

C S H B

3 8 0

SENATE COMMITTEE REPORT

FURTHER

3/25/88

DATE TURNED INTO OFFICE _____

Mr. President:

_____ Finance _____ Committee considered _____ CSHR 380 (FIN) _____

state aid for school construction; establishing a school construction policy task force; efd

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

[] Committee Backup attached

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 24, 1988

SUBJECT: State aid for school construction
SCS CSHB 380(HESS)

TO: Senator Paul Fischer, Chairman
Health, Education, and Social Services
Committee

FROM: Michael F. Ford *M.F.*
Legislative Counsel

The following is a sectional analysis of SCS CSHB 380(HESS):

Section 1 - Adds a new section to limit appropriation of school construction grant funds, unless funds sufficient to provide bond debt reimbursement under AS 14.11.100 are appropriated. This section does not limit the power of the legislature to appropriate money, granted under Article IX, section 13 of the Alaska Constitution.

Section 2 - Requires the Governor to include funds for bond debt retirement in the general appropriation bill submitted to the legislature under AS 37.07.020.

Section 3 - Requires that the local vote on bonding for a school construction project occur before July 1, 1987 or after June 30, 1989, in order to qualify for state reimbursement of school construction debt.

Section 4 - Creates a task force to recommend options for school construction planning and financing.

Section 5 - Repeals the school construction task force.

Section 6 - Effective date.

MFF:gc
WKG2:072

SENATE COMMITTEE REPORT

FURTHER

FINANCE

DATE TURNED INTO OFFICE ~~3/24/88~~ 3/25/89 8:27 a.m.

3/17/88
Mr. President:

HESS Committee considered CSHB 380 (FIN)

state aid for school construction; establishing a school construction policy task force; efd

and recommended

Mazouj
 replace with SCS CS HB 380 (HESS) same title
 or adopt CS new title

attached amendment(s) and

do pass

do pass

do not pass

no recommendation

individual recommendations:

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous

2 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

3
[Signature]
[Signature]
[Signature]

1
[Signature]

1 Paul Frick (No Rec)
Chairman signature and recommendation

Committee Backup attached?

Original sponsors: Swackhammer and Navarre

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 380 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid for school construc-
7 tion; establishing a school construction policy task
8 force; and providing for an effective date."

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

10 * Section 1. AS 14.11 is amended by adding a new section to read:

11 Sec. 14.11.025. SCHOOL CONSTRUCTION GRANT APPROPRIATIONS. Funds
12 may not be appropriated for school construction grants if the amount
13 appropriated to the school construction account under AS 14.11.100(c)
14 is insufficient to provide the share to which a borough or city is
15 entitled to receive under AS 14.11.100.

16 * Sec. 2. AS 14.11.100(c) is amended to read:

17 (c) The school construction account is established. Funds to
18 carry out the provisions of this section shall be included within the
19 general appropriation bill submitted to the legislature under AS 37.-
20 07.020 and may be appropriated annually by the legislature to the
21 account. If amounts in the account are insufficient for the purpose
22 of providing the share to which a borough or city is entitled under
23 this section, those funds that are available shall be distributed pro
24 rata among the eligible local governments except that the legislature
25 may direct that additional debt service on refunding bonds that ex-
26 ceeds the total debt service on the refunded bonds be disregarded in
27 whole or in part.

28 * Sec. 3. AS 14.11.100(j) is amended to read:

29 (j) Except as provided in (1) of this section, the state may not
S

1 allocate money to a municipality for a school construction project
2 under (a)(5) of this section unless the municipality complies with the
3 requirements of (1) - (4) of this subsection, the project is approved
4 by the commissioner before the local vote on the bond issue for the
5 project, and the local vote occurs before July 1, 1987, or after
6 June 30, 1989 [1988]. In approving a project under this subsection,
7 the commissioner shall require

8 (1) the municipality to include on the ballot for the bond
9 issue the estimated total cost of each project including estimated
10 total interest, estimated annual operation and maintenance costs, the
11 estimated amounts that will be paid by the state and by the municipal-
12 ity, and the approximate amount that would be due in annual taxes on
13 \$100,000 in assessed value to retire the debt;

14 (2) that the bonds may not be refunded unless the annual
15 debt service on the refunding issue is not greater than the annual
16 debt service on the original issue;

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

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

22 (A) projected long-term student enrollment that indi-
23 cates the district has inadequate facilities to meet present or
24 projected enrollment; or

25 (B) facilities that require repair or replacement in
26 order to meet health and safety laws or regulations or building
27 codes.

28 * Sec. 4. TASK FORCE CREATED. (a) The school construction policy task
29 force is established by the legislature to recommend options for planning,

1 financing, and constructing public elementary and secondary schools in the
2 state. Members of the task force serve without compensation, but the
3 public member is entitled to per diem and travel expenses authorized by law
4 for state boards under AS 39.20.180.

5 (b) Membership on the task force consists of

6 (1) the governor or a designee of the governor;

7 (2) one public member appointed by the governor;

8 (3) two senators appointed by the president of the senate, one
9 of whom shall co-chair the task force;

10 (4) two members appointed by the speaker of the house, one of
11 whom shall co-chair the task force;

12 (5) one representative of the State Board of Education;

13 (6) one representative of local government or school district
14 interests from each judicial district, appointed by the governor; and

15 (7) one representative of rural educational attendance areas,
16 appointed by the governor.

17 (c) By January 15, 1989, the task force shall report its rec-
18 ommendations to the legislature.

19 * Sec. 5. Section 4 of this Act is repealed June 30, 1989.

20 * Sec. 6. This Act takes effect July 1, 1988.

Offered: 3/16/88
For Today's Calendar

Original sponsors: Swackhammer and Navarre

Zero/A

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 380 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid for school construc-
7 tion; establishing a school construction policy task
8 force; and providing for an effective date."

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12 carry out the provisions of this section shall be included within the
13 general appropriation bill submitted to the legislature under AS 37.-
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15 account. If amounts in the account are insufficient for the purpose
16 of providing the share to which a borough or city is entitled under
17 this section, those funds that are available shall be distributed pro
18 rata among the eligible local governments except that the legislature
19 may direct that additional debt service on refunding bonds that ex-
20 ceeds the total debt service on the refunded bonds be disregarded in
21 whole or in part.

22 * Sec. 2. AS 14.11.100(j) is amended to read:

23 (j) Except as provided in (l) of this section, the state may not
24 allocate money to a municipality for a school construction project
25 under (a)(5) of this section unless the municipality complies with the
26 requirements of (l) - (4) of this subsection, the project is approved
27 by the commissioner before the local vote on the bond issue for the
28 project, and the local vote occurs before July 1, 1987, or after
29 June 30, 1990 [1988]. In approving a project under this subsection,

1 the commissioner shall require

2 (1) the municipality to include on the ballot for the bond
3 issue the estimated total cost of each project including estimated
4 total interest, estimated annual operation and maintenance costs, the
5 estimated amounts that will be paid by the state and by the municipal-
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8 (2) that the bonds may not be refunded unless the annual
9 debt service on the refunding issue is not greater than the annual
10 debt service on the original issue;

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

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17 cates the district has inadequate facilities to meet present or
18 projected enrollment; or

19 (B) facilities that require repair or replacement in
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23 force is established by the legislature to recommend options for planning,
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25 state. Members of the task force serve without compensation, but the
26 public member is entitled to per diem and travel expenses authorized by law
27 for state boards under AS 39.20.180.

28 (b) Membership on the task force consists of

29 (1) the governor or a designee of the governor;

- 1 (2) one public member appointed by the governor;
2 (3) two senators appointed by the president of the senate,
3 one of whom shall co-chair the task force;
4 (4) two members appointed by the speaker of the house, one
5 of whom shall co-chair the task force;
6 (5) one representative of the State Board of Education;
7 (6) one representative of local government or school dis-
8 trict interests from each judicial district, appointed by the gover-
9 nor; and
10 (7) one representative of rural educational attendance
11 areas, appointed by the governor.

12 (c) By November 15, 1989, the task force shall report its rec-
13 ommendations to the legislature.

14 * Sec. 4. Section 3 of this Act is repealed June 30, 1990.⁸⁷

15 * Sec. 5. This Act takes effect July 1, 1988.

FISCAL NOTE

REQUEST:

Revision Date: 3-24
Title: ... School construction ... policy task force ...
Sponsor: Swackhammer
Requestor: Senate Hess

Agency Affected: Education
BRU: Education Finance and Support Services
Components: FACILITIES

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Steve Hole Phone: 2800
Division: Commissioner's office Date: 3-24-88
Approved by Commissioner: William G. Demmert Date: 3-24-88
Agency: Education

Distribution (by preparer):

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

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SCS CS HB 380 Head
PUBLISH DATE: Senate 3/25/88

FISCAL NOTE

REQUEST:

Revision Date: March 15, 1988
Title: An Act relating to state aid for school construction....
Sponsor: Swackhammer
Requestor: House Finance

Agency Affected: Legislature
BRU: Legislative Council on Subcommittees
Components: _____

231

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The public member under section three of CSHB 380 (Fin) will be paid per diem under AS 39.20.180 and will be paid through the Legislative Council on Subcommittees.

Prepared by: Al Adams, Chairman ^{ADA} Phone: 465-3706
Division: House Finance Date: March 15, 1988

Approved by Commissioner: Al Adams Date: March 15, 1988
Agency: House Finance Committee

Distribution (by preparer):

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

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 380 (Fin)
PUBLISH DATE: HOUSE 3/16/88

FISCAL NOTE

REQUEST:

Revision Date: March 15, 1988
Title: An Act relating to state aid for school construction....
Sponsor: Swackhammer
Requestor: House Finance

Agency Affected: Legislature
BRU: Legislative Council on Subcommittees
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

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Prepared by: Al Adams, Chairman ^{APA} Phone: 465-3706
Division: House Finance Date: March 15, 1988

Approved by Commissioner: Al Adams Date: March 15, 1988
Agency: House Finance Committee

Distribution (by preparer):

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

Zero based note/w analysis
3/16/88

ØPN

ALASKA STATE LEGISLATURE

.15th. Legislature **SECOND** Session

HOUSE... **BILL** NO. **380**..

By **SWACKHAMMER**

Novarre

"An Act relating to state aid for school construction; and providing for an effective date."

CSHB 380(Fin) BY FINANCE

Offered: 3/15/88
For Today's Calendar

"An Act relating to state aid for school construction; establishing a school construction policy task force; and providing for an effective date."

Introduced in the House **Jan. 20 19 88..**

HISTORY IN THE HOUSE

1988		Read first time and referred to Committee on
JAN 20		HESS, FINANCE
Mar 4		Reported back with recommendation that <i>Hess - CS/Fin - 2 do pass, 5 Ys Rec 3/16/88 To Finance</i>
Mar 16		<i>Fin - CS/Fin 8 do pass - 2 Ys Rec For Today's Calendar</i>
Mar 16		Read second time and <i>CS/Fin adopted today</i>
Mar 16		Read third time and
Mar 16		PASSED Effective Date Yeas <i>75</i> Yeas Nays <i>4</i> Nays <i>Game</i> Excused <i>1</i> Excused Absent <i>0</i> Absent
Mar 16		Reconsideration <i>30wachi</i> Reconsideration not taken up
Mar 16		PASSED Effective Date Yeas <i>36</i> Yeas Nays <i>2</i> Nays <i>Game</i> Excused <i>1</i> Excused Absent <i>1</i> Absent
3/16		Reported correctly engrossed
3/16		Signed by Speaker
3/16		Sent to Senate <i>Ernest Ashen</i>
		CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

1988		Read first time and referred to Committee on
3/17		<i>HESS - Fin</i>
3/25		Reported back with recommendation that <i>HESS replace w/SCS 3 do pass, 2 no rec 2 Ys Rec to Finance</i>
		Read second time and
		Read third time and
		PASSED Effective Date Yeas Yeas Nays Nays Excused Excused Absent Absent
		Reconsideration Reconsideration not taken up
		PASSED Effective Date Yeas Yeas Nays Nays Excused Excused Absent Absent
		Reported correctly engrossed
		Signed by President
		Returned to House
		SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		Received from Senate
		Concurred in Senate amendment thus adopting: VOTE
		Failed to concur in Senate amendment; asked Senate to recede VOTE
		Senate receded from amendment VOTE
		Senate failed to recede from amendment VOTE
		CC appointed by House
		CC appointed by Senate
		CC adopted by House VOTE
		CC adopted by Senate VOTE
		To enrolling Reported correctly enrolled Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 24, 1988

SUBJECT: State aid for school construction
SCS CSHB 380(HESS)

TO: Senator Paul Fischer, Chairman
Health, Education, and Social Services
Committee

FROM: Michael F. Ford *M.F.*
Legislative Counsel

The following is a sectional analysis of SCS CSHB 380(HESS):

Section 1 - Adds a new section to limit appropriation of school construction grant funds, unless funds sufficient to provide bond debt reimbursement under AS 14.11.100 are appropriated. This section does not limit the power of the legislature to appropriate money, granted under Article IX, section 13 of the Alaska Constitution.

Section 2 - Requires the Governor to include funds for bond debt retirement in the general appropriation bill submitted to the legislature under AS 37.07.020.

Section 3 - Requires that the local vote on bonding for a school construction project occur before July 1, 1987 or after June 30, 1989, in order to qualify for state reimbursement of school construction debt.

Section 4 - Creates a task force to recommend options for school construction planning and financing.

Section 5 - Repeals the school construction task force.

Section 6 - Effective date.

MFF:gc
WKG2:072

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: . . state aid for school
construction. . .
Sponsor: Swackhammer
Requestor: Senate HESS

Agency Affected: Education
BRU: Debt Retirement
Components: Debt Retirement

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Steve Hole
Division: Commissioner's Office

Phone: 465-2800
Date: 3-25-88

Approved by Commissioner: William G. Demmert
Agency: Department of Education

Date: 3-25-88

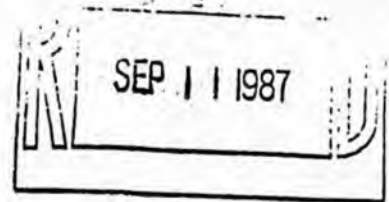
Distribution (by preparer):

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

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU



HB380

May 12, 1987

The Honorable Al Adams, Chairman
House Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Adams:

SUBJECT: SB 150-Relating to bonds issued for school construction.

Many municipal and borough officials have met with me and my staff to express concern over the proposed level of funding for school debt retirement. To mitigate the impact of reduced revenues, they have requested legislation to allow restructuring of their current debt, extending the term for repayment. While restructuring will lower the present payments on the debt, it will obligate the state to reimbursement for school construction debt for years beyond the revenue curve generated by Prudhoe Bay.

The State can no longer afford to continue the existing and ever increasing obligation for debt reimbursement under school construction debt retirement program. It is my intent to work during the interim with municipal and borough officials, school district personnel, legislators, and members of my administration to develop a new proposal for school construction finance for introduction next legislative session. It is imperative that a program be developed which adequately addresses the needs for school construction and major renovations statewide, while maintaining the proper checks and balances to assure fiscal prudence.

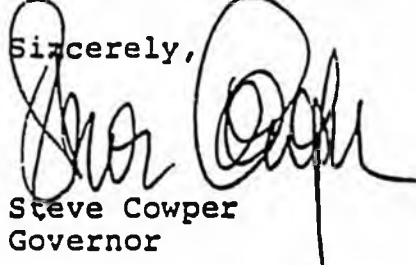
I have agreed to support SB 150 with the proposed amendments to allow for restructuring of existing debt. However, my support is contingent on maintaining in this legislation the cutoff date for the existing school debt reimbursement program. Those bonds which have been

May 12, 1987

authorized but unissued under this program would continue to be eligible for reimbursement, but the state would incur no additional obligation until a new program is in place.

I am confident that together we will be able to develop a new program for school construction which will adequately provide for the many needs of school districts around the state while increasing public confidence in our ability to effectively manage the limited resources available.

Sincerely,



Steve Cowper
Governor

cc: The Honorable C.E. Swackhammer
Alaska State Legislature

The Honorable Paul Fischer
Alaska State Legislature

Hugh Malone, Commissioner
Department of Revenue

Bill Demmert, Commissioner
Department of Education

SUMMARY -- METHODS OF FUNDING SCHOOL CONSTRUCTION

<u>STATE</u>	<u>METHOD OF FUNDING</u>	<u>EQUITY</u>
Alabama	Mostly local taxes - \$60/Classroom Unit per year State funded.	No
Arkansas	84 Million in FY87 - All local taxes - No State contribution.	No 1 mil = \$2500 to \$7500
Hawaii	25 million in FY87 - Direct appropriation.	Yes - Single School District
Florida	Plan 8.8 billion in construction in 10 years - need 573 elem., 174 middle, 94 H.S. facilities - State Board issues bonds - Board allocates funds based on enrollment growth compared to base years, and requires plant survey - Local levy limit of 10 mils for schools.	"Yes - substantially equal"
Indiana	State provides a \$250,000 advance to school districts with less than \$8400 AV/Pupil (ADA).	No
Kentucky	Foundation program includes \$1,800 per classroom per year "capital funds". Facilities needs established by State DOE - but largest part of project locally funded.	"No Answer"
Georgia	Required local effort of 10 - 25% of project based on wealth. State effort limited by statute to total of 100 million --- Each LEA entitled to a portion of total authorizations set by State Board based on ratio of LEAs need to total of all system needs. Program excludes: pools, tanks, stadiums, athletic facilities, and central administrative offices. Requires annual 5 year forecast and survey every five years. DOE sets qualifying standards and reviews and certifies surveys. State Board approves or rejects survey recommendations.	Yes
Massachusetts	120 million in grants - distributed by AV/P equalized funding pays interest only up to 50% of project cost.	No

Nebraska	31 million FY86 from local bond issues - minimal State funds.	No
New York	\$400 million/year - principal and interest reimbursed up to 51% of project.	Yes: For wealthy districts State % is less. For poorer districts it is more.
North Carolina	State Board issues capital money on per student basis (ADM) to districts - 25% local funds required. Commission on School Facility Needs - is studying ways to reduce incentive to delay maintenance.	No
Ohio	10 million in grants per year. Debt retirement assistance must be paid back to the State.	No
Texas	\$1 billion/year - local bonds and taxes - State guarantees bonds to raise ratings and save interest cost.	No
Virginia	\$81 million new - \$80 million additions and alterations - local funds - VPSA purchases general obligations bonds from localities - LEAs do not need voter approval for bonds sold to VPSA - VPSA sells <u>bonds to finance purchase</u> - <u>VPSA</u> bonds rank Aa.	No
Wisconsin	98.4 million P & I - State pays minor share of P & I - districts that spend at the same level per student will tax at the same rate.	"Yes - some"
Oklahoma	All local funds.	No
South Carolina	Total expenditures \$136 mill in FY87 - State provides only \$30/student/year from 10% sales tax for capital needs. Most construction funds are locally generated.	No
West Virginia	All local funds.	No
Wyoming	Local funding mostly. Since 1976 State grants up to 20% of some projects - 7 million this year to 25 qualifying districts (out of 49). No State standards for school buildings or sites.	No



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

- Are there states which fund school construction through direct capital appropriation?
- Are there states which fund school construction through an administrative process?

In the case of states which use an administrative process to fund local school construction, we were also asked to provide examples of statutes used to authorize these programs.

We contacted the Education Commission of the States and obtained survey and descriptive information on the methods used by states to fund school construction. In addition, we contacted state education agencies in Alabama, Illinois, Indiana, Minnesota, Missouri, Nevada, Pennsylvania, South Carolina, Vermont, Washington, and Wisconsin to obtain specific information on school construction aid programs in these states.

Direct Legislative Appropriations

We have found only one example of a state other than Alaska which funds school construction through direct capital appropriation. Hawaii has only one school district, a statewide district, through which all school construction is funded. The Hawaii Legislature funds this construction on a project by project basis. According to Kay Jones of the Hawaii Department of Education, a statewide list of priorities is developed by the Department of Education; instructional space needs and facility rehabilitation are given top priority. Ms. Jones stated

provided as Attachment A. In addition, we have provided an appendix which contains authorizing statutes from other states for each type of program.

Full State Support. Under full state support programs, the state undertakes to fund all capital and debt service expenditures associated with the construction of local schools. Full support programs do not always pay for the entire cost of school construction. If the amount of funds available from the state is less than the cost of all planned construction, local districts may have to supplement state funding or cancel projects. In the case of Hawaii, with a single, statewide school district, local governments may supplement school construction funds by donating equipment or locating recreational facilities adjacent to schools. The source of state funding may be legislative appropriation, as in the case of Hawaii, the sale of bonds, a dedicated fund, or from some combination of all three.

States with full support programs generally have a mechanism for determining the capital needs of local districts. As noted earlier, Hawaii develops a priority list giving first preference to instructional space needs, with needs such as recreational facilities given less weight. Florida develops an annual allocation for each school district based on projection of school facility needs, the district's school bond debt, and the district's ability to obtain funding from other sources.

In the appendix, we have included the statutes from Florida authorizing its full state support program.

Advantages: there is a high degree of fiscal equalization among districts;

 the local districts avoid over-taxing a single revenue source by using the state's greater access to revenue source;

 the state can develop an allotment mechanism based on need;

 there are savings in the bond market resulting from consolidation of bond issues into a single state issuance; and

 the long delays and costs that may be incurred by local bond referendums are avoided.

school districts without significant facility needs would not benefit from state assistance.

Flat-Rates. Some states reimburse local school districts for school construction costs based on a fixed amount per unit. This unit may be the average attendance of the district, the rated capacity of the facility, or the square footage of the project. The significant feature of a flat-rate support program is that it does not take into account the revenue capacity of the district, the level of local expenditure, or the need for the capital project.

In South Carolina, the Department of Public Instruction provides each district with \$30 per year for every student enrolled in the district. According to Dr. Henry Hollingsworth, with the Department of Public Instruction, South Carolina pays approximately \$18 million per year for school construction to the local district. This covers about 20 percent of the cost of school construction in the state. There is currently a proposal in the South Carolina Legislature to increase the amount per student to \$127 annually next year, with the amount to fluctuate over the next several years, leveling off at \$80 per year.

In Indiana, every district receives a grant of \$40 per registered student each year. The school district must apply this money to any debt service obligations; if there is a remainder, it may be transferred to the district's general fund. We have included the Indiana statute authorizing this program in the appendix.

Advantages: the control of school building programs remains at the local level;

some measure of equalization is provided since money is provided irrespective of the local contribution;

the flat-rate grants reduce the school district's dependency on local revenue sources; and

the program is easily administered, as it has a simple allocation formula.

Disadvantages: programs may not provide sufficient funds to finance projects; and

programs may not take into account the building needs of each district.

Representative Pestinger
January 26, 1984
Page Seven

Loans. In addition to providing grants to local school districts for school construction, states may also provide low-interest loans. Loans may be funded through direct appropriation, or the state may establish a revolving loan fund. State loans are generally not charged against the local school district's debt limit for bonding purposes. Some states may make loans available to any district, while some states may have provisions which favor needier districts. The amount of funds available to districts through state loans is usually modest.

Minnesota has a low-interest loan program established to assist newly emerging school districts and districts in areas of rapid population growth. According to Ron Laliberte, with the Minnesota Department of Education, these districts may be faced with a substantial school population before the local tax base has developed sufficiently to support the district's construction needs. Eligibility is determined by computing the taxable property valuation of the district per student. He noted that very few districts qualify for the program because their property valuation is too high.

In Minnesota, the loan program is funded by legislative appropriation. According to Mr. Laliberte, there have been no loans given out in the last two years due to a lack of appropriations from the legislature. There are currently no plans to reactivate the program.

Arkansas has a revolving loan program which makes approximately \$350,000 available annually for loans to local school districts at 6 percent interest. The loans are generally for six years, and the district is required to levy taxes to pay off the principal and interest in this period. Indiana has one loan program which makes a total of \$1.5 million available annually to school districts for school construction loans at an interest rate one percent below the current bond market rate. It also has a Veterans' Memorial School Construction Fund which makes a small amount of loans available at one percent interest rates.

We have included the statutes authorizing school construction loan programs from Indiana and Minnesota in the appendix.

Advantages: loan programs provide an economical way for local districts to borrow funds;

 loans from the state are not generally charged against the district's debt limit;

 the time required to obtain loans is generally less than for bonding; and

Representative Pestinger
January 26, 1984
Page Nine

Disadvantages: the creation of building authorities ignores the real problems of funding schools by circumventing tax and debt limitations;

building authorities generally use revenues bonds to finance school construction; these bonds have higher interest rates than general obligation bonds; and

the public's right to voter approval of school construction is circumvented by authorities.

In addition to the statutes included in the appendix and the article on school construction financing that is Attachment A, we have also attached to this memorandum a matrix chart prepared by the Education Commission of the States (Attachment B) which shows the operating and capital funding methods for the fifty states. For your purposes, the headings which run horizontally across the page are the pertinent categories; the vertical axis pertains to methods of funding operational expenditures. Unfortunately, the chart does not include information on states which permit building authorities.

There is a table in Attachment A which does show methods of capital funding by states and does include information on authorities; however, our telephone interviews have indicated that there are several inaccuracies in this table. It should be noted that we obtained information in our conversations with school officials in other states that was not in agreement with either chart. Therefore, while these summary tables provide somewhat useful indicators of the degree to which various types of programs are used, it appears likely that both contain at least some errors with regard to specific programs in individual states.

If you have any questions, or if we can provide further assistance, please do not hesitate to contact us.

JS

Attachments



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

Judy Salo, President

Alan Dill
Vice-President
Box 423
Sitka, Alaska 99835

Jaan Krause
Past-President
P.O. Box 3121
Palmar, Alaska 99645

Susan Sillham
NEA Director
Box 80913, Collage Station
Fairbanks, Alaska 99708

Gloria Ingle
Region I Director
Box 758
Wrangell, Alaska 99929

Phil Myerchin
Region I Director
717 Canyon Road
Ketchikan, Alaska 99901

Beverly Goad
Region II Director
Box 343
Copper Center, Alaska 99573

Don Oberg
Region III Director
Box 1084
Kenai, Alaska 99611

Myra Poage
Region IV Director
Box 973
Nome, Alaska 99782

Marilyn Rosene
Region IV Director
Box 1170
Dillingham, Alaska 99578

Joann Walker
Region IV Director
Box 57C
Kotzebue, Alaska 99752

Mary Lou Brent
Region V Director
Box 80074
Fairbanks, Alaska 99708

Dennis Lea
Region V Director
P.O. Box 242
Fairbanks, Alaska 99707

Loretta B. Christie
Region VI Director
2220 Yorkshire Lane
Anchorage, Alaska 99504

Richard Kronberg
Region VI Director
2131 Minerva Way
Anchorage, Alaska 99515

Pam McCarl
Region VI Director
2115 Sorbus Way
Anchorage, Alaska 99508

Pam Reynolds
Region VI Director
8031 Evans Circle
Anchorage, Alaska 99507

Peg Stout
Region VI Director
8208 E. 34th Avenue
Anchorage, Alaska 99504

Carolyn Tolson
Region VII Director
Box 873933
Wasilla, Alaska 99687

Roxy McDonagh
Region R Director
402 E. 23rd Avenue
Anchorage, Alaska 99503

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

March 3, 1988

TO: Representative Al Adams, Chairman
House Finance Committee members

FROM: Judy Salo *Jes*

RE: CSHB 380

NEA-Alaska supports and encourages the passage of Committee Substitute for House Bill 380. The amendment made in HESS was minor in our opinion and we support HB 380 with or without that amendment.

We submitted written testimony in February regarding our support of this bill and I am reiterating that support for the following reasons:

- A. The passage of this legislation would institute a very sound public policy relative to construction of Alaska school facilities.
- B. School needs in the state should be prioritized and met based on a standardized criteria.
- C. Especially with the changing economic climate in our state we must undertake school construction in the most responsible manner.

Representative Hanley raised some interesting points regarding the submission of a six year plan during the HESS Committee hearing. The fact is that the process will always be somewhat politicized, but the changes this legislation propose would move us toward a better planned approach to construction and the considerable monetary investment it represents.

Thank you for the opportunity to contribute renewed support of this important legislation.


JS/HB380/dl

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Representative Niilo Koponen, Co-Chair
Representative Johnny Ellis, Co-Chair
Members of House Health, Education and Social Services
Committee

FROM: Scott A. Burgess, Executive Director 

DATE: February 17, 1988

SUBJECT: HB 380 - State Aid for School Construction

The Alaska Municipal League supports the concept of HB 380 to address school construction costs past, present and future. The legislation would provide a mechanism for the State to meet its obligation to reimburse municipalities for school construction debt at statutory levels and to more effectively control the State's future capital cost in meeting its Constitutional responsibility for education. While the AML generally supports the direction of the bill, specific problems with HB 380 may arise during the hearings that must be addressed in order to implement the program.

HB 380 would continue the school debt reimbursement program for debt incurred prior to July 1, 1988. All school construction after that date would be financed by grants awarded on a state-wide priority basis. The bill reflects the efforts of the Department of Education and municipal and school officials who met during the interim as the School Construction Funding Review Committee to address the school construction program and the needs of municipalities and the State. The bill also responds to the moratorium on new school construction debt imposed as a part of SB 150 which passed the Legislature last year allowing municipalities to refinance existing debt. Governor Cowper had asked for the moratorium to give the State time to develop a mechanism to control future debt and state cost for school construction. The bill provides for that certainty for the Administration. HB 380 also maintains the Legislature prerogative to review priorities and determine the appropriation level on an annual basis. Presumably the new grant program will still retain local control over design and construction under state guidelines and the ability of municipalities and districts to pay for new facilities outside the grant program and to add to approved facilities beyond the "basics" at their cost.

House HESS Re: HB 380
February 17, 1988
Page 2

The shortcoming of the bill is the lack of guarantee that future appropriations will fully fund statutory obligations for debt reimbursement. While that guarantee does not exist now, i.e. it is subject to legislative appropriation, and cannot be given without a constitutional amendment or a ballot measure to authorize a state general obligation bond, the acceptance by municipalities of a grant process for future school construction is offered as a compromise in exchange for full funding of existing debt. Some commitment to this compromise by the Governor and the Legislature is needed.

The AML supports the concept of HB 380 and looks forward to working with the sponsor and Legislature to crafting a bill that meets existing state obligations, the desire of the State to more effectively control future costs, and to meet the education needs of our children.

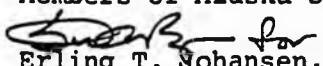
cc: Representative Swackhammer

ALASKA CONFERENCE OF MAYORS

HB 880

105 Municipal Way, Suite 301
Juneau, Alaska 99801
907 - 586-1325

TO: Governor Steve Cowper
Members of Alaska State Legislature

FROM: 
Erling T. Johansen, President

DATE: February 15, 1988

SUBJECT: Positions on Legislation

The Alaska Conference of Mayors met in Juneau, February 9-10, 1988 and discussed a variety of legislative issues. With this letter and the enclosed resolutions, I am asking you to note the positions taken on several issues and consider them in your deliberations during the Second Session of the 15th Alaska State Legislature. State and local government leaders must work together in a partnership to address the problems facing Alaska so that the actions taken by the State do not restrict or burden the municipalities at the local level.

Enclosed are Alaska Conference of Mayors Resolutions Nos. 88-15, 17, 18 and 19, passed February 9, 1988 by the Alaska Conference of Mayors.

Resolution 88-15: Opposing reductions in U.S. Coast Guard budget
Resolution 88-17: Supporting the Trans-Alaska Gas System
Resolution 88-18: Supporting the school account legislation
Resolution 88-19: Supporting the establishment of the Alaska Science Foundation

In addition to passing the above resolutions, the Alaska Conference of Mayors took action on several current and prospective legislative items:

Education funding: The ACoM passed a motion to support House CS for CS for Senate Bill 330 (HESS).

Tourism tax: The ACoM passed, unanimously, a motion endorsing the concept of a uniform state system of tourism taxation with the net receipts of those taxes to be distributed to tourism-impacted communities.

Alaska Railroad Corporation Board makeup: The ACoM passed a motion to support legislation increasing the Alaska Corporation Board from 7 to 9 members and that at least one member should be from Fairbanks, Seward and Anchorage (see HB 349).

School construction: The ACoM passed a motion to support the concept of funding current school construction debt at statutory levels and providing for all future school construction through a grant process as recommended in HB 380 introduced by Representative Swackhammer.

I hope you will consider the positions of the Alaska Conference of Mayors and that they will be helpful in guiding your action. If you have any questions, you can contact me in Cordova at 424-6200.

Enclosures

HB 380



Matanuska-Susitna Borough

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

BOROUGH ASSEMBLY

February 18, 1988

Co-Chairman Niilo E. Koponen
Co-Chairman Johnny Ellis
Health, Education and Social Services Committee
House of Representatives
State of Alaska
Box B
Juneau, AK 99811

and

Representative C.E. Swackhammer
House of Representatives
State of Alaska
P.O. Box V
Juneau, AK 99811

RE: House Bill 380

Dear Committee Members:

I am pleased to present Resolution Serial No. 88-025 supporting House Bill 380. The Assembly supports House Bill 380 since it establishes a needs-based program for school construction in the state of Alaska. The Bill establishes for a priority list of projects to be reviewed by the Department of Education based upon objective needs-based criteria. The affect of this bill, in the Borough's opinion, removes the decision to construct schools from the political process and provides for an objective needs-based approach to school construction. This approach should ensure that only those school projects that are truly required are constructed. House Bill 380 should also insure that unnecessary items such as saunas are not included in the cost of school construction.

Very truly yours,

Dorothy A. Jones, Mayor

DAJ:mlm

Encl:

(mlml:10001)

cc: Representatives Gruenberg, Donley, Hudson, Phillips and Hanley

Representative Curt Menard

Representative Ben Jensen

Requested By: Assemblyman Cypra

MATANUSKA SUSITNA BOROUGH

Resolution No. 88- 025

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH, ALASKA, SUPPORTING HOUSE BILL 380 ENTITLED "AN ACT RELATING TO STATE AID FOR SCHOOL CONSTRUCTION; AND PROVIDING FOR AN EFFECTIVE DATE"

WHEREAS, the Matanuska-Susitna Borough has outstanding debt service obligations for school construction projects, and;

WHEREAS, the ability of the Matanuska-Susitna Borough to service its debt obligation is directly related to the percentage of debt reimbursement the state of Alaska appropriates for any given year, and

WHEREAS, Article VII, Sec. 1, of the Alaska State Constitution requires the state of Alaska to establish and maintain a system of public schools open to all children of the state of Alaska, and

WHEREAS, the definition of basic educational need has never been established in the state of Alaska, and

WHEREAS, basic educational need consists of programmatic needs for grades K through 12, collateral programs such as community schools, etc., pupil transportation and school debt reimbursement for capital construction costs incurred by municipalities, and

WHEREAS, the right to education in Article VII, Sec. 1, of the Alaska State Constitution requires the state to fully fund debt reimbursement programs for municipalities throughout the state, and

WHEREAS, House Bill 380 establishes a school construction grant account and a review procedure which sets forth objective standards for construction of public schools on a "needs" basis, and

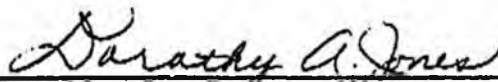
WHEREAS, the state of Alaska Department Review of Grant Applications provides objective criteria to analyze the necessity for a school construction project in the state of Alaska, and

WHEREAS, House Bill 380 authorizes the state of Alaska to disapprove a project if it is not in the best interest of the state, and

NOW, THEREFORE, BE IT RESOLVED THAT THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH, ALASKA:

Supports House Bill 380.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough, Alaska, this 1 day of March, 1988.


Dorothy A. Jones, Mayor

ATTEST:


Linda Dahl, Clerk

(SEAL)

(mlml:r0003)

SECTIONAL ANALYSIS CSHE 380 (FIN)

- SECTION 1: FUNDS MAY NOT BE APPROPRIATED FOR NEW SCHOOL CONSTRUCTION GRANTS IF THE FULL ENTITLEMENT FOR THE REIMBURSEMENT TO MUNICIPALITIES FOR SCHOOL BOND DEBT IS NOT FULFILLED.
- SECTION 2: LEGISLATURE SHALL INCLUDE FUNDS FOR THE SCHOOL CONSTRUCTION ACCOUNT WITHIN THE GENERAL APPROPRIATION BILL. REQUESTS FULL ENTITLEMENT FOR REIMBURSEMENT OF EXISTING BONDS ISSUED BY LOCAL MUNICIPALITIES OR BOROUGHES.
- SECTION 3: EXTENDS THE MORATORIUM FOR THE ISSUANCE OF NEW BOND ISSUES BY LOCAL GOVERNMENTS FROM JUNE 30, 1988, TO JUNE 30, 1990.
- SECTION 4: CREATES A 12 MEMBER SCHOOL CONSTRUCTION POLICY TASK FORCE. THE TASK FORCE IS TO BE COMPRISED OF THE GOVERNOR OR HIS DESIGNEE, ONE PUBLIC MEMBER APPOINTED BY THE GOVERNOR, TWO SENATORS APPOINTED BY THE PRESIDENT OF THE SENATE, TWO REPRESENTATIVES APPOINTED BY THE SPEAKER, ONE REPRESENTATIVE FROM THE STATE BOARD OF EDUCATION, ONE REPRESENTATIVE FROM EACH JUDICIAL DISTRICT REPRESENTING LOCAL GOVERNMENT OR SCHOOL DISTRICT INTERESTS AND ONE REPRESENTATIVE OF THE RURAL EDUCATIONAL ATTENDANCE AREA APPOINTED BY THE GOVERNOR. THE CO-CHAIRS OF THE TASK FORCE WILL BE A SENATOR AND REPRESENTATIVE. THE TASK FORCE IS TO REPORT ITS RECOMMENDATIONS NO LATER THAN NOVEMBER 15, 1989.
- SECTION 4: REPEALS SECTION THREE OF THIS ACT ON JUNE 30, 1990.
- SECTION 5: EFFECTIVE DATE OF JULY 1, 1988.