

COMMITTEE REPORT
SENATE

FURTHER:

4/30/86

Date 5/12/86

Mr. President

The Committee on FINANCE considered CSHB 520(Fin)
relating to public school construction; efd.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for (10/1) CSHB 520(Fin)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
Paul Fuchs
John Schott

MEMBERS HAVING
OTHER RECOMMENDATIONS

Do not pass

[Signature]
Chairman
do not pass
Chairman recommendation

Original sponsor: Rules/Governor

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 520 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 14.11.100(a)(5) is amended to read:

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

12 (A) payments made by the municipality during the
13 fiscal year for the retirement of principal and interest on
14 outstanding bonds, notes or other indebtedness authorized by the
15 qualified voters of the municipality after June 30, 1983, and
16 before July 1, 1986, to pay costs of school construction, addi-
17 tions to schools, and major rehabilitation projects that exceed
18 \$25,000 and are approved under AS 14.07.020(11); and

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

24 * Sec. 2. AS 14.11.100(a) is amended by adding a new paragraph to read:

25 (6) subject to (h), (i), and (j) of this section 75 percent
26 of

27 (A) payments made by the municipality during the
28 fiscal year for the retirement of principal and interest on
29 outstanding bonds, notes or other indebtedness authorized by the

1 qualified voters of the municipality after June 30, 1986, to pay
2 costs of school construction, additions to schools, and major
3 rehabilitation projects that exceed \$25,000 and that are approved
4 under AS 14.11.102; and

5 (B) cash payments made after June 30, 1986, by the
6 municipality during the fiscal year two years earlier to pay
7 costs of school construction, additions to schools, and major
8 rehabilitation projects that exceed \$25,000 and are approved
9 under AS 14.11.102.

10 * Sec. 3. AS 14.11.100(h) is amended to read:

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

28 * Sec. 4. AS 14.11.100(i) is amended to read:

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

1 section

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

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

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

8 * Sec. 5. AS 14.11.100(j) is amended to read:

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

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

20 (2) that the bonds may not be refunded unless the present
21 value of the aggregate [ANNUAL] debt service on the refunding issue is
22 not greater than the present value of the aggregate [ANNUAL] debt
23 service remaining on the original issues; for purposes of this para-
24 graph the present value of debt service shall be determined by using
25 the yield on the refunding issue as the discount rate [ISSUE];

26 (3) that the bonds must be repaid in approximately equal
27 annual principal payments or approximate equal debt service payments
28 over a period of at least 10 years;

29 (4) the municipality to demonstrate need for the project by

1 establishing that the school district has

2 (A) projected long-term student enrollment that indi-
3 cates the district has inadequate facilities to meet present or
4 projected enrollment within reasonably drawn attendance areas; or

5 (B) facilities that require repair or replacement in
6 order to meet health and safety laws or regulations or building
7 codes.

8 * Sec. 6. AS 14.11.100 is amended by adding a new subsection to read:

9 (1) An allocation under (a)(6) of this section may not be re-
10 duced due to amounts expended by a municipality under (k) of this
11 section.

12 * Sec. 7. AS 14.11.102 is amended by adding a new subsection to read:

13 (b) After reviewing all projects for which retirement of school
14 construction debt is requested, the department shall rank the projects
15 that have been determined eligible for debt retirement under AS 14.-
16 11.100(j)(4) in accordance with the procedures set out in AS 14.11.-
17 010. All projects determined eligible, but for which no approval for
18 debt retirement has been made under AS 14.11.103, shall be included in
19 the same ranking.

20 * Sec. 8. AS 14.11 is amended by adding a new section to read:

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

22 (a) A request for an allocation of money under AS 14.11.100 for
23 school construction debt retirement shall be submitted to the depart-
24 ment by the school district no later than October 15 of the fiscal
25 year before the fiscal year for which the request is made.

26 (b) Before a project is approved for retirement of school con-
27 struction debt under AS 14.11.100(a)(6), the project must have been
28 determined eligible under the provisions of AS 14.11.102.

29 (c) The department shall approve eligible projects for debt

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

retirement in the order of the priority established under AS 14.11.-
102, if the requests meet the requirements of AS 14.11.100, and sub-
ject to the provisions of (d) - (e) of this section.

(d) Total outstanding state obligation for reimbursement under
AS 14.11.100(a)(6)(A) may not exceed \$25,000,000 in a single year.

(e) Total outstanding state obligation to reimburse cash pay-
ments under AS 14.11.100(a)(6)(B) may not exceed \$5,000,000 in a
single year.

* Sec. 9. This Act takes effect July 1, 1986.

STATE OF ALASKA 1988 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 520 (Fin)
 Title: An act relatig to public
school construction and providing
 Sponsor: _____
 Requestor: Rep. Frank
 Date of Request: 4/22/86

FISCAL DETAIL

Agency Affected: Department of Education
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: _____

for an effective date.

EXPENDITURES/REVENUES: (Thousands of Dollars)

	Fi 86	Fi 87	Fi 88	FY 89	FY 90	Fi 91
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL *1 Up to: 15,000,000 | 15,000,000 | 20,000,000 | 20,000,000 | 20,000,000

REVENUE

FUNDING: (Thousands of Dollars)

GENERAL FUND					
FEDERAL FUNDS					
OTHER					
TOTAL					

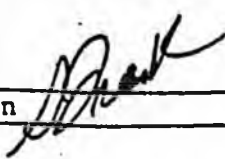
POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: Attach a separate page if necessary

* Debt reimbursement under this bill may not exceed \$15,000,000 for all debts authorized after 7/1/86. Reimbursement of cash payments will be made in the second fiscal year after the cash payment is made by the districts. Reimbursement of cash payments may not exceed \$5,000,000 per year. No additional operating funds are required by the provisions of the Finance Committee Substitute.

Prepared By: Representative Frank
 Division: Subcommittee Chairman



Phone: 465-3709
 Date: 4/23/86

Approved by Commissioner: _____
 Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

CSHB 520 (FINANCE)
SECTIONAL ANALYSIS

SECTION 1. Reimbursement for payments for principal, interest and financing cost payments made during the year on debt authorized between 6/30/83 and 6/30/86 will be made at the rate of 80%.

Reimbursement for cash payments made two years earlier and between 6/30/83 and 6/30/86 will be made at the rate of 80%.

SECTION 2. Reimbursement for principal, interest and financing cost payments made during the year for retirement of principal and interest on debt authorized after 6/30/86 will be made at the rate of 70%.

SECTION 3. Technical changes to existing statutory language which specifies that residential space, hockey rinks, planetariums, saunas, etc. are not eligible for reimbursement.

SECTION 4. Technical change referencing the new reimbursement provisions in AS 14.11.100(i)(Section 2) for projects eligible after 6/30/86.

SECTION 5. New language in AS 14.11.100(j)(2) says bonds may be refunded provided that the present value of the aggregate debt service on the refunding issue is not greater than the present value of the aggregate debt service remaining on the original issue. The present value of debt service is to be determined by using the yield on the refunding issue as the discount rate. Additional new language adds a provision which would permit municipalities to refund bonds, extend payment schedule, and reduce annual payments in the event state reimbursement under this chapter is prorated less than 85 percent of eligibility.

SECTION 6. The effect of section 6 is that interest earned by municipalities from investment of bond proceeds may not be used by the department to offset the amount of debt retirement to be reimbursed by the state.

SECTION 7. Requires that the department rank all eligible projects in accordance with the procedures in existing language in AS 14.11.010.

SECTION 8. Requires that requests for allocations be submitted to the department by October 15 of the preceding fiscal year.

Total annual appropriation for reimbursement of debt service approved after 6/30/86 may not exceed \$15 million.

Total annual appropriation for reimbursement of cash payments approved after 6/30/86 may not exceed \$5 million.

SECTION 9. Effective date is 7/1/86.

WORK DRAFT COPY
5/6/86 6:10 pm

WORK DRAFT COPY

WORK DRAFT COPY

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 520 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 14.11.100(a)(5) is amended to read:

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

12 (A) payments made by the municipality during the
13 fiscal year for the retirement of principal, [AND] interest and
14 other annual financing costs on outstanding bonds, notes or other
15 indebtedness authorized by the qualified voters of the municipal-
16 ity after June 30, 1983, and before July 1, 1986, to pay costs of
17 school construction, additions to schools, and major rehabilita-
18 tion projects that exceed \$25,000 and are approved under AS 14.07.-
19 020(11); and

20 (B) cash payments unrelated to payments under (A) made
21 after June 30, 1983, and before July 1, 1986, by the municipality
22 during the fiscal year two years earlier to pay costs of school
23 construction, additions to schools, and major rehabilitation
24 projects that exceed \$25,000 and are approved under AS 14.07.-
25 020(11).

26 * Sec. 2. AS 14.11.100(a) is amended by adding a new paragraph to read:

27 (6) subject to (h), (i), and (j) of this section 70 percent
28 of

29 (A) payments made by the municipality during the

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 fiscal year for the retirement of principal, [AND] interest and
 2 other annual financing costs on outstanding bonds, notes or other
 3 indebtedness authorized by the qualified voters of the municipal-
 4 ity after June 30, 1986, to pay costs of school construction,
 5 additions to schools, and major rehabilitation projects that
 6 exceed \$25,000 and that are approved under AS 14.11.102; and

7 (B) cash payments unrelated to payments under (A) made
 8 after June 30, 1986, by the municipality during the fiscal year
 9 two years earlier to pay costs of school construction, additions
 10 to schools, and major rehabilitation projects that exceed \$25 000
 11 and are approved under AS 14.11.102.

12 * Sec. 3. AS 14.11.100(h) is amended to read:

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

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 * Sec. 4. AS 14.11.100(i) is amended to read:

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

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

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

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

10 * Sec. 5. AS 14.11.100(j) is amended to read:

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

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

22 (2) that the bonds may not be refunded unless

23 (A) the present value of the aggregate [ANNUAL] debt
24 service on the refunding issue is not greater than the present value
25 of the aggregate [ANNUAL] debt service remaining on the original
26 issues; for purposes of this paragraph the present value of debt
27 service shall be determined by using the yield on the refunding issue
28 as the discount rate [ISSUE]; or

29 (B) the actual appropriation in any year is less

1 than 85 percent of the amount required to be allocated under this
 2 section and the actual debt service in each year is reduced and the
 3 maturity of the refunding bonds is extended beyond the maturity of the
 4 original bond issue.

5 (3) that the bonds must be repaid in approximately equal
 6 annual principal payments or approximate equal debt service payments
 7 over a period of at least 10 years;

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

10 (A) projected long-term student enrollment that indi-
 11 cates the district has inadequate facilities to meet present or
 12 projected enrollment; or

13 (B) facilities that require repair or replacement in
 14 order to meet health and safety laws or regulations or building
 15 codes.

16 * Sec. 6. AS 14.11.100 is amended by adding a new subsection to read:

17 (1) An allocation under (a)(6) of this section may not be re-
 18 duced due to amounts expended by a municipality under (k) of this
 19 section.

20 * Sec. 7. AS 14.11.102 is amended by adding a new subsection to read:

21 (b) After reviewing all projects for which retirement of school
 22 construction debt is requested, the department shall rank the projects
 23 that have been determined eligible for debt retirement under AS 14.-
 24 11.100(j)(4) in accordance with the procedures set out in AS 14.11.-
 25 010. All projects determined eligible, but for which no approval for
 26 debt retirement has been made under AS 14.11.103, shall be included in
 27 the same ranking.

28 * Sec. 8. AS 14.11 is amended by adding a new section to read:

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

1 (a) A request for an allocation of money under AS 14.11.100 for
 2 school construction debt retirement shall be submitted to the depart-
 3 ment by the school district no later than October 15 of the fiscal
 4 year before the fiscal year for which the request is made.

5 (b) Before a project is approved for retirement of school con-
 6 struction debt under AS 14.11.100(a)(6), the project must have been
 7 determined eligible under the provisions of AS 14.11.102.

8 (c) The department shall approve eligible projects for debt
 9 retirement in the order of the priority established under AS 14.11.-
 10 102, if the requests meet the requirements of AS 14.11.100, and sub-
 11 ject to the provisions of (d) - (e) of this section.

12 (d) Total outstanding state obligation for reimbursement under
 13 AS 14.11.100(a)(6)(A) may not exceed \$15,000,000 in a single year.

14 (e) Total outstanding state obligation to reimburse cash pay-
 15 ments under AS 14.11.100(a)(6)(B) may not exceed \$5,000,000 in a
 16 single year.

17 * Sec. 9. This Act takes effect July 1, 1986.

18
19
20
21
22
23
24
25
26
27
28
29

Original sponsor: Rules/Governor

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 520 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 14.11.100(a)(5) is amended to read:

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

12 (A) payments made by the municipality during the
13 fiscal year for the retirement of principal, [AND] interest and
14 other annual financing costs on outstanding bonds, notes or other
15 indebtedness authorized by the qualified voters of the municipal-
16 ity after June 30, 1983, and before July 1, 1986, to pay costs of
17 school construction, additions to schools, and major rehabilita-
18 tion projects that exceed \$25,000 and are approved under AS 14.-
19 07.020(11); and

20 (B) cash payments unrelated to payments under (A) of
21 this paragraph made after June 30, 1983, and before July 1, 1986,
22 by the municipality during the fiscal year two years earlier to
23 pay costs of school construction, additions to schools, and major
24 rehabilitation projects that exceed \$25,000 and are approved
25 under AS 14.07.020(11).

26 * Sec. 2. AS 14.11.100(a) is amended by adding a new paragraph to read:

27 (6) subject to (h), (i), and (j) of this section 75 percent
28 of

29 (A) payments made by the municipality during the

1 fiscal year for the retirement of principal, interest and other
2 annual financing costs on outstanding bonds, notes or other
3 indebtedness authorized by the qualified voters of the municipal-
4 ity after June 30, 1986, to pay costs of school construction,
5 additions to schools, and major rehabilitation projects that
6 exceed \$25,000 and that are approved under AS 14.11.102; and

7 (B) cash payments unrelated to payments under (A) of
8 this paragraph made after June 30, 1986, by the municipality
9 during the fiscal year two years earlier to pay costs of school
10 construction, additions to schools, and major rehabilitation
11 projects that exceed \$25,000 and are approved under AS 14.11.102.

12 * Sec. 3. AS 14.11.100(h) is amended to read:

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

1 * Sec. 4. AS 14.11.100(i) is amended to read:

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

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

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

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

10 * Sec. 5. AS 14.11.100(j) is amended to read:

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

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

22 (2) that the bonds may not be refunded unless

23 (A) the present value of the aggregate [ANNUAL] debt
24 service on the refunding issue is not greater than the present
25 value of the aggregate [ANNUAL] debt service remaining on the
26 original issues; for purposes of this paragraph the present value
27 of debt service shall be determined by using the yield on the
28 refunding issue as the discount rate [ISSUE]; or

29 (B) the actual appropriation in any year is less than

1 85 percent of the amount required to be allocated under this
2 section, the actual debt service in each year is reduced, and the
3 maturity of the refunding bonds is extended beyond the maturity
4 of the original bond issue;

5 (3) that the bonds must be repaid in approximately equal
6 annual principal payments or approximate equal debt service payments
7 over a period of at least 10 years;

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

10 (A) projected long-term student enrollment that indi-
11 cates the district has inadequate facilities to meet present or
12 projected enrollment within reasonably drawn attendance areas; or

13 (B) facilities that require repair or replacement in
14 order to meet health and safety laws or regulations or building
15 codes.

16 * Sec. 6. AS 14.11.100 is amended by adding a new subsection to read:

17 (1) An allocation under (a)(6) of this section may not be
18 reduced due to amounts expended by a municipality under (k) of this
19 section.

20 * Sec. 7. AS 14.11.102 is amended by adding a new subsection to read:

21 (b) After reviewing all projects for which retirement of school
22 construction debt is requested, the department shall rank the projects
23 that have been determined eligible for debt retirement under AS 14.-
24 11.100(j)(4) in accordance with the procedures set out in AS 14.11.-
25 010. All projects determined eligible, but for which no approval for
26 debt retirement has been made under AS 14.11.103, shall be included in
27 the same ranking.

28 * Sec. 8. AS 14.11 is amended by adding a new section to read:

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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

(b) Before a project is approved for retirement of school construction debt under AS 14.11.100(a)(6), the project must have been determined eligible under the provisions of AS 14.11.102.

(c) The department shall approve eligible projects for debt retirement in the order of the priority established under AS 14.11.102, if the requests meet the requirements of AS 14.11.100, and subject to the provisions of (d) - (e) of this section.

(d) Total outstanding state obligation for reimbursement under AS 14.11.100(a)(6)(A) may not exceed \$25,000,000 in a single year.

(e) Total outstanding state obligation to reimburse cash payments under AS 14.11.100(a)(6)(B) may not exceed \$5,000,000 in a single year.

* Sec. 9. This Act takes effect July 1, 1986.

REPORT OF THE SENATE FINANCE SUBCOMMITTEE ON CSHB520

The Subcommittee met at 4:00 p.m. in the Senate Finance Committee Room. Those in attendance included:

Senator Jalmar Kertulla
Senator Rick Halford
Senator Paul Fischer
Commissioner Mary Nordale, Department of Revenue
Deputy Commissioner Steve Hole, Department of Education
Joyce James, Attorney, Legislative Legal Services
Tom Bergstrom, Staff to Senator John Sackett
Anna Kertulla, Staff to Senator Jalmar Kertulla
Sandra Schubert-Pence, Staff to Senator Bettye Farenkamp
Mary Mc Dowell, Staff to Senator Richard Eliason
Josef Reum, Staff to Senator Rick Halford

Senator Kertulla chaired the meeting and began by discussing the underlying policy questions faced by the Senate Finance Committee in reviewing CSHB520. The first and foremost problem with the bill is that the process for review and approval of school construction debt retirement will, under this legislation, become a political rather than administrative decision. This is a result of the section of the bill which places a 15 million dollar cap on the level of reimbursement which the state will assume.

It was the opinion of Senators Kertulla and Halford, that while the process has been successful in the past, and while little if any controversy has surrounded the decisions of the Commissioner and the State Board of Education regarding the eligibility of projects for debt retirement, this has been the result of unlimited debt assumption rather than a function of policy decisions.

Both agreed that municipalities and boroughs needed to be insulated from potentially political decisions on the part of the executive or the legislature in supporting school construction debt retirement.

Steve Hole of the Department of Education reported that in his 12 year tenure with the Department the existing process and procedures have worked well. This was due to the fact that the department has provided criteria for eligibility which have been straight forward and clear and which resulted in a ranking system based on objective need.

Senator Halford pointed out that essentially there are three tiers of school construction programming. At one

level are the Rural schools which receive 100% reimbursement, at another voter approved bonded construction with 80% reimbursement from the state, and another level of construction whereby a local government, or school board undertakes construction using 100% of local support. The basic issue was to get the states' debt requirement under control, and to limit in some fashion the way in which debt is obligated by the state.

Mr. Hole maintained that the control cannot be imposed through criteria, but that a cap as suggested in the bill could provide both control and relief.

Mr. Hole further pointed out that while a local government might be able to under present law, assure both votes and the bond market of the potential costs of debt retirement, without full funding of present law, both voter approval and bond rating would be in jeopardy.

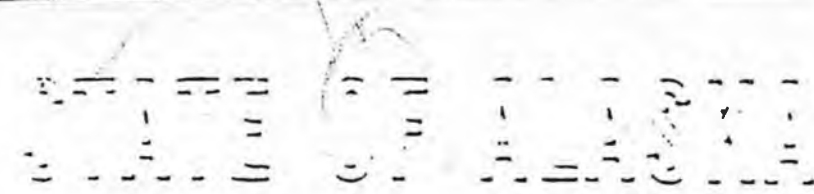
Commissioner Nordale explained that the adjustment of the percentage of state support was a result of a cooperative effort between the state and local governments and school boards. The options available for such a formula were 100% of principle, 50% of principle and interest or an overall 70%.

Senator Fischer offered the option of setting a limit on the square footage costs of a facility.

Mr. Hole responded that such a criteria would not be workable due to the differences in design requirements.

The meeting was adjourned due to the announcement of the earthquake activity in the state, and was slated to reconvene at 8:00 a.m. on May 8, 1986.

HB 520



BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH 2
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

March 27, 1986

The Honorable Peter Goll
Representative
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811

Dear Representative Goll:

This is to confirm the telephone discussion between you and John Simpson of this office on March 26 regarding the House Community and Regional Affairs' committee substitute for House Bill 520 (school construction).

The funding and position requirement by the Department of Transportation and Public Facilities for the Community and Regional Affairs' substitute for HB 520 would be zero.

Sincerely,

R. J. Knapp
Commissioner

cc: Susan Fleischhauer, Legislative Liaison
John Simpson, Director, HQ, Engineering & Operations Standards

HB 520

TABLE 1.21

Debt of Alaska Municipalities
6-30-85
(Dollars)

Boroughs	G.O. Debt	Revenue Debt	Total Debt	School G.O. Debt	% of School Debt Paid by State	Net G.O. Debt	Total Net Debt
ANCHORAGE, MUNICIPALITY OF	358,799,900	347,080,000	705,879,900	139,965,000	94 %	227,232,800	574,312,800
BRISTOL BAY	3,535,000	-	3,535,000	3,535,000	90	353,500	353,500
FAIRBANKS NORTH STAR	80,700,000	-	80,700,000	79,900,000	92	7,192,000	7,192,000
Fairbanks City	9,010,000	61,170,000	70,180,000	-	-	9,010,000	70,180,000
North Pole	1,218,550	-	1,218,550	-	-	1,218,550	1,218,550
TOTAL	90,928,500	61,170,000	152,098,500	79,900,000	92	17,420,550	78,590,550
HAINES	555,000	-	555,000	500,000	100	-	-
Haines City	745,000	-	745,000	-	-	745,000	745,000
TOTAL	1,300,000	-	1,300,000	500,000	100	800,000	800,000
JUNEAU, CITY & BOROUGH	47,651,000	27,480,000	75,131,000	30,209,018	91	20,160,794	47,640,794
KENAI PENINSULA	119,324,005	-	119,324,005	100,120,000	90	29,216,005	29,216,005
Homer City	2,113,000	1,025,000	3,138,000	-	-	2,113,000	3,138,000
Kenai City	5,835,000	235,000	6,070,000	-	-	5,835,000	6,070,000
Seldovia City	378,000	43,000	421,000	-	-	378,000	421,000
Seward City	10,000	7,672,000	7,682,000	-	-	10,000	7,682,000
Soldotna City	2,800,000	-	2,800,000	-	-	2,800,000	2,800,000
TOTAL	130,460,005	8,975,000	139,435,005	100,120,000	90	40,352,005	49,327,005
KETCHIKAN GATEWAY	21,090,000	410,000	21,500,000	16,445,000	92	5,960,600	6,370,600
Ketchikan City	10,840,000	23,280,000	34,120,000	-	-	10,840,000	34,120,000
TOTAL	31,930,000	23,690,000	55,620,000	16,445,000	92	16,800,600	40,490,600
KODIAK ISLAND	25,815,000	-	25,815,000	25,515,000	91	2,596,350	2,596,350
Kodiak City	2,455,000	3,298,000	5,753,000	-	-	2,455,000	5,753,000
TOTAL	28,270,000	3,298,000	31,568,000	25,515,000	91	5,051,350	8,349,350
MATANUSKA-SUSITNA	110,160,000	-	110,160,000	95,120,000	90	24,552,000	24,552,000
Palmer City	2,048,000	290,000	2,338,000	-	-	2,048,000	2,338,000
TOTAL	112,208,000	290,000	112,498,000	95,120,000	90	26,600,000	26,890,000
NORTH SLOPE	1,155,680,000	-	1,155,680,000	207,220,000	97	954,676,600	954,676,600
SITKA, CITY & BOROUGH	12,400,000	53,675,000	66,075,000	2,052,258	100	10,347,742	64,022,742
TOTAL BOROUGHs	1,973,162,405	25,658,000	2,498,820,405	700,581,276	93 %	1,319,795,941	1,845,453,941

TABLE 1.21 (continued)

Cities	G.O. Debt	Revenue Debt	Total Debt	School G.O. Debt	% of School Debt Paid by State	Net G.O. Debt	Total Net Debt
Bethel	556,505	535,000	1,091,505	-	- %	556,505	1,091,505
Cordova	-	1,456,000	1,456,000	-	-	-	1,456,000
Craig	35,646	87,000	122,646	-	-	35,646	122,646
Delta Junction	-	-	-	-	-	-	-
Dillingham	-	286,000	286,000	-	-	-	286,000
Eagle	-	-	-	-	-	-	-
Galena	900,000	-	900,000	-	-	900,000	900,000
Hoonah	-	-	-	-	-	-	-
Hydaburg	-	-	-	-	-	-	-
Kake	-	86,000	86,000	-	-	-	86,000
King Cove	-	-	-	-	-	-	-
Klawock	-	-	-	-	-	-	-
Kotzebue	-	-	-	-	-	-	-
Kenai	397,356	2,320,000	2,717,356	190,000	100	207,356	2,527,356
Nome	2,161,250	-	2,161,250	-	-	2,161,250	2,161,250
Pelican	-	-	-	-	-	-	-
Petersburg	6,195,000	4,367,835	10,562,835	4,826,500	96	1,561,560	5,929,395
St. Mary's	-	-	-	-	-	-	-
Sand Point	-	-	-	-	-	-	-
Skagway	820,000	-	820,000	-	-	820,000	820,000
Tanana	-	-	-	-	-	-	-
Unalakleet	-	-	-	-	-	-	-
Unalaska	3,299,032	429,116	3,728,248	925,000	90	2,466,532	2,895,748
Valdez	75,833,000	7,650,000	83,483,000	22,585,000	94	54,603,100	62,253,100
Whittier	-	-	-	-	-	-	-
Wrangell	10,750,000	812,600	11,562,600	9,385,777	82	3,053,663	3,866,263
Yakutat	235,193	490,476	725,669	-	-	235,193	725,669
TOTAL CITIES	101,182,982	18,520,127	119,703,109	37,912,277	91	66,600,805	85,120,932
TOTAL MUNICIPALITIES	2,074,345,387	544,178,127	2,618,523,514	738,493,553	93 %	1,386,396,746	1,930,574,873

Sources: Alaska Department of Education and Alaska Taxable 1985, Alaska Department of Community and Regional Affairs.

11/25/86

SCHOOL CONSTRUCTION DEBT RETIREMENT - FY07 ESTIMATED STATE AID
ADJUSTED 3/17/06

SCHOOL DISTRICTS	100% BOND SALES PRE 7/1/77 YR LAG	90% BOND SALES 7/1/77 TO 1/1/02 2YR LAG	80% ESTIMATED CASH PAYMENT 2YR LAG	90% BOND SALES 1/1/02 TO 7/1/03 CURRENT PAY	80% BOND SALES 7/1/03 TO PRESENT CURRENT PAY	Oct. 1985 PASSED BOND PROPOSITIONS FY07 STATE AID EST.	LESS CIG. TAX PAID IN FY05	ESTIMATED TOTAL DEBT RETIREMENT BY DISTRICT FOR FY-07
ANCHORAGE	\$9,040,760	\$1,425,357	\$5,663,303	\$9,262,020	\$0	\$2,763,640	(\$1,079,060)	\$27,076,900
BRISTOL BAY	\$0	\$300,000	\$44,979	\$0	\$0	\$0	(\$11,307)	\$434,470
CORDOVA	\$119,695	\$0	\$16,066	\$0	\$0	\$0	(\$17,524)	\$119,037
BILLINGHAM	\$0	\$0	\$230,010	\$0	\$0	\$0	(\$20,132)	\$200,606
FAIRBANKS	\$3,800,542	\$0	\$236,527	\$9,750,173	\$0	\$2,965,130	(\$307,232)	\$16,453,140
GALENA	\$0	\$0	\$200,144	\$0	\$0	\$0	(\$10,101)	\$190,045
HAINES	\$91,973	\$0	\$91,350	\$0	\$0	\$0	(\$17,207)	\$166,036
JUNEAU	\$690,130	\$327,400	\$122,794	\$5,744,105	\$0	\$99,152	(\$130,529)	\$6,853,140
KENAI	\$2,552,047	\$0	\$2,241,097	\$11,753,022	\$509,940	\$9,371,000	(\$224,303)	\$26,784,326
KETCHIKAN	\$402,940	\$0	\$1,449,226	\$2,391,220	\$0	\$0	(\$77,578)	\$4,165,716
KING COVE	\$0	\$0	\$26,314	\$0	\$0	\$0	(\$8,507)	\$17,727
KODIAK	\$441,203	\$1,120,062	\$94,615	\$2,966,765	\$0	\$0	(\$72,057)	\$4,550,500
KAT-SU	\$2,115,025	\$2,695,506	\$40,134	\$7,446,346	\$2,112,056	\$7,275,140	(\$202,659)	\$21,490,636
KENAI	\$22,000	\$0	\$0	\$0	\$0	\$0	(\$9,404)	\$12,596
KOME	\$0	\$0	\$0	\$145,000	\$0	\$656,640	(\$29,122)	\$773,310
NORTH SLOPE	\$784,500	\$15,904,690	\$0	\$9,515,250	\$0	\$0	(\$52,710)	\$26,231,730
PETERSBURG	\$389,720	\$0	\$0	\$365,801	\$0	\$0	(\$21,977)	\$733,544
SITKA	\$356,015	\$0	\$501,204	\$0	\$0	\$3,040,000	(\$52,770)	\$3,844,949
UNALASKA	\$0	\$94,096	\$0	\$0	\$0	\$0	(\$9,749)	\$85,147
VALDEZ	\$1,275,514	\$1,643,321	\$260,126	\$0	\$0	\$0	(\$31,198)	\$3,155,763
WRANGELL	\$0	\$126,266	\$0	\$104,000	\$395,976	\$0	(\$10,966)	\$908,164
TOTALS	\$22,091,064	\$23,806,474	\$11,754,024	\$59,446,206	\$3,397,900	\$26,170,710	(\$2,404,530)	\$144,263,658
TOTAL BOND OUTLAYS	\$100,742,604							
PLUS: CASH PAYMENTS	\$11,754,074							
SUB TOTAL	\$120,497,470							
LESS: FY07 EST.	\$26,170,710							
SUB TOTAL	\$146,668,100							
LESS: CIG. TAX	(\$2,404,530)							
EST. STATE AID-FY07	\$144,263,658							

FY 1987 ESTIMATE \$144,263,658
 FY 1986 APPROPRIATION \$106,315,600
 ESTIMATED INCREASE \$37,948,058

NOTE: NUMBERS PRESENTED ABOVE ARE ROUNDED TO THE NEAREST DOLLAR.
 SEE SCHOOL DISTRICT SUMMARIES FOR EXACT AMOUNTS.

HB 520

Government Finance Associates, Inc.

101 Carnegie Center, Princeton, New Jersey 08541
(609) 452-1575
Corporate Headquarters

New York City Offices
Suite 1301
71 Broadway
New York, New York 10006
(212) 363-5700

Northwest Offices
Suite 1200
1211 SW Fifth Avenue
Portland, Oregon 97204
(503) 222-1405

December 6, 1985

The Honorable Bill Sheffield
Governor
State of Alaska
3rd Floor, Capitol
Pouch A
Juneau, AK 99811

DEC 11 1985

BUDGET REVIEW

Dear Governor Sheffield:

At the outset, I want to say that the trip you took to New York and Chicago to meet with representatives of the investment community, including the rating agencies, underwriters and other participants, was definitely a success. Since those meetings, we have heard positive comments both about the State's presentations and the desire for many of the representatives to maintain continuing dialogue with the chief financial and administrative officers of the State.

This week, we were informed by Anthony Arthur of Standard & Poor's Corporation that the rating agency is in the process of preparing a review on the rating it assigns to the State of Alaska. It is anticipated that this review will take several weeks to complete and will be distributed in appropriate publications by Standard & Poor's. It is not unusual for a rating agency to conduct this type of review subsequent to a briefing of the type presented by the State in November.

During conversations with Anthony Arthur, he requested that certain materials prepared prior to the presentation be updated so that they will have more current data on which to base their credit review. In particular, it will be necessary for the State to develop more recent information on the debt position of State agencies and the State itself. Members of the Department of Revenue are at present preparing that material. Most importantly in this respect, however, is the subject of school debt. For the first time, we expect the agency to include the proportionate share of local school debt paid by the State in determining the State's overall debt load. Apparently, the agency has not been aware of this school assistance program until recently, and based upon the method employed by the agency in handling local school debt paid by other states, we would anticipate the applicable portion to be added to the

Government Finance Associates, Inc.

143 5-20-73

overall debt liability of Alaska. Due to the fact that the agency will now be including such debt, we can expect Standard & Poor's to ask the following question regarding this matter. The agency will desire to know the policy that the State expects to employ to control the amount of local school debt that will be paid by the State. In fact, if you recall, at the New York luncheon, one analyst raised the issue by asking if the State had plans for controlling local debt issues in the future. In response to this possible inquiry by Standard & Poor's, you should know that in most circumstances in which other states pay a large portion of debt service for local school buildings, before the local issuer is authorized to sell the school debt, approval by the particular state education department is required, which department also receives certain affordability guidelines for the program by the chief financial officers of the individual state. Standard & Poor's would find it helpful to receive some specific discussion on this important point.

In conjunction with this analysis by Standard & Poor's, it will also review the State's proposed two-year debt management policy. Based on recent discussions with Standard & Poor's, we do not expect a definitive response by the agency on the policy until later in the month when all relevant members of the rating committee will be available for the review. It is important for the State to have a plan it can present to the agency for the implementation of this policy whether the implementation is expected to be an executive proclamation, legislation, or the adoption by the Administration of particular guidelines for the State and State agencies to follow.

There are at least two additional items which, I believe, deserve attention at this point: The status of the recommendations of the lease/purchase options for State office buildings and the establishment of the appropriate approach toward analyzing infrastructure financing by the State. With respect to the first matter, as was noted often during our various visits with the investment community, the lease/purchase approach, as proposed by the State Office Building Task Force, is a cost-effective and the preferred method of financing State office facilities. In the past, the issuance of certificates of participation on an ad hoc basis has not been conducive to a well-organized debt management program for financing such facilities. Because of the substantial debt management advantages of utilizing the methodology presented by the Task Force, a process for State implementation of those recommendations would be met with a favorable response by the rating agency during the course of its evaluation. In this respect, any such facilities that would generally fall within those requiring

Government Finance Associates, Inc.

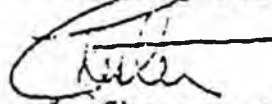
AB-1-11

debt financing should be included immediately within the restrictions of the proposed structure in order for the State to indicate early and convincing adoption of the approach. It would also be helpful to make clear to the rating agency that the Sheffield Administration expects to make the implementation of the recommendations a significant part of the State's overall debt management operations.

Finally, the funding by the State of physical infrastructure requirements has been accomplished in two ways: The use of revenues for capital projects and the issuance of debt to raise proceeds for capital construction requirements. It would be helpful, from the credit analyst's perspective, to have a document which sets forth annually all payments for infrastructure financing by the State to be accomplished during the upcoming year. This information, consolidated into one document, would consist of three major parts. First, the document would present the amount of current revenues being applied to purchase or build long-term capital facilities. Second, the information would set forth the current debt service being paid for all capital facilities directly and indirectly by the State (i.e., general fund expenditures for lease/purchase facilities, general obligation payments, and debt service payments on local school debt). Third, the document would present the security issues to be sold during the current year through both general obligation bonds and related obligations (i.e., lease/purchase debt). Through this document, investors and credit analysts could determine, in a more simplified form, the State's commitment to capital financing of infrastructure requirements. Moreover, it would allow these persons to understand the overall credit of the State in a more comprehensive and persuasive manner. . .

Obviously, we will keep you informed about the progress of the review by Standard & Poor's on the State. If you have any questions or require any further clarification on the matters discussed in this letter, please do not hesitate to contact us. At present, I expect to be in Alaska in early January and would like the opportunity to meet with you then.

Best regards,



J. Chester Johnson

Offered: 4/25/86
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 520 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 14.11.100(a)(5) is amended to read:

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

12 (A) payments made by the municipality during the
13 fiscal year for the retirement of principal and interest on
14 outstanding bonds, notes or other indebtedness authorized by the
15 qualified voters of the municipality after June 30, 1983, and
16 before July 1, 1986, to pay costs of school construction, addi-
17 tions to schools, and major rehabilitation projects that exceed
18 \$25,000 and are approved under AS 14.07.020(11); and

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

24 * Sec. 2. AS 14.11.100(a) is amended by adding a new paragraph to read:

25 (6) subject to (h), (i), and (j) of this section 70 percent
26 of

27 (A) payments made by the municipality during the
28 fiscal year for the retirement of principal and interest on
29 outstanding bonds, notes or other indebtedness authorized by the

1 qualified voters of the municipality after June 30, 1986, to pay
2 costs of school construction, additions to schools, and major
3 rehabilitation projects that exceed \$25,000 and that are approved
4 under AS 14.11.102; and

5 (B) cash payments made after June 30, 1986, by the
6 municipality during the fiscal year two years earlier to pay
7 costs of school construction, additions to schools, and major
8 rehabilitation projects that exceed \$25,000 and are approved
9 under AS 14.11.102.

10 * Sec. 3. AS 14.11.100(h) is amended to read:

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

28 * Sec. 4. AS 14.11.100(i) is amended to read:

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

1 section

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

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

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

8 * Sec. 5. AS 14.11.100(j) is amended to read:

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

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

20 (2) that the bonds may not be refunded unless the present
21 value of the aggregate [ANNUAL] debt service on the refunding issue is
22 not greater than the present value of the aggregate [ANNUAL] debt
23 service remaining on the original issues; for purposes of this para-
24 graph the present value of debt service shall be determined by using
25 the yield on the refunding issue as the discount rate [ISSUE];

26 (3) that the bonds must be repaid in approximately equal
27 annual principal payments or approximate equal debt service payments
28 over a period of at least 10 years;

29 (4) the municipality to demonstrate need for the project by

1 establishing that the school district has

2 (A) projected long-term student enrollment that indi-
3 cates the district has inadequate facilities to meet present or
4 projected enrollment; or

5 (B) facilities that require repair or replacement in
6 order to meet health and safety laws or regulations or building
7 codes.

8 * Sec. 6. AS 14.11.100 is amended by adding a new subsection to read:

9 (1) An allocation under (a)(6) of this section may not be
10 reduced due to amounts expended by a municipality under (k) of this
11 section.

12 * Sec. 7. AS 14.11.102 is amended by adding a new subsection to read:

13 (b) After reviewing all projects for which retirement of school
14 construction debt is requested, the department shall rank the projects
15 that have been determined eligible for debt retirement under AS 14.-
16 11.100(j)(4) in accordance with the procedures set out in AS 14.11.-
17 010. All projects determined eligible, but for which no approval for
18 debt retirement has been made under AS 14.11.103, shall be included in
19 the same ranking.

20 * Sec. 8. AS 14.11 is amended by adding a new section to read:

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

22 (a) A request for an allocation of money under AS 14.11.100 for
23 school construction debt retirement shall be submitted to the depart-
24 ment by the school district no later than October 15 of the fiscal
25 year before the fiscal year for which the request is made.

26 (b) Before a project is approved for retirement of school con-
27 struction debt under AS 14.11.100(a)(6), the project must have been
28 determined eligible under the provisions of AS 14.11.102.

29 (c) The department shall approve eligible projects for debt

1 retirement in the order of the priority established under AS 14.11.-
2 102, if the requests meet the requirements of AS 14.11.100, and sub-
3 ject to the provisions of (d) - (e) of this section.

4 (d) Total outstanding state obligation for reimbursement under
5 AS 14.11.100(a)(6)(A) may not exceed \$15,000,000 in a single year.

6 (e) Total outstanding state obligation to reimburse cash pay-
7 ments under AS 14.11.100(a)(6)(B) may not exceed \$5,000,000 in a
8 single year.

9 * Sec. 9. This Act takes effect July 1, 1986.