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SENATE FINANCE COMMITTEE

May 21, 1982

9:05 a.m.

SFC-82 #33, Side 1 (573-end)
 SFC-82 #33, Side 2 (000-411)

CALL TO ORDER

Co-chairman Ed Dankworth convened the meeting at approximately 9:05 a.m.

PRESENT

All committee members were present with the exception of Senators Eliason and Ferguson. Also attending were Senators Kerttula and Gilman; Allen Korhonen, Deputy Commissioner of Health & Social Services; Steve Hole, representing the Dept. of Education; John Autes, Deputy Commissioner of Dept. of Transportation; Ginny Chitwood, representing the Alaska Municipal League; Lee Sharp, Attorney for the City and Borough of Juneau; Bill Miles, representing the Anchorage School District; Fiscal Analyst Alison Fieger; and administrative assistant to Senate Finance Judy Johnston.

ROLL CALL

Co-chairman Dankworth called Roll Call for HB 274 (Finance) on (ACT RELATING TO SCHOOL CONSTRUCTION AND TRANSFERRING THE ADMINISTRATION OF THE SCHOOL CONSTRUCTION GRANT PROGRAM FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO THE DEPARTMENT OF EDUCATION) for presentation for discussion.

Senator Stimson directed committee attention to a proposed SCS for HB 274 (Finance) (AN ACT RELATING TO SCHOOL CONSTRUCTION AND TRANSFERRING THE ADMINISTRATION OF SCHOOL OR EDUCATION-RELATED FACILITY CONSTRUCTION FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO THE DEPARTMENT OF EDUCATION). Responding to questions from Co-chairman Dankworth concerning Section 3, Senator Stimson stated that the intention is to allow municipal, city or borough school districts, access to the Governor's capital budget. At present the only schools able to come to the legislature through the budgeting process are SGAAs. This bill would develop a process whereby all school districts have access to the capital budget. The section is permissive in that a school district does not have to use this budgetary process, yet it is available should the district decide to take this route. Small school districts incapable of bonding need a process which allows them access to this budget.

Senator Stimson acknowledged that the Anchorage School District "has concerns" regarding the legislation. He added that he had attempted to address those concerns in the proposed SCS. He concluded, however, that the legislation could not be "stretched"

much further without doing disservice to other districts statewide.

John Bates and Steve Hole jointly appeared before committee. Mr. Hole advised that at this time the only access to the Governor's capital budget is through Chapter 2 of Title 14 which speaks specifically to REAA's. There is no statutory provision for municipalities to gain access to this budget for public school construction other than through Section 3 (the debt retirement section) of the proposed SCS. Any municipality, however, through its legislator can get into a capital budget. Districts cannot, however, get into the capital budget the Governor submits to the legislature.

Co-chairman Dankworth raised questions concerning priority ranking provisions contained on page 2 of the proposed bill. Mr. Hole responded that the ranking process gives the Department of Education a list of education construction projects based on critical need. When funding resources are limited, the most critical needs can be met first. Co-chairman Dankworth asked if the process would create a master statewide list of school construction needs. Mr. Hole responded that to the extent that school districts choose to submit requests under the bill a master list would be compiled. He added, however, that some REAA's and municipalities might not submit requests. As an example, Senator Sturgulewski stated that Anchorage, which just offered 170 million in bonds, would not need to be involved in a priority listing unless it chose to do so since it enjoys local autonomy in its bonding capability. Should Anchorage choose to become involved in the priority listing and seek state funding, it can do so. She attested to the fact that priority lists are viewed as guidelines and the political process generally takes over when projects are actually funded. There is nothing mandatory about the list. Senator Korttula advised that in his experience, political control goes to the urban areas. At that stage, priority lists never include rural areas. In effect, the list works against rural needs. Senator Sturgulewski stated that the Anchorage School Board is concerned that the list would have the opposite effect. Senator Stinson advised that ranking will be accomplished based strictly on educational criteria. Co-chairman Dankworth expressed concern that the priority list might encroach upon legislative authority to appropriate school funding. Mr. Hole responded that at the present time the Governor could prepare a priority listing. The Department feels extremely comfortable with the list since it gives the Department "clear legislative policy direction . . ." He acknowledged that the larger municipalities (Anchorage, Fairbanks, Mat-su) can take care of themselves. Actual need for the list is evidenced through the inability of Kenai, Kake, Klawock, Hooper, Galena--small communities--to gain access to the list for rural areas. Once the list is submitted to the legislature, the legislature does as it chooses. The list simply provides clear executive recommendations based on educational criteria.

Senator Stimson requested that Messrs. Bates and Hole address transfer provisions of the bill. John Bates stated that at present the Dept. of Transportation handles REAA construction grants. Mr. Bates added that last year's funding for this function was RSA'd to the Dept. of Education. DOT now wishes to formalize the process by transferring the grant process to DOE in order that REAA's will not have to deal with both departments. This transfer relates to the granting process only. The four REAA's still requesting the state to build projects for them would continue to work with DOT for construction of their projects.

Senator Kerttula asked Senator Sackett if he (Sackett) was satisfied that REAA's are better cared for under the proposed bill. Senator Sackett responded, "Yes."

Directing committee attention to Page 1, Line 19 of the proposed draft, Senator Stimson advised that Senator Ferguson had requested the date be changed from July 1, 1978 to July 1, 1982. Mr. Bates advised that DOT has no problem with the date change. Senator Stimson moved to make the change. Senator Gilman advised that the prior date relates to the time when DOE began regulating payments on a square foot per student basis. Some school districts built facilities which are not eligible for repayment. If the date is changed to 1982, any school built after July 1, 1978, which does not meet department approval, would be "grandfathered in" and repaid. Mr. Hole advised that no loophole is created by the date change since Department regulations remain in effect under either date. Regulations affecting entitlement at the time of construction remain in effect. Senator Stimson stated that the request for the date change came from Senator Ferguson at the request of one of his constituents. Co-chairman Dankworth suggested that in Senator Ferguson's absence the change not be made, and Senator Ferguson given the latitude of offering such an amendment on the senate floor.

Senator Stimson moved for adoption of the following technical amendments:

Page 3, Line 4, delete "ordinance" and insert "resolution."

Page 4, Line 2, delete "three" and insert "two."

No objection to the foregoing amendments having been raised, they were adopted.

Referring to Section 3, Senator Kerttula asked if local districts (from their own resources) must contribute toward school construction projects. Do they definitely have to pay their 10% raised from local tax levies? Senator Stimson advised of his understanding that such a requirement is not absolutely clear in the proposed bill. Steve Hole advised of his understanding that there is nothing in the proposed bill or Title 43 to guarantee that what is contributed by the municipality comes from a local tax. Co-chairman Dankworth suggested adding language requiring

that no more than 30% of the project could be constructed with state funds. Senator Gilman attested to difficulties involved in tracing the source of municipal moneys. Steve Hole advised that the Department's concern is not who pays the 10% but rather limitation on "Taj Mahal" construction. Department regulations stipulate that the state will pay a portion of construction costs based on the number of students and the square footage needed to provide for them. A school district could build a 100,000 square foot school, but if the student population only entitled the district to 20,000 square feet, the state would only participate up to and authorize reimbursement for 20,000 square feet.

Senator Gilman noted that the bonding capacity of individual municipalities also limits the size of school construction. The more school bonds sold, the less available for sewer and water and other needs. This serves as an internal limitation on oversized construction.

Senator Sturgulewski suggested that the committee not attempt to address the foregoing in the current session. The legislature has discussed revenue sharing and municipal assistance. One of the intents in the municipal assistance program is to use state money to reduce local taxes. Local taxes included debt service.

Bill Miles, representing the Anchorage School Board, next appeared before committee. He stated that Anchorage has concerns regarding the proposed statewide master list. Nothing currently prohibits the Administration from creating such a list should it choose to do so. The proposed bill adds another layer of bureaucracy with which districts must comply. Additionally, creation of a statewide list based on standardized criteria, reduces the legislature's ability to fund projects not on the list. A future governor may be heavily handed and use the list to cut legislative projects. Anchorage finds itself in a "Catch-22" position. If the district requests a particular project be put on the list, more than likely, because of evaluation criteria, it will appear very low on the list. If the district does not request that the project be put on the list, when negotiations begin concerning school projects to be funded, the district will be left out because it's not listed.

Mr. Miles suggested that Commissioner Lind's proposed study of operational expenses of school districts be expanded to include methods of capital appropriation.

Benny Critwood, representing the Alaska Municipal League, next appeared before committee, advising that while the Municipal League did not request provisions relating to a master list, it does not object to such language. Municipal school districts other than Anchorage do not view the list as a threat. Larger school districts which have bonding capacity are willing to put up their 10% share and comply with procedures in Section 3, whereby the district bonds and is then reimbursed by the state. Smaller school districts which do not have bonding capacity would have another opportunity to obtain funding under the proposed

legislation. Mrs. Chitwood advised that she had spoken with "some people from Anchorage" and determined that the position represented by Mr. Miles is not unanimous.

Senator Stimson directed committee attention to the fiscal note for \$13460.4 dated April 1, 1982. Senator Gilman stated that although the fiscal note was prepared before the municipalities actually sold their bonds and represents Department estimates of bond payments, actual sale costs to this date result in essentially the same figures as listed on the note. Total costs will not be known until all bonds have closed (approximately July 15). Although there may be need for adjustment or proration over the first year, Senator Gilman recommended the committee adopt the Department fiscal note. Senator Sturgulewski moved for adoption of the April 1, 1982, fiscal note.

Senator Stimson moved for passage of the proposed SOS for CSRS 272 (Finance) with individual recommendations and the April 1, 1982, fiscal note. Upon a show of hands, the bill passed from committee--all members present signing to pass.

ADJOURNMENT

There being no further matters to come before committee at this time, Co-Chairman Dankworth announced that the committee would convene at 2:00 p.m. to consider HR 142 (the Senate Budget). The meeting was adjourned at approximately 10:00 a.m.

SAC-42 W33, Side 1 (877-000)
SAC-2 W33, Side 2 (001-411)

SENATE FINANCE COMMITTEE

April 6, 1982

9:35 a.m.

(Recorder malfunction, no recording for this meeting.)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:35 a.m.

PRESENT.

All committee members were present. Also attending were Steve Hole from the Department of Education; Vern Roberts, Finance Director for the Matanuska-Susitna Borough; Lee Sharp, Attorney for the City and Borough of Juneau; Ginny Chitwood representing the Alaska Municipal League; Ron Lind, Deputy Commissioner of the Department of Transportation, Administration; John Bates, Deputy Commissioner of the Department of Transportation, Planning & Programming; Bob Cooksey, Representing NEA/Alaska, Inc.; Fiscal Analysts Elmer Lindstrom and Alison Elgee; administrative assistants to Senate Finance Judy Johnston and David Rogers, and representatives from the press.

SB 772

Co-chairman Bennett moved that SB 772 (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF NATURAL RESOURCES FOR CONSTRUCTION OF A PLANT QUARANTINE STATION AT THE PLANT MATERIALS CENTER (AS US:22) OPERATED IN COOPERATION WITH THE INSTITUTE OF AGRICULTURAL SCIENCES) be brought on for discussion. He directed committee attention to backup material provided by Senator Keritula.

Senator Ferguson moved that a zero fiscal note be attached to the bill. No objection to the new fiscal note having been voiced, it was approved for attachment.

Co-chairman Dankworth moved that SB 772 pass from committee with individual recommendations. No objection having been raised, SB 772 passed from Senate Finance--all members present signing do pass with the exception of Senators Dankworth and Stimson who signed no recommendation.

Hb 279

Co-chairman Bennett moved that CSRB 279(Fin)3m (AN ACT RELATING TO SCHOOL CONSTRUCTION AND TRANSFERRING THE ADMINISTRATION OF THE SCHOOL CONSTRUCTION GRANT PROGRAM FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO THE DEPARTMENT OF EDUCATION) be brought on for discussion.

Senator Stimson directed committee attention to a proposed SCS for Hb 279 (Finance) (ACT RELATING TO SCHOOL CONSTRUCTION AND

TRANSFERRING THE ADMINISTRATION OF SCHOOL OR EDUCATION-RELATED FACILITY CONSTRUCTION FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO THE DEPARTMENT OF EDUCATION), a Sectional Analysis of the committee substitute, and a new fiscal note dated April 1, 1982. He advised that the proposed substitute would accomplish three things:

1. Transfer responsibility for administration of school construction grants from DOT to DOE.
2. Provide mechanism whereby all REAA and municipal school district project may be included in the governor's capital budget.
3. Increase the percentage of reimbursement to municipalities for school construction to 90% and reduce the two-year lag on payment of reimbursement.

Vern Roberts, Finance Director for the Matanuska-Susitna Borough, next appeared before committee, speaking in support of the proposed Committee Substitute. He advised of current problems at the municipal level due to the "saw tooth" pattern of fluctuating tax collection and the two year lag on state reimbursement for school construction costs. He advised that an increase in the percentage of reimbursement is not so important as elimination of the two-year delay in reimbursement.

Sinny Chitwood, representing the Alaska Municipal League next appeared before committee, stating that the legislation would have minimal fiscal impact to the state since it basically represents a shift of reimbursement payments from one year to another. The state currently reimburses 80% of school construction costs two years after the money was expended. The subject legislation would raise reimbursement to 90% and provide for current year repayment.

Mrs. Chitwood advised that the proposed committee substitute provides adequate protection against "builders of Taj Mahals" since approval by DOE is required prior to reimbursement to a municipality.

Mrs. Chitwood concluded her remarks by advising that current-year reimbursement to municipalities would eliminate the "bulge" now plaguing tax levies.

Lee Sharp, Attorney for the City and Borough of Juneau, next appeared before committee. He stated that of all legislation under consideration during the current session, none is more significant and important to municipalities than the proposed committee substitute. He advised that given the problems surrounding the issuance of bonds, and the saw tooth mill rate, in approximately two and a half years the City and Borough of Juneau will require a 5.5 mill tax increase in order to service its school bonds. Moving reimbursement for school construction

costs to current year status will assist in providing stability to tax levies.

Steve Hole, representing the Department of Education, next appeared before committee, advising that Section 1 through 7 and 9 were included in the Governor's bill. He next gave a brief section-by-section analysis of the proposed substitute:

Section 1 and 2 describe responsibilities of the Department of Education with respect to review of construction plans, determination and approval of eligibility for state aid, and administration of construction grants.

Section 3 includes city and borough school districts in the hierarchy of school construction projects in the Governor's budget. It also provides for DOE to administer grants currently handled by DOT.

Section 4 contains cleanup language for Chapter 8.

Sections 5, 6, and 7 are amendments to DOT's statutes which reflect the shift in administrative responsibilities from DOT to DOE.

Section 8 is the only section having financial impact since it raises the reimbursement percentage from 80 to 90% and eliminates the two year lag in reimbursements.

Section 9 amends Title 43, limiting uses to which debt retirement appropriations can be made.

Section 10 repeals AS 14.29.151 and 43.18.100(b)(2) relating to REAA school construction projects.

Responding to concerns expressed by Senator Dankworth that removing control of design and construction of school projects from DOT might lead to cost overruns due to lack of local expertise, Mr. Hole advised that the bill provides for certification that local individuals are qualified to perform the work. In addition, the work must conform to state requirements, or construction funds will not be released. Following construction, an audit is performed to ensure that funds were spent for the purposes intended.

Referring to \$13 million in cost overruns on the Lower Kuskokwim School, Co-chairman Dankworth asked if the state is financially liable for such costs. Mr. Hole responded that since REAA's have no ability to generate revenue, cost overruns "come back to the state." This situation will not change under the proposed legislation. Municipalities, however, represent a different situation--one to which Mr. Hole did not wish to speak.

Responding to a question from Senator Ferguson concerning construction management contracts and costs, Mr. Hole directed committee attention to Page 3, Line 24 of the committee

substitute, advising that that section limits (in terms of the size of the school construction project) the amount that can be spent for management. Senator Ferguson attested to the importance of such a provision, since management contracts have previously gone to individuals with "no construction ability."

Responding to questions from Senator Sackett comparing sections of the House version of the bill with the proposed committee substitute, Mr. Hole advised that concern was expressed that the House version gave DOE too much control over municipalities, and that the Department might preempt municipal ability to construct schools, interfere with approval of plans and placement in the Governor's capital budget, and the issuance of grants.

Section 2 limits Department involvement to REAA's and relates to grant administration rather than construction oversight. John Bates, Deputy Commissioner of the Department of Transportation appeared before committee advising that approximately 4 REAA's currently construct projects through DOT while remaining REAA's construct their own. Mr. Hole advised that responsibility for administering construction grants is being transferred to DOE rather than being placed back in DOT.

Senator Sackett again raised questions concerning the difference between House and Senate committee substitute language, advising that House language appears to transfer construction responsibilities from DOT to DOE. Mr. Hole responded that the intent was to limit DOE involvement to grant administration rather than the "actual nail pounding construction"--that remains with DOT. Mr. Bates concurred, advising that the intent was to transfer administrative not construction authority.

Senator Sackett advised that he had no problem transferring it all to DOE. He next raised question concerning the two fiscal notes in the file, asking what had caused the increase from the earlier note of \$5.1 to the recent note of \$13.4. Mr. Hole explained that the recent note is based on current entitlements under Title 43. Since the bill would eliminate the two year lag in reimbursement costs, the Department sought information on proposed bond sales for school construction from the Alaska Municipal League. The earlier fiscal note does not take into account FY 82 bond sales, assumes elimination of the Cigarette Tax offset, and does not take into account elimination of the two year lag in reimbursement. Mr. Hole added that the earlier (January) fiscal note represents a "guess" at the financial impact of the bill while the later (April) note is based on firmer figures.

Co-chairman Danworth raised questions concerning design and construction of state schools in terms of what types of construction state grants would and would not cover. Mr. Hole responded that the same formula is applied to both REAA and municipal schools. Chapter 31 of DOE regulations determines eligibility. When asked if the regulations favor one type of school over another, Mr. Hole responded that determination of

entitlement is "as uniform as it can be." The Department does not treat schools of like size differently in rural areas than it does in municipalities.

Directing committee attention to Page 7, Section 9, Mr. Hole read a sampling of construction items which are not reimbursable under state grants. While residential construction, hockey rinks, and Olympic-sized pools would not be eligible for state aid, schools can construct a reasonable-sized pool for teaching water safety.

Co-chairman Dankworth requested that he be furnished a copy of the formula used for determining eligibility. Mr. Hole responded that he would do so, emphasizing that the Department uses the same formula for municipalities and REAA's alike. The only difference between the two entities is that municipalities can go elsewhere for funding, while REAA's must rely on the state.

Senator Stimson asked that Mr. Hole speak to provisions allowing municipalities access to the Governor's capital budget. Mr. Hole advised that under present language contained in Title 14, only REAA school construction is eligible for inclusion. The proposed committee substitute would allow any school district, municipality or REAA to submit a request for school construction to the Department. The Department would then prioritize the list, and transmit the requests to the Governor along with the priority list. The Governor would decide which projects should be funded in the capital budget, and the legislature could add or subtract as it deems necessary. For the first time, however, the legislature would have before it a list of all school projects that have been requested. The above process would especially accommodate school districts which do not have "the horsepower" to lobby the legislature for a special appropriation for school funding (e.g. Hoonah, Klukwan).

When asked by Senator Dankworth if there is currently anything which prevents the Governor from including a new school for Anchorage in his budget, Mr. Hole responded, "No, but this would establish a process for him to do so. Right now there is only a process for REAA's."

John Bates advised that DOT has been working with DOE since 1977 or 1978 on REAA grant programs. The process in the past has required REAA's to switch back and forth between the two departments in the course of obtaining plan approval, eligibility determination, and grant distribution. School construction must be on state property and in accordance with state statutes. Over the past five years increasing numbers of REAA's have asked "to do their own buildings" (DOT only constructs one or two REAA schools per year). In order to make the grant process more efficient, administration of grants is being transferred to DOE.

When asked by Senator Stimson if there is a method to "tighten up grant programs" in order to deal with REAA cost overruns, Mr. Bates responded that, aside from the state, there is no one else to whom REAA's can turn when cost overruns occur. Grants can be

safeguarded by disbursing only certain amounts at progressive stages of construction. Most claims, however, result in supplemental appropriations through the legislature. DOT makes sure plans are as good as possible and attempts to see that, administratively, construction programs do not "get into trouble." Further oversight by the Department would require additional staff. Mr. Bates advised that aside from one REAA currently involved in litigation, overruns have not been "that much out of line" given the difficulties and expenses of rural construction.

When asked about Department costs in providing oversight, Mr. Bates responded that at present the Department takes 3%. One percent is given to DOE and the other two percent provides for administration of the project.

Co-chairman Bennett advised that SCS for CSRB 279 (Finance) would be returned to committee files for further discussion at a later time.

ADJOURNMENT

There being no further matters to come before committee at this time, the meeting was adjourned at approximately 9:35 a.m.

Recorder malfunction, no tape for this meeting.

AN ACT

Relating to school construction and transferring the administration of school or education-related facility construction from the Department of Transportation and Public Facilities to the Department of Education; and providing for an effective date.

* Section 1. AS 14.07.020(11) is amended to read:

(11) review plans for construction of [AND] new public elementary and secondary schools and for additions to and major rehabilitation of existing public elementary and secondary schools and, in accordance with regulations adopted by the department, determine and approve the extent of eligibility for state aid of a school construction project begun after July 1, 1978; for the purposes of this paragraph, "plans" include [A "PLAN" INCLUDES] educational specifications, schematic designs, and final contract documents;

* Sec. 2. AS 14.07.020 is amended by adding a new paragraph to read:

(13) administer the grants awarded under AS 14.07.190.

* Sec. 3. AS 14.07 is amended by adding new sections to read:

ARTICLE 3. CONSTRUCTION, REHABILITATION, AND IMPROVEMENT
OF SCHOOLS AND EDUCATION-RELATED FACILITIES.

Sec. 14.07.180. RECOMMENDATIONS AND EVALUATIONS OF PROJECTS. (a) The assembly or council of a municipality that is a school district or a regional school board may submit a request to the department for a school or education-related facility construction, rehabilitation, or

1 improvement project together with a report evaluating the condition of
2 school or education-related facilities in the municipality or regional
3 educational attendance area and a determination of the need for the
4 project.

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

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

9 (2) prepare an estimate of the amount of money needed to
10 finance each project approved by the department and recommend to the
11 governor appropriations for projects to be included in the budget sub-
12 mitted to the legislature;

13 (3) provide the governor with a copy of the report of the
14 assembly, council, or regional school board that requested each project
15 approved by the department;

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

19 (c) In establishing priorities among requested projects the depart-
20 ment shall evaluate at least the following factors:

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

23 (2) emergency requirements;

24 (3) the number of students without classrooms spaces;

25 (4) new local elementary or secondary programs;

26 (5) existing regional, community, and school facilities and
27 the condition of the facilities;

28 (6) the economic and social stability of the municipality or
29 region.

(d) The provisions of this section do not affect a municipality's
eligibility for reimbursement under AS 43.18.100.

Sec. 14.07.190. ASSUMPTION OF RESPONSIBILITIES. (a) The assembly
or council of a municipality that is a school district or a regional
school board may, by resolution or majority vote of the body, assume the
responsibilities relating to the planning, design, and construction of a
school or an education-related facility located within the boundaries or
operating area of the municipality or regional educational attendance
area. After receipt of a request by an assembly or council under this
subsection, the department shall provide for the assumption of the
responsibilities requested. After receipt of a request by a regional
school board under this subsection, the department may provide for the
assumption of the responsibilities requested.

(b) If a municipality that is a school district or a regional
educational attendance area assumes the responsibilities under this
section, the department shall grant to the municipality or regional
educational attendance area money appropriated for the school or educa-
tion-related facility. The department may transfer the appropriations
to a special construction account in the state treasury. Under the
fiscal control of the department, a municipality or regional educational
attendance area that assumes responsibilities for the project as pro-
vided in this section may draw on the account for costs of the project.

(c) The construction management costs of a project assumed under
this section may not exceed four percent of the amount of appropriations
for the facility if the amount of appropriations is \$500,000 or less.
The construction management costs of a project assumed under this section
may not exceed three percent of the amount of appropriations for the
facility if the amount of appropriations is over \$500,000 but less than
\$5,000,000. The construction management costs of a project assumed

1 under this section may not exceed two percent of the amount of appro-
 2 priations for the facility if the amount of appropriations is \$5,000,000
 3 or more. For purposes of this subsection "construction management"
 4 means management of the project's schedule, quality, and budget during
 5 any phase of the planning, design, and construction of the facility by a
 6 private contractor engaged by the municipality or regional educational
 7 attendance area.

8 (d) The commissioner shall adopt necessary regulations implement-
 9 ing this section, and setting out the requirements for agreements between
 10 the department and a municipality or regional educational attendance
 11 area relating to the assumption by the municipality or regional educa-
 12 tional attendance area of responsibilities for the planning, design, and
 13 construction of a project.

14 * Sec. 4. AS 14.08.101(7) is repealed and reenacted to read:

15 (7) recommend to the department projects for construction,
 16 rehabilitation, and improvement of schools and education-related facili-
 17 ties as specified in AS 14.07.180(a), and plan, design, and construct
 18 the project when the responsibility for it is assumed under AS 14.07.
 19 190;

20 * Sec. 5. AS 35.15.080(a) is amended to read:

21 (a) A municipality (OR, IF THE PUBLIC WORK IS AN EDUCATIONAL
 22 FACILITY, A REGIONAL EDUCATIONAL ATTENDANCE AREA ESTABLISHED UNDER
 23 AS 14.08) may, by resolution of its governing body, request the assump-
 24 tion of all or part of the department's responsibilities relating to the
 25 planning, design, and construction of a public works project of the
 26 state that (WHICH) is to be located within the boundaries (OR OPERATING
 27 AREA) of the municipality (OR REGIONAL EDUCATIONAL ATTENDANCE AREA) and
 28 that (WHICH) would otherwise be constructed in the manner provided in
 29 AS 35.15.010. After receipt of the request, the department

(1) SHALL PROVIDE FOR THE ASSUMPTION BY THE MUNICIPALITY OR
 REGIONAL EDUCATIONAL ATTENDANCE AREA OF ALL OF THE DEPARTMENT'S RESPON-
 SIBILITIES RELATING TO THE PLANNING, DESIGN AND CONSTRUCTION OF AN
 EDUCATIONAL FACILITY;

(2) may provide by agreement for transfer to and assumption
 by the municipality of the department's responsibilities relating to the
 [PLANNING, DESIGN, AND CONSTRUCTION OF A PUBLIC WORKS] project, unless
 the commissioner determines that assumption of responsibilities by the
 municipality is not practicable or not in the best interests of the
 state.

* Sec. 6. AS 35.15.080(c) is amended to read:

(c) A municipality may request joint assumption of responsibil-
 ities with the department relating to the planning, design, and construc-
 tion of a public works project. [A REGIONAL EDUCATIONAL ATTENDANCE AREA
 MAY REQUEST JOINT ASSUMPTION OF RESPONSIBILITIES WITH THE DEPARTMENT
 RELATING TO THE PLANNING, DESIGN AND CONSTRUCTION OF AN EDUCATIONAL
 FACILITY.] Two or more municipalities (OR REGIONAL EDUCATIONAL ATTEN-
 DANCE AREAS) may by [MUTUAL] agreement provide for cooperative assump-
 tion of responsibilities relating to the planning, design, and construc-
 tion of a public works project. If two or more municipalities (OR
 REGIONAL EDUCATIONAL ATTENDANCE AREAS) request assumption of responsi-
 bilities for a project and meet the standard of practicability set out
 in (a) (a)(2) of this section, the commissioner shall determine which
 municipality (OR REGIONAL EDUCATIONAL ATTENDANCE AREA) is best able to
 direct planning, design, and construction of the project and enter into
 an agreement with that municipality (OR REGIONAL EDUCATIONAL ATTENDANCE
 AREA,) or provide for joint or cooperative administration, as the parties
 may agree or the commissioner may determine. Decisions of the commis-
 sioner under this subsection are final.

* Sec. 7. AS 35.15.090 is amended to read:

Sec. 35.15.090. USE OF APPROPRIATED FUNDS. Upon [ASSUMPTION BY A MUNICIPALITY OR REGIONAL EDUCATIONAL ATTENDANCE AREA OF THE DEPARTMENT'S RESPONSIBILITIES UNDER AS 35.15.080(a)(1), OR UPON] execution of an agreement under AS 35.15.080(a) [AS 35.15.080(a)(2)], state funds appropriated for a public works project which is the subject of the [ASSUMPTION OR THE] agreement shall be transferred to a special account in the state treasury. A municipality [OR REGIONAL EDUCATIONAL ATTENDANCE AREA] administering the project under the [ASSUMPTION OR] agreement may draw on the account for costs of the project, under fiscal control of the department. If an agreement provides for joint or cooperative administration of the project, payment of costs shall be made to the party incurring the costs.

* Sec. 8. AS 43.18.100(a) is amended to read:

(a) During each fiscal year, the state shall allocate to a municipality that [AN ORGANIZED BOROUGH OR A CITY WHICH] in a school district, the following sums:

(1) payments made by the municipality [BOROUGH OR CITY] 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 [80] percent of

(A) payments made by the municipality [BOROUGH OR CITY] 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 [BOROUGH OR CITY] during the

fiscal year two years earlier to pay costs of school construction;

(3) 90 [80] percent of

(A) payments made by the municipality [BOROUGH OR CITY] 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 [BOROUGH OR CITY] 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).

* Sec. 9. AS 43.18.100 is amended by adding new subsections to read:

(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 recrea-