DATE: December 30, 1982

FILE NO: 83-89.2

TELEPHONE NO: 465-2800

FROM: 
Office of the Commissioner

SUBJECT: FY 83 Debt Retirement
Supplemental Request for post
December 31, 1981 Indebtedness

ABSTRACT

Funds appropriated by the last legislature are insufficient to cover all claims for reimbursement under AS 43.16.100(a)(4), (current year reimbursement of school construction debt retirement payments).

ISSUE

Last year the legislature enacted legislation, (Chapter 92, SLA 1982), which provided for reimbursement to municipalities for school construction debt retirement payments in the same year in which they are made, rather than two years after they are made. The appropriation, based on the Alaska Municipal League estimate of FY 83 claims under this new program, was \$13,466.4. Actual claims total \$18,986.4, leaving the account (\$5,522.0) short.

COMMISSIONER'S RECOMMENDATION

It is recommended that the Board concur with this request.

76

	13,466,400	100 970	70 90	Original @ 70.9190		Differential in thousands
				Paid	Paid	
Anchorage	4559719	4103747	2910335	2910335		119.34
Fairbanks	3198250	2878425	2041350			837.1
Juneau	1881375	1693237	1200826			492.4
H. S. ...	4754612	4279151	3024731	901010		1244.4
Mat-l	2312500	2081250	1476001	622578		605.2
North Slope	4391798	3952618	2803157			1149.5
						<u>\$5,522,000</u>
Totals	21098254	18988428	13466400	4483924		

State aid for school construction
debt retirement.

Chp. 92 SLA 82
(HB 279)

MEMORANDUM

State of Alaska

TO: Members, State Board of Education

DATE: December 30, 1982

FILE NO: 83-89.1

TELEPHONE NO: 465-2800

FROM: Office of the Commissioner

SUBJECT: FY 83 Debt Retirement
Supplemental Request for pre
December 31, 1981 Indebtedness

ABSTRACT

Funds appropriated by the last legislature are insufficient to cover all claims for reimbursement under AS 43.18.100 (school construction debt retirement payments).

ISSUE

The department requested \$44,103.3 for FY 83 debt retirement reimbursement claims under AS 43.18.100(a)(1)-(3), the two year lag reimbursement program. The legislature appropriated 36,203.3, assuming that that amount, in conjunction with the \$7,000.0 appropriated in the Cigarette Tax category, would comprise a total sufficient to meet all claims. Actual claims for reimbursement for FY 83 total \$43,781.0, and since the Cigarette Tax appropriation must be separate from the debt retirement appropriation, the debt retirement appropriation is \$7,577.7 short.

BACKGROUND AND/OR PERTINENT INFORMATION

Because Cigarette Tax revenues are dedicated for school rehabilitation and renovation projects, there is a tendency to confuse them with school construction debt service payments reimbursement. However, debt retirement reimbursement is made on the basis of claims for payment, and Cigarette Tax revenues are disbursed on an entitlement basis, e.g., not every city and borough district has bonds eligible for debt retirement reimbursement, but all city and borough districts are entitled to receive Cigarette Tax payments. Therefore, the two appropriations must be distributed separately. Because of this distinction, only the actual appropriation for debt retirement could be used to pay the claims for reimbursement leaving a shortfall of 7,577.7 in that account.

COMMISSIONER'S RECOMMENDATION

It is recommended that the Board concur with this request. 25

file

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB-137
 Title An Act making a supplemental appropriation to the
 Requested by House HESS Date 2/8/83

II. FISCAL DETAIL

Agency Affected Education
 Program Category Affected Elementary and Secondary
 BRU, Program, Or Subprogram(s) Affected Debt Retirement, Local
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	13,100.0					
TOTAL	13,100.0					

FUNDING (Thousands of Dollars)

GENERAL FUND	13,100.0					
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

N/A

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 2/8/83 PREPARED BY Steve Hole *Steve Hole*

AGENCY Education

PHONE 465-2865

Original: Legislative Finance
 cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82) 

HB 279 - removed 2 yr. lag
 raised school debt retirement to 90%

Shortfalls

- cig tax - (2 memos from DOE)

dedicated funds that go to school debt retirement & construction costs - last year Finance used this \$ for something else?

① - Position Paper from G. Chitwood

② - Copy 43.18.100 (a) (4) (1-3)

③ - Copy Chp. 92 SLA 82 - provided for reim to munis for school const - debt retirement, in some years - rather than 2 yr. lag to 90% - post 81?

④ - Find out intentions of Legis. Finance last year - in regard to Chp 92 SLA 82 -

44800 36,140
 43.50.100
 43.18.100
 only dedicated tax

⑤ - legal opinion - division of debt retirement paybacks & dedicated cig tax distribution. (Revenue)
 - Can the Cig Tax be used for debt retirement -

⑥ - Shortfall - \$5,522.0 based on claims appropriated 36,203.3 for FY83
 43,780 - claims for reimbursement
 7,583 - short approx for 83.
 why mis-calculation? ← 5,522 - diff of League est & actuals
 \$13,105 - supp bill.

⑦ Bond Bank - prospective on bonding ationis

⑧

F-1-85

Distribution

Post 12-31-81

H B - 137

2050317

Pre 12-31-81

1193412

3243729

Bristol Bay

48,050

48,050

Cardona

17,799

17,799

Gray

Dillingham

56,046

56,046

Fourbucka

765,533

837,075

1,602,608

Galena

7,524

7,524

Hanna

13,595

13,595

Hoornik

Hydaburg

Ivanom

115,360

492,411

607,771

Kake

Kemur

Ketchikan

112,017

112,017

Kung Cur

Klawock

Kodiak

79,205

Mat-Su

205,920

605,249

1,311,069

Nemona

1,979

1,979

Nome

4,424

4,424

North Slope

1,863,579

1,149,461

3,013,040

Pelican

Petersburg

Sand Point

Sitka

Skagway

St. Mary's

Town and

127,350

127,350

104,312

104,312

4,456

4,456

Total

Valdez	525,363	-	525,363
Wrangell	12,341	-	12,341
Yakutat	-	-	-
Total	7,577,662	552,2028	13,099,690