

HB

37

HOUSE COMMITTEE REPORT

(5)

Date Referred: January 9, 1989

FURTHER REFERRALS: HESS

FINANCE

Date of Committee Action: 1/26/89

The LABOR & COMMERCE Committee recommends that:

HOUSE BILL NO. 37 [STATE AID FOR SCHOOL CONSTRUCTION]

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

be replaced with CS HB37 (L+C) the same title
 a new title

have attached amendment(s)

- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Mark Bayley (no rec)
Mark Bayley (no rec)
Mark Bayley (no rec)
Mark Bayley (no rec)
Mark Bayley (no rec)
Mark Bayley (no rec)
Mark Bayley (no rec)
Mark Bayley (no rec)

Mark Bayley
 Chairman's signature

A M E N D M E N T

OFFERED IN THE HOUSE

BY BOYER

TO: HB 37

Page 17, line 18:

Delete "school buildings"

Insert "schools that are owned or operated by the state or a district
[SCHOOL BUILDINGS]"

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 24, 1989

SUBJECT: State aid for school construction - HB 37
TO: Representative Mark Boyer
FROM: Michael F. Ford *M.F.*
Legislative Counsel

You have asked if AS 14.11 providing for state aid for school construction would apply to military schools. Under AS 14.11.135, contained in section 22 of the bill, all public elementary and secondary school buildings qualify for state aid. Therefore, if a school located on a military base is a public elementary or secondary school, it would also qualify for state aid. At present, the schools located on military bases are operated by the state through the local school district. Therefore these schools would appear to be clearly eligible for state construction assistance.

Please contact me if you have further questions.

MFF:mi
wkmi3/073

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

SCHOOL DISTRICT EXPENDITURES
FOR
PROPERTY INSURANCE

1988-89

Twenty-nine (29) of Alaska's fifty-five (55) school districts joined together in 1986 to form the Alaska Schools Insurance Company (ASIC), a mutually owned company organized for the purpose of providing property insurance for schools and stabilizing property insurance rates. The Association of Alaska School Boards (AASB) facilitated the formation and acts as the administrator of the program.

As of this year there are thirty (30) districts which participate in the ASIC program.

The information on Exhibit "A" attached, was requested by the House Labor and Commerce Committee in consideration of HB 37, relating to insurance for school facilities.

Exhibit "A" shows the data available only for those districts which are ASIC members. Property insurance information for non-ASIC members is not available to us at this time.

Exhibit "B" summarizes the coverage offered by ASIC for the 1988-89 policy year.

Exhibit "C" provides background information about ASIC - its goals, program structure and governance structure.

SPECIAL NOTE:

Figures shown on Exhibit "A" for Property Premium represent not only premium paid for actual coverage, but also the capitalization contribution that ASIC members were required to pay for this year. Unlike payments which are made for commercial insurance, the capitalization contribution for each district remains in savings and accrues interest for the individual district.

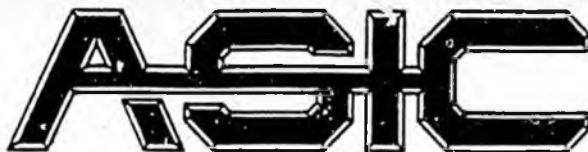
Thus, since the total capitalization for 1988-89 was \$545,032, the actual total amount paid out by these 30 districts for property coverage was \$2,969,772.

However, for the purposes of the Committee, it was determined that total district insurance outlay for the year should be reflected.

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

DISTRICT	VALUES	PROP FREQ	OPER BUDGET	% BUDGET
ADAK	2,106,200	6,824	4,237,381	0.16%
ALASKA GATEWAY	22,824,731	120,108	5,833,125	2.24%
ALEUTIAN REGION	11,593,247	56,969	2,117,753	2.69%
ANCHORAGE				
ANNETTE	16,869,590	53,448	3,191,027	1.67%
BERING STRAIT				
BRISTOL BAY				
CHATHAM				
CHUGACH	10,025,512	54,828	1,333,100	4.05%
COPPER RIVER	18,631,203	136,737	4,817,833	2.84%
CORDOVA				
CRAIG				
DELTA GREELY	20,259,833	106,487	5,321,000	1.93%
DILLINGHAM				
FAIRBANKS				
GALENA	14,774,993	79,523	2,133,522	3.73%
HAINES				
HOONAH				
HYDABURG	10,172,477	28,236	1,081,800	2.61%
IDITAROD	33,186,363	148,339	5,829,546	2.54%
JUNEAU				
KAKE				
KASHUNAMIUT	11,123,393	57,215	1,863,343	3.07%
KENAI				
KETCHIKAN				
KING COVE	7,660,000	20,982	1,441,153	1.46%
KLAWDOCK				
KODIAK				
KUSPUK				
LAKE & PENINSULA	41,841,533	226,501	5,780,000	3.92%
LOWER KUSKOKWIM	166,490,406	587,345	32,428,736	1.81%
LOWER YUKON	65,256,771	269,185	14,911,536	1.81%
MAT-SU				
NENANA	16,107,239	52,190	1,879,911	2.78%
NOME	30,000,000	97,206	5,470,312	1.78%
NORTH SLOPE				
NORTHWEST ARCTIC	84,461,357	321,790	17,030,018	1.89%
PELICAN	3,433,609	9,124	635,910	1.43%
PETERSBURG				
PRIBILOF	9,367,785	56,801	1,977,978	2.87%
RAILBELT	22,609,413	118,979	3,287,668	3.62%
SAND POINT	8,609,093	22,907	1,305,403	1.75%
SITKA				
SKAGWAY				
SOUTHEAST ISLAND				
SOUTHWEST REGION	45,418,689	236,684	7,281,817	3.25%
ST. MARY'S	9,951,528	31,987	1,891,043	2.75%
TANANA	8,474,294	32,125	1,104,901	4.72%
UNALASKA	7,112,111	18,814	1,541,122	1.22%
VALDEZ				
VRANDELL				
YAKUTAT	7,003,000	22,691	1,250,092	1.02%
YUKON FLATS	38,174,028	233,016	6,116,269	3.81%
YUKON-KOYUKUK	30,923,310	176,127	7,499,001	2.33%
YUPIIT	15,133,436	91,634	4,833,124	1.89%
TOTAL	789,637,154	3,514,804	133,209,448	
				AVERAGE PERCENTAGE
				2.26%



ALASKA SCHOOLS INSURANCE CO.
316 W. 11th St. • Juneau, Alaska 99801 • (907) 586-3635

SUMMARY OF COVERAGE

7/1/88-6/30/89

TERM: July 1, 1988 to June 30, 1989

PERILS: All Risk, Including Earthquake and Flood

DEDUCTIBLE: Districts with values of \$50,000,000 or less may choose from deductibles of \$10,000 or \$60,000 on all perils except Earthquake and Flood.

Districts with values of \$50,000,000 or more may choose from deductibles of \$10,000, \$60,000 or \$110,000 on all perils except Earthquake and Flood.

For Earthquake and Flood deductible for all districts is 5% of the value of buildings or personal property involved in a loss, subject to a per occurrence minimum of \$300,000.

LIMITS: \$30,000,000 per occurrence. \$30,000,000 on Earthquake and Flood on an annual aggregate basis.

PROPERTY COVERED: All real and/or personal property including improvements and betterments (Form ALS 72) with extensions covering:

- Transit
- Fine Arts
- Valuable Papers
- Combined Earnings and Extra Expense and Rental Income



STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

GOLDBELT PLACE
801 WEST 10TH STREET
P.O. BOX F
JUNEAU, ALASKA 99811-0500

January 23, 1989

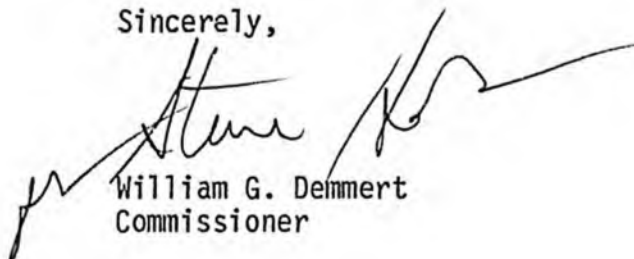
The Honorable Mark Boyer
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Boyer:

Based upon information available to the Department of Education, the Hoonah City School District is the only one of the fifty-five school districts in the State of Alaska which does not carry any property insurance for buildings and contents.

According to Hoonah Superintendent Tom Brown, the District has checked the price of coverage and believes that property insurance would cost approximately \$86,000. Mr. Brown states that the local board of education has decided not to purchase insurance, but to spend available funds on the instructional program.

Sincerely,



William G. Deimert
Commissioner

ALASKA SCHOOLS INSURANCE COMPANY

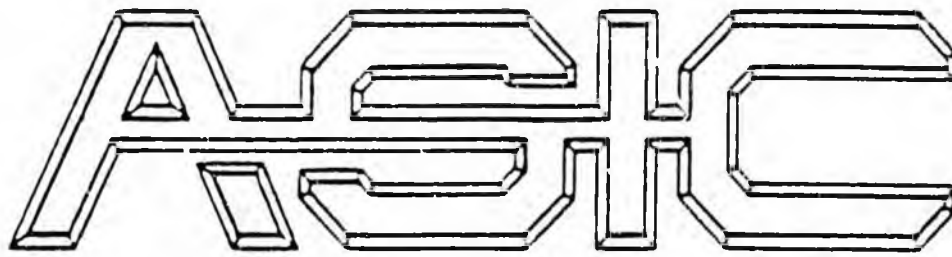
PROPERTY INSURANCE COSTS
7/1/88 - 6/30/89

SCHOOL DISTRICT	OPERATING BUDGET 1987-88	TOTAL PROPERTY VALUES (PROPERTY & CONTENTS)	PROPERTY INSURANCE COSTS	
			\$10,000 DEDUCTIBLE	\$60,000 DEDUCTIBLE
HOONAH**	\$1,697,310	\$6,360,280	\$35,999	\$34,091
KING COVE	\$1,545,823	\$7,660,000	\$23,444 (Protected City Rate)	
UNALASKA	\$1,421,641	\$7,112,111	\$21,766 (Protected City Rate)	
KAKE**	\$1,709,292	\$11,961,740	\$67,703	\$64,114
ALEUTIAN REGION	\$1,808,080	\$11,118,543	\$62,930	\$59,845*
KASHUNAMIUT	\$1,880,000	\$11,123,393	\$62,958	\$59,871*

NOTE: Protected City Rate is given to districts with ISO rating of "8" or better.

* These districts chose \$60,000 deductible for 1988-89

** These districts are not covered by ASIC. Costs are estimates only.



ALASKA SCHOOLS INSURANCE CO.

316 W. 11th St. • Juneau, Alaska 99801 • (907) 586-3635

**PROPERTY INSURANCE EXCLUSIVELY
FOR
ALASKA'S SCHOOL DISTRICTS**

Alaska Schools Insurance Company

**May be the ANSWER
to Your Property Insurance Needs**

ASIC - ANSWERS YOUR QUESTIONS

HOW DID ASIC COME ABOUT?

- School Districts in Alaska have historically felt the "ups and downs" of the insurance market in terms of rates and coverage over the years, but the insurance "crisis" experienced recently brought the problems home for almost everyone. Rates skyrocketed, coverage became much more restrictive or disappeared altogether for some districts.

School districts expressed their dissatisfaction and requested assistance from the Association of Alaska School Boards, who in turn hired a risk management consulting firm to research the feasibility of forming a "pooling" arrangement for property insurance. After determining feasibility and district interest AASB proceeded to form the Alaska Schools Insurance Company in 1986.

Since "pooling" wasn't allowable under Alaska Statutes existing at that time, ASIC was formed as a "captive" insurance company, and licensed and regulated through the state of Vermont. The company is mutually owned by member districts. Twenty-nine school districts became charter members.

WHO IS ASIC FOR?

The ASIC program is available to any district which is a member of the Association of Alaska School Boards.

HOW CAN ASIC BENEFIT MY DISTRICT?

ASIC can provide you with dependable property insurance with the broadest possible coverage designed for the unique features of Alaskan school districts.

As an owner of the company you can have a voice in the kind and cost of coverage ASIC will provide. You don't have this option when you buy commercial insurance.

With your active involvement in keeping your district's losses at a minimum, your company may realize annual profits from operations which can accrue to the benefit of member districts. As determined by members, these profits may be realized in the form of dividends to members, reduced contribution in the next policy year, additional coverage, or some combination of the three.

Your contribution to the ASIC capitalization fund is held in trust and the investment return on your share of the fund is allocated to your district. As a member of ASIC, part of the money you pay for insurance will return to you. When you pay dollars out for commercial insurance they are just gone forever.

WHAT ARE ASIC's GOALS?

ASIC has a number of goals that school districts can't find in other insurance programs:

1) STABILITY

In terms of stabilizing rates so that school districts aren't subject to the cyclical swings common in the insurance market. Districts can budget sensibly for their property insurance costs from year to year.

In terms of continued availability and reliable, consistent coverage.

2) COMPETITIVE PRICE

Since a goal is to stabilize rates, the price of this may not always be the lowest in town, but it will represent the lowest price possible while still protecting the programs ability to pay losses and expenses. As the pool grows, our premium competitiveness will continue to improve.

ASIC is run at its member's direction, and the driving force is school districts' need for consistent coverage and reasonable rates, rather than the profit motive.

3) RATING BASED ON ALASKA SCHOOLS' EXPERIENCE

Rates provided through commercial programs are based on actuarial figures nationwide. Alaska's schools have a good loss record, and ASIC rates can reflect our schools' collective experience without including unfavorable loss experience of other states.

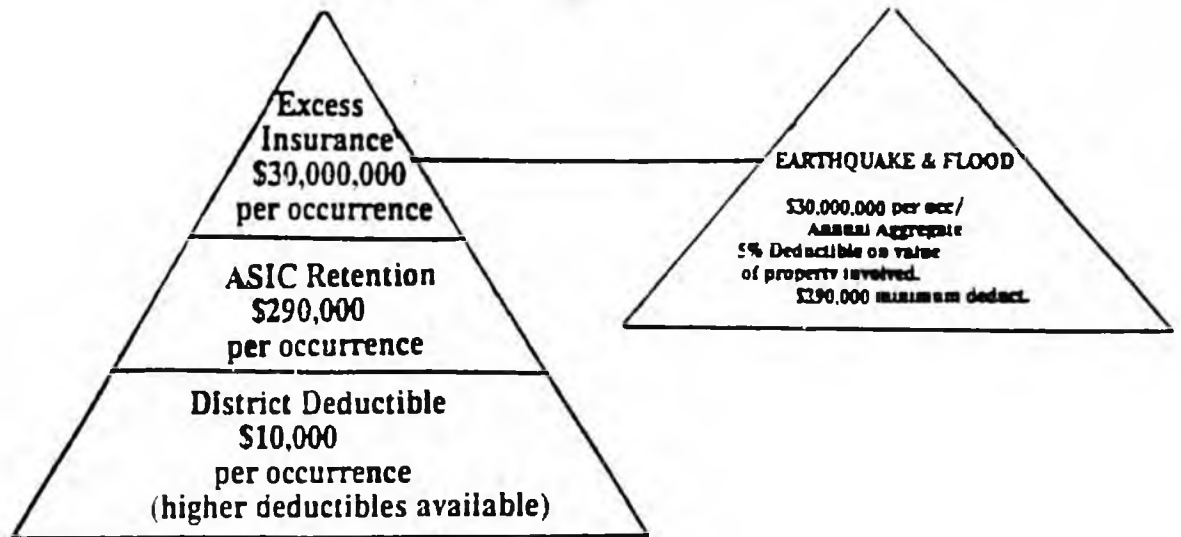
4) ACTIVE LOSS CONTROL PROGRAM

Thorough, independent, geared toward supporting districts' needs. The loss control program assists districts in implementing a self-inspection routine, and provides regular safety seminars for maintenance personnel, board members and administrators. The loss control program is designed and monitored by member districts and ASIC's property engineer.

HOW DOES ASIC WORK?

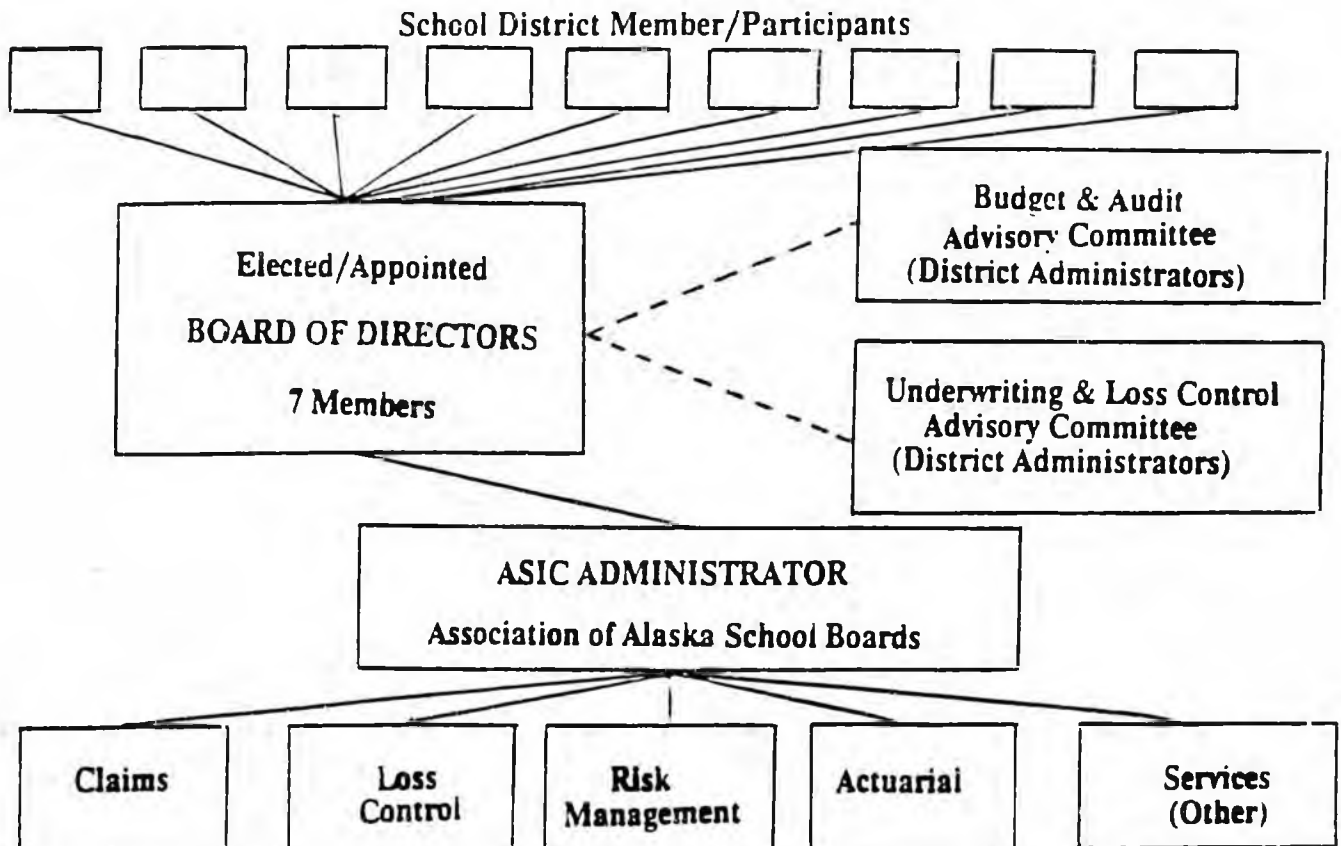
The structure of the ASIC program is shown in the diagram below. 1988-89 policy limits are indicated.

PROGRAM STRUCTURE



ASIC is governed by member districts through an elected board of directors made up of school board members and advisory committees made up of school administrators. The diagram below shows the governance and operational structure of the company.

GOVERNANCE STRUCTURE



WHAT IS REQUIRED OF MY SCHOOL DISTRICT IF WE JOIN ASIC?

ASIC members must be prepared to make a long term commitment. The soundness of the program rests on districts making that commitment. Districts joining when commercial rates are high and dropping out when rates dip low will obviously jeopardize the stability of the pool. ASIC will require you to make at least a three year commitment when you sign your first Subscribers Agreement.

You will be required to actively participate in a loss control program which will make your schools safer facilities for your students, and which will reduce the chance of serious loss to your district and your insurance company...ASIC.

WHERE CAN I GET MORE INFORMATION ABOUT HOW MY DISTRICT CAN TAKE ADVANTAGE OF ASIC?

For detailed information on the advantages to YOUR district on joining ASIC contact:

ALASKA SCHOOLS INSURANCE COMPANY
316 West 11th Street
Juneau, Alaska 99801

(907) 586-1083

SAVINGS REALIZED BY ASIC MEMBERS DURING 1ST 18 MONTHS OF OPERATION

7/1/86 - 12/31/86

Capital Contribution	\$750,000	
Net Income	<u>117,930</u>	
SAVINGS		\$ 867,930

1/1/87 - 12/31/87

Capital Contribution	\$761,494	
Net Income	<u>325,244</u>	
SAVINGS		\$1,086,738

7/1/86 - 12/31/87

TOTAL SAVINGS	<u>\$1,954,769</u>	
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\$1,954,769 represents funds that ASIC members set aside to capitalize their company plus the profit realized after losses and expenses were paid. This amount belongs to ASIC's members and is allocated proportionately to each of the members.

If these funds were not invested in ASIC, they would have been paid for commercial insurance premiums, and those dollars would have been gone forever.

AML JIA

Alaska Municipal League Joint Insurance Association, Inc.

217 Second Street, Suite 200

Juneau, Alaska 99801

(907) 586-3222

FAX: (907) 463-5480

PROPERTY INSURANCE RATES FOR AML/JIA PARTICIPANTS

<u>NAME</u>	<u>RATE PER</u> <u>\$100</u>
ANGOON	.38
AKUTAN	.38
BARROW	.19
CORDOVA (including schools)	.16
CHUATHBALUK	.38
CRAIG	.38
DILINGHAM	.38
EAGLE	.38
ELIM	.38
EMMONAK	.38
GOLOVIN	.38
HOOPER BAY	.38
HUSLIA	.38
KING COVE	.19
KOTZEBUE	.38
MOUNTAIN VILLAGE	.38
NENANA	.22
NIKOLAI	.38
NOME	.19
NUNAPITCHUK	.38
OUZINKIE	.38
PALMER	.19
PETERSBURG	.22
PORT LIONS	.38
QUINHAGAK	.38
SAND POINT	.20
SEWARD	.19
SHIHMAREF	.20
SKAGWAY	.19
SOLDOTNA	.38
ST. MARYS	.38
TENAKEE SPRINGS	.33
THORNE BAY	.38
UNALAKLEET	.38
WAINWRIGHT	.38
WHITTIER	.38
KOTLIK	.38

1/24/85

AML JIA

Alaska Municipal League Joint Insurance Association, Inc.

January 20, 1989

217 Second Street, Suite 200

Juneau, Alaska 99801

(907) 586-3222

FAX: (907) 463-5480

MEMORANDUM

To: Scott Burgess, Executive Director
Alaska Municipal League

From: Bob Healey, Administrator *AA*
AML Joint Insurance Association

Re: HB 37 - Insurance for School Facilities

As requested, I am summarizing the issues raised in the House Labor and Commerce Committee this week from the standpoint of insurance and the AML/JIA program.

HB 37 would require school districts to purchase and maintain property insurance on a replacement basis for all school facilities and equipment. The legislation does not appear to define the specific type coverage required, i.e., broad form (all risk subject to specified exclusions) or named perils, i.e., fire, windstorm, hail, etc. While the intent of the bill is clear, and, whereas reasonable and adequate property insurance coverage may be proper and equitable in exchange for 100% state funding, clear statute or regulatory language may be necessary. This has been suggested by the Labor and Commerce Committee members in order to define reasonable, i.e., affordability and availability, and adequate, i.e., amount and type of risk.

Property coverage is traditionally very available, i.e., easily placed and profitable even in "hard" insurance markets, in commercial markets as well as from the AML/JIA and the Alaska Association of School Boards' Alaska Schools Insurance Company.

The AML/JIA insurance program for which schools are eligible meets the requirements of HB 37. Our 1988-89 policy provides for replacement cost coverage on a broad form (all risk) basis, but does not include earthquake or flood coverage. We require annual evaluation of property values, and in the interim we provide up to 25% additional coverage for property added, construction cost inflation, alterations and improvements. In addition to buildings and contents, we provide coverage for mobile equipment, valuable papers, physical damage to EDP equipment, EDP Media, EDP extra expense and fine arts. The 1988-89 rate varies from \$0.18-.39 per \$100 in value depending on fire protection class and type of construction. AML/JIA also provides risk management services including assistance in property valuation, property inspections and setting up and maintaining risk control programs. In addition to property coverage for municipalities and school districts, the AML/JIA provides casualty coverage for worker's compensation, general and auto liability, police professional liability and public officials errors and omissions insurance.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

SOLDOTNA
312 TYEE STREET
SOLDOTNA, ALASKA 99899
(907) 262-7841

JUNEAU
BOX V
JUNEAU, ALASKA 99811
(907) 465-2689

SECTIONAL ANALYSIS FOR SCHOOL CONSTRUCTION POLICY DRAFT

(The sections marked by an asterisk indicate new amendments as adopted by the Coalition for Education meetings held from August through November of 1988.)

* SECTION ONE REQUIRES A SCHOOL DISTRICT TO PURCHASE AND MAINTAIN PROPERTY INSURANCE FOR THE REPLACEMENT COST OF ALL SCHOOL FACILITIES AND EQUIPMENT. THE POLICY MAY CONTAIN A DEDUCTIBLE AMOUNT, WITH THE APPROVAL OF THE DEPARTMENT. A SCHOOL DISTRICT MAY MAINTAIN A SELF-INSURANCE PROGRAM IF THE DEPARTMENT ANNUALLY DETERMINES THAT THE SCHOOL DISTRICT HAS SUBMITTED ADEQUATE EVIDENCE THAT THE POLICY WILL COVER ALL FACILITIES AND EQUIPMENT. THE DEPARTMENT IS REQUIRED TO PURCHASE INSURANCE SHOULD A SCHOOL DISTRICT FAIL TO MAINTAIN ADEQUATE COVERAGE WITHIN THIRTY DAYS AFTER NOTIFICATION BY THE DEPARTMENT. A SCHOOL CONSTRUCTION GRANT MAY NOT BE AWARDED TO A SCHOOL DISTRICT THAT DOES NOT HAVE ADEQUATE COVERAGE. THE DEPARTMENT WILL REDUCE THE AMOUNT OF STATE FOUNDATION AID FOR WHICH A SCHOOL DISTRICT MAY QUALIFY BY ANY AMOUNT PAID BY THE DEPARTMENT FOR INSURANCE COVERAGE.

SECTION TWO OFFERS A TECHNICAL CHANGE TO INCLUDE RESPONSIBILITY FOR THE NEW GRANT PROGRAM AMONG THE DUTIES OF THE DEPARTMENT UNDER AS 14.11.

SECTION THREE ESTABLISHES BOARD OF EDUCATION REVIEW OF GRANT APPLICATIONS AND THAT FINAL APPROVAL AUTHORITY FOR GRANTS RESTS WITH THE BOARD.

A TECHNICAL CHANGE IS ADDRESSED IN SECTION FOUR WHICH PROVIDES AUTHORITY FOR A REGIONAL SCHOOL BOARD TO RECOMMEND SCHOOL CONSTRUCTION PROJECTS TO THE DEPARTMENT OF EDUCATION AS SPECIFIED IN NEW LANGUAGE UNDER AS 14.11.011 (B).

* SECTION FIVE REPEALS SECTION FOUR AS OF JULY 1, 1993, AND RE-ENACTS PRESENT DAY POLICY.

A NEW SCHOOL CONSTRUCTION GRANT ACCOUNT IS ESTABLISHED IN SECTION SIX. LEGISLATIVE APPROPRIATIONS FOR SCHOOL CONSTRUCTION WOULD BE DEPOSITED IN THE FUND AND GENERAL OBLIGATION BOND SALE PROCEEDS MAY ALSO BE DEPOSITED.

* SECTION SEVEN REPEALS SECTION SIX AS OF JULY 1, 1993, AND RE-ENACTS PRESENT DAY POLICY.

SECTION EIGHT ADDS NEW SECTIONS TO AS 14.11.

1: THE FIRST NEW SECTION (AS 14.11.011) OUTLINES THE APPLICATION PROCESS. THE PROCESS IS IDENTICAL TO THE CURRENT APPLICATION EXCEPT THAT PROJECT APPLICATIONS WOULD BE REQUIRED FOR ALL REQUESTS ON A DISTRICT'S SIX YEAR PLAN, NOT THOSE FOR THE SUBSEQUENT FISCAL YEAR AS IS NOW DONE. INCLUDED IN THE SIX YEAR PLAN IS A DESCRIPTION OF THE DISTRICT'S FIXED ASSET INVENTORY SYSTEM AND PREVENTIVE MAINTENANCE PROGRAM. THIS ASSURES THAT EACH DISTRICT WILL MAINTAIN A FIXED ASSET INVENTORY OF EQUIPMENT PURCHASED UNDER THE GRANT. A FIXED ASSET WOULD BE ANYTHING OVER A FIXED AMOUNT OF MONEY WHOSE LIFE IS MORE THAN X NUMBER OF YEARS. ADDITIONALLY, A REQUIREMENT IS ADDED THAT ALL FACILITIES IN THE DISTRICT BE INSURED FOR REPLACEMENT COST.

2: THE NEW SECOND SECTION AS DESCRIBED IN AS 14.11.013 ASSIGNS TO THE DEPARTMENT OF EDUCATION THE RESPONSIBILITY FOR REVIEWING, EVALUATING AND RECOMMENDING PROJECTS FOR APPROVAL TO THE STATE SCHOOL BOARD. THE DEPARTMENT WILL VERIFY THAT EACH PROJECT QUALIFIES AS A PROJECT REQUIRED TO AVERT IMMINENT DANGER OR TO CORRECT LIFE THREATENING SITUATIONS, HOUSE STUDENTS THAT WOULD OTHERWISE NOT HAVE HOUSING, PROTECT THE STRUCTURE OF EXISTING SCHOOL FACILITIES, CORRECT BUILDING CODE DEFICIENCIES THAT REQUIRE MAJOR REPAIR OR REHABILITATION IN ORDER FOR ITS CONTINUED USE AS AN EDUCATIONAL FACILITY, ACHIEVE A MAJOR COST SAVINGS, MODIFY OR REHABILITATE FACILITIES TO IMPROVE INSTRUCTIONAL PROGRAMS OR MEET ANOTHER EDUCATIONAL NEED. THE REVISED AND UPDATED SIX YEAR SCHEDULE WILL BE SUBMITTED TO THE GOVERNOR BY NOVEMBER 1 AND TO THE LEGISLATURE WITHIN THE FIRST 10 DAYS OF EACH REGULAR LEGISLATIVE SESSION WITH A PROPOSED SCHEDULE OF APPROPRIATIONS.

THE DEPARTMENT WOULD NO LONGER ESTABLISH TWO SEPARATE PRIORITIZED LISTS; ONE FOR R.E.A.A.'S AND THE OTHER FOR MUNICIPAL SCHOOL DISTRICTS WHICH IS THE CURRENT PRACTICE. IN PLACE OF THE CURRENT PROCESS, THE DEPARTMENT IS DIRECTED TO CREATE SIX LISTS, ONE FOR EACH FISCAL YEAR AS PART OF A SIX YEAR PLANNING CYCLE FOR SCHOOL CONSTRUCTION PROJECTS. THESE LISTS WOULD CONTAIN ONLY THOSE PROJECTS WHICH HAVE MET QUALIFICATIONS ESTABLISHED BY THE NEW STATUTE AND THE DEPARTMENT. THE STATE BOARD WOULD HAVE THE DISCRETION TO SCHEDULE OR PHASE PROJECTS AS DEEMED NECESSARY. GRANTS ARE TO BE AWARDED IN THE PRIORITIES AS ESTABLISHED BY THE DEPARTMENT. AT LEAST ONE OF THE FOLLOWING FACTORS WILL BE EVALUATED BY THE DEPARTMENT WHEN ESTABLISHING PRIORITIES:

- A) EMERGENCY REQUIREMENTS;
- B) PRIORITIES ASSIGNED BY THE SCHOOL DISTRICT TO THE PROJECTS REQUESTED;
- C) NUMBER OF STUDENTS WITHOUT CLASSROOM SPACE;
- D) NEW LOCAL ELEMENTARY AND SECONDARY PROGRAMS;
- E) EXISTING REGIONAL, COMMUNITY AND SCHOOL FACILITIES AND THEIR

- CONDITION; AND
- F) ALTERNATE EDUCATION PROGRAM OPTIONS FOR ACCOMPLISHING THE PROJECT'S OBJECTIVES.

THE CRITERIA AND DETERMINATIONS THAT WERE OUTLINED ARE ESSENTIALLY THE SAME AS THOSE CURRENTLY USED BY D.O.E. THE PRIORITY SYSTEM IS NOW A PART OF STATUTE RATHER THAN REGULATIONS.

PROJECT REQUESTS MAY BE REJECTED AND OMITTED FROM THE SIX YEAR PLAN DUE TO INCOMPLETE INFORMATION OR DOCUMENTATION PROVIDED BY THE DISTRICT, A DETERMINATION THAT EXISTING FACILITIES CAN ADEQUATELY SERVE PROGRAM REQUIREMENTS OR THAT ALTERNATIVE PROJECTS ARE IN THE BEST INTERESTS OF THE STATE, A DETERMINATION THAT THE PROJECT IS INAPPROPRIATE AND SHOULD BE A DISTRICT MAINTENANCE OR OPERATIONS EXPENDITURE OR THAT THE PROJECT IS NOT IN THE BEST INTEREST OF THE STATE. THIS ALLOWS D.O.E. TO PROVIDE A CREDIBLE LIST TO THE GOVERNOR AND THE LEGISLATURE. THE BOARD WILL ALSO BE IN POSITION TO ACCELERATE PROGRAMS AS DEEMED NECESSARY BASED UPON AVAILABILITY OF FUNDS AND SUPPORTIVE EVIDENCE.

PROJECT BUDGETS WOULD BE REDUCED BY THE COST OF THOSE PORTIONS OF THE PROJECT THAT THE DEPARTMENT DETERMINES ARE FOR CONSTRUCTION OF STUDENT RESIDENTIAL SPACE OR OTHER FACILITIES FOR SINGLE PURPOSE SPORTING OR RECREATION USES NOT DEEMED SUITABLE FOR OTHER ACTIVITIES.

PUBLIC NOTICE OF GRANT APPLICATIONS SHALL BE PROVIDED BY NOVEMBER 15TH. PUBLIC HEARINGS WILL THEN BE HELD REGARDING THE PRIORITIES ESTABLISHED AMONG PROJECTS FOR WHICH GRANTS ARE REQUESTED.

3: UNDER AS 14.11.015, THE DEPARTMENT CANNOT AWARD A GRANT UNLESS THE APPLICATION IS APPROVED BY THE BOARD. GRANTS WILL BE AWARDED IN THE ORDER OF THE PROJECTS' PRIORITY ON THE DATE THE APPROPRIATION BILL, FUNDING THE ACCOUNT, IS PASSED BY THE LEGISLATURE, REGARDLESS OF PENDING APPEALS. IN THE EVENT A PROJECT IS ASSIGNED A NEW PRIORITY RANKING AFTER GOING THROUGH THE APPEAL PROCESS, THE PROJECT MUST BE FUNDED IN ACCORDANCE WITH THE NEW PRIORITY RANKING AT THE NEXT TIME SCHOOL CONSTRUCTION GRANTS ARE AWARDED. THIS WILL OCCUR IF THE LEGISLATURE HAS ALREADY PASSED THE APPROPRIATION BILL FUNDING THE ACCOUNT.

* 4: ESTABLISHES AN ADMINISTRATIVE AND JUDICIAL REVIEW PROCESS UNDER AS 14.11.016 AND AS OUTLINED UNDER THE ADMINISTRATIVE PROCEDURES ACT (AS 44.62).

* 5: ADDS A.S. 14.11.017 WHICH PROVIDES AUTHORITY TO THE DEPARTMENT TO ESTABLISH GUIDELINES FOR SCHOOL CONSTRUCTION GRANTS.

- A) DISTRICT MUST AGREE TO CONSTRUCTION OF FACILITY OF APPROPRIATE SIZE AND USE MEETING DEPARTMENTAL CRITERIA;
- B) DISTRICT MUST DEMONSTRATE THAT THE PROJECT IS NOT A PREVENTIVE MAINTENANCE NOR A REGULAR CUSTODIAL CARE PROGRAM;
- C) COST OF THE PROJECT MUST BE COMPARABLE WITH COSTS OF CURRENT CONSTRUCTION PROJECTS IN THE AREA;
- D) DISTRICT MUST ACCOUNT FOR ALL EQUIPMENT PURCHASED FOR THE PROJECT UNDER A FIXED ASSET INVENTORY SYSTEM APPROVED BY THE DEPARTMENT. MANY SCHOOL DISTRICTS HAVE ALREADY ADOPTED THIS SYSTEM TO CONTROL AND MAINTAIN INVENTORY PURCHASED UNDER THIS GRANT.

- E) DISTRICT MUST SUBMIT PROJECT BUDGETS AND AGREE THAT THE GRANT AMOUNT MAY BE REDUCED OR INCREASED DUE TO CONTRACT VARIANCE FROM BUDGET AMOUNTS APPROVED BY THE DEPARTMENT;
- F) DISTRICT MUST SUBMIT A PLAN FOR SCHOOL CONSTRUCTION WHICH INCLUDES EDUCATIONAL SPECIFICATIONS, FINAL CONSTRUCTION DRAWINGS AND CONTRACT DOCUMENTS. THIS MUST BE ACCOMPLISHED PRIOR TO THE AWARDING OF THE CONSTRUCTION CONTRACT.

* THE COST OF ANY SCHOOL CONSTRUCTION ACTIVITY IS PAYABLE UNDER A GRANT WITHOUT REGARD TO COSTS INCURRED PRIOR TO AWARDING OF THE GRANT, APPROVAL OF THE GRANT APPLICATION BY THE BOARD OR EFFECTIVE DATE OF THE APPROPRIATION TO THE CONSTRUCTION GRANT ACCOUNT FOR THE YEAR IN WHICH THE GRANT IS FUNDED.

6: ADDS A.S. 14.11.019 WHICH REQUESTS THE GOVERNOR TO INCLUDE AN APPROPRIATION FOR SCHOOL CONSTRUCTION GRANTS IN THE GENERAL APPROPRIATION BILL SUBMITTED TO THE LEGISLATURE.

SECTION NINE ESTABLISHES A JULY 1, 1989, TERMINATION DATE FOR REIMBURSEMENT ELIGIBILITY OF DEBT SERVICE PROJECTS AND ESTABLISHES A JULY 1, 1990, TERMINATION DATE FOR THE CASH PAYMENT REIMBURSEMENT PROGRAM. THE LATTER PROVIDES A YEAR'S GRACE DURING THE PHASE IN OF THE NEW STATUTE.

* SECTION TEN REPEALS SECTION NINE AS OF JULY 1, 1993, AND RE-ENACTS PRESENT DAY POLICY.

SECTION ELEVEN AMENDS A.S. 14.11.100 (c). PROVIDES THAT FUNDS FOR THE SCHOOL CONSTRUCTION ACCOUNT SHALL BE INCLUDED WITHIN THE GENERAL APPROPRIATION BILL SUBMITTED TO THE LEGISLATURE.

* SECTIONS TWELVE THROUGH EIGHTEEN RE-ENACT THE PRESENT DAY POLICY AS OF JULY 1, 1993.

* SECTION NINETEEN ADDRESSES THE ALLOCATION OF FUNDS BETWEEN THE OLD SCHOOL CONSTRUCTION DEBT RETIREMENT ACCOUNT AND THE NEW SCHOOL CONSTRUCTION GRANT ACCOUNT SHOULD THE AMOUNT TO FUND THE RETIREMENT PROGRAM BE LESS THAN FULL ENTITLEMENT.

* SECTION TWENTY EXPLAINS THAT A SCHOOL DISTRICT IS NOT PROHIBITED FROM USING OTHER REVENUES TO EXPAND OR ADD FACILITIES AS PART OF APPROVED SCHOOL CONSTRUCTION PROJECTS.

* SECTION TWENTY-ONE REPEALS SECTION TWENTY AND RE-ENACTS THE PRESENT DAY POLICY AS OF JULY 1, 1993.

SECTION TWENTY-TWO MODIFIES THE DEFINITION OF SCHOOL CONSTRUCTION. CURRENT STATUTE LANGUAGE RELATING TO FINANCING COSTS, BONDING COSTS, LEGAL FEES, PAYING AGENCIES AND OTHER ENTITIES BASICALLY RELATED TO THE SALE OF BONDS IS DELETED.

* SECTION TWENTY-THREE REPEALS SECTION TWENTY-TWO AND RE-ENACTS THE PRESENT DAY POLICY AS OF JULY 1, 1993.

A DEFINITION OF DISTRICT, AS USED IN THE DEFINITION OF SCHOOL CONSTRUCTION, IS PROVIDED FOR IN SECTION TWENTY-FOUR.

SECTION TWENTY-FIVE IS ANOTHER TECHNICAL AMENDMENT UPDATING THE REFERENCE TO AS 14.11. THIS SECTION DEFINES STATE FINANCIAL ASSISTANCE.

SEVEN SECTIONS ARE REPEALED IN SECTION TWENTY-SIX.

- 1) AS 14.11.010 RELATING TO RECOMMENDATION AND EVALUATION OF PROJECTS IS REPLACED BY THE NEW SECTION FOUR WHICH ADDRESSES GRANT APPLICATIONS.
- 2) EVALUATION OF PROJECTS DESCRIBED IN AS 14.11.102 IS REPEALED BECAUSE IT APPLIES TO D.O.E. EVALUATION OF PROJECTS PROPOSED FOR DEBT RETIREMENT.
- 3) THE REPEAL OF AS 14.11.105, THE PUBLIC SCHOOL FACILITIES CONSTRUCTION ADVANCE ACCOUNT.
- 4) AS 14.11.110, ELIGIBILITY, IS REPEALED BECAUSE IT APPLIES TO APPROVAL OF PROJECTS PROPOSED FOR DEBT RETIREMENT.
- 5) THE LAST THREE REPEALED SECTIONS RELATE TO STATE AID, APPLICATION FOR AID AND CONDITIONS OF STATE AID APPLY TO FUNDING THROUGH THE PUBLIC SCHOOL FACILITIES CONSTRUCTION ADVANCE ACCOUNT AND ARE NO LONGER NECESSARY.

* THE ABOVE SEVEN SECTIONS ARE RE-ENACTED ON JULY 1, 1993, UNLESS THE LEGISLATURE ENACTS LEGISLATION TO CONTINUE WITH THE NEW POLICY OUTLINED THROUGHOUT THIS ANALYSIS.

SECTION TWENTY-SEVEN REPEALS THE TEN SECTIONS THAT INCORPORATE THE NEW POLICY FOR SCHOOL CONSTRUCTION.

SECTION TWENTY-EIGHT IS THE EFFECTIVE DATE OF SECTIONS ONE THROUGH FOUR, SIX, EIGHT, NINE, ELEVEN, NINETEEN, TWENTY, TWENTY-TWO AND TWENTY-FOUR THROUGH TWENTY-SIX; JULY 1, 1989.

SECTION TWENTY-NINE RE-ENACTS SECTIONS FIVE, SEVEN, TEN, TWELVE THROUGH EIGHTEEN, TWENTY-ONE, TWENTY-THREE AND TWENTY-SEVEN ON JULY 1, 1993. THESE ARE BASICALLY THE STATUTES GOVERNING POLICY AS IT IS NOW.



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

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ANCHORAGE, ALASKA 99503
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JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
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FAIRBANKS REGIONAL OFFICE

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

January 13, 1989

To: Rep. Dave Donley, Chair
Members, House Labor & Commerce Committee

Re: House Bill No. 37; "An Act relating to insurance for school facilities and equipment and state aid for school construction and providing for an effective date."

NEA-Alaska supports and encourages your expeditious attention to HB 37.

It provides for a fair, equitable, and orderly procedure and process which is essential in determining priorities for school construction costs. For far too long Alaska has needed such a systematic approach.

The requirement that each district develop a 6-year capital improvement plan is commendable in that it will raise a consciousness which is essential to more effective planning and use of limited financial resources. The Legislature and Administration, as a result, will have a more dynamic and reliable data base relating to statewide needs.

The appeals procedure is another highly commendable component of the bill in that it provides each district an opportunity to have a comprehensive review of an adverse determination. Further, its presence in the process will only serve to build confidence in this new approach.

Thank you for your consideration of our position.

Respectfully submitted,

Bob Manners
Executive Secretary

cc: Rep. Swackhammer

f1j89h37

6-0083J
Ford
1/25/89

Original sponsors: Swackhammer, Navarre,
and C. Davis

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 37 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance for school facilities
7 and equipment and state aid for school construction;
8 and providing for an effective date."

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

10 * Section 1. AS 14.03 is amended by adding a new section to read:

11 Sec. 14.03.150. INSURANCE REQUIRED. (a) Each school district
12 shall purchase and maintain or provide proof of adequate property
13 insurance for the replacement cost of all school facilities and equip-
14 ment. Insurance purchased to comply with this section may contain a
15 deductible amount, if approved by the department. A school district
16 may comply with this section by initiating and ma'ntaining a program
17 of self-insurance, if the department annually determines that the
18 school district has submitted adequate evidence of the district's
19 ability to self-insure for the replacement cost of all school facili-
20 ties and equipment. A copy of the insurance policy or other informa-
21 tion indicating compliance with this section shall be provided to the
22 department.

23 (b) If the department determines that a school district is not
24 insured as required under (a) of this section, the department shall
25 notify the school district of the determination. Unless the school
26 district obtains adequate insurance within 30 days after the school
27 district receives notice under this subsection, the department shall
28 purchase the insurance required by (a) of this section for that school
29 district.

1 (c) The department may not award a school construction grant
2 under AS 14.11 to a school district that is not in compliance with (a)
3 of this section. The department shall reduce the amount of state
4 foundation aid under AS 14.17.021 for which a school district may
5 qualify, by the amount, if any, paid by the department under (b) of
6 this section.

7 * Sec. 2. AS 14.07.020(a)(13) is amended to read:

8 (13) administer the grants awarded under AS 14.11 [AS 14.-
9 11.020];

10 * Sec. 3. AS 14.07.170 is amended by adding a new subsection to read:

11 (b) The board shall review grant applications recommended under
12 AS 14.11.013 and may approve grant applications under AS 14.11.015.

13 * Sec. 4. AS 14.08.101(7) is amended to read:

14 (7) recommend to the department projects for construction,
15 rehabilitation, and improvement of schools and education-related
16 facilities as specified in AS 14.11.011(b) [AS 14.11.010(a)], and
17 plan, design, and construct the project when the responsibility for it
18 is assumed under AS 14.11.020;

19 * Sec. 5. AS 14.08.101(7) is repealed and reenacted to read:

20 (7) recommend to the department projects for construction,
21 rehabilitation, and improvement of schools and education-related
22 facilities as specified in AS 14.11.009(a), and plan, design, and
23 construct the project when the responsibility for it is assumed under
24 AS 14.11.020;

25 * Sec. 6. AS 14.11 is amended by adding a new section to read:

26 Sec. 14.11.005. SCHOOL CONSTRUCTION GRANT ACCOUNT. There is
27 created a school construction grant fund as an account in the general
28 fund. The fund shall be used to make grants to districts in the state
29 public school system for the costs of school construction.

1 Legislative appropriations for school construction shall be deposited
2 in the fund, and the proceeds from the sale of general obligation
3 bonds for school construction may be deposited in the fund.

4 * Sec. 7. AS 14.11 is amended by adding a new section to read:

5 Sec. 14.11.009. RECOMMENDATIONS AND EVALUATIONS OF PROJECTS.

6 (a) The assembly or council of a municipality that is a school dis-
7 trict or a regional school board may submit a request to the depart-
8 ment for a school or education-related facility construction, rehabil-
9 itation, or improvement project together with a report evaluating the
10 condition of school or education-related facilities in the munici-
11 pality or regional educational attendance area and a determination of
12 the need for the project.

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

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

17 (2) prepare an estimate of the amount of money needed to
18 finance each project approved by the department and recommend to the
19 governor appropriations for projects to be included in the budget
20 submitted to the legislature;

21 (3) provide to the governor a copy of the report of the
22 assembly, council, or regional school board that requested each proj-
23 ect approved by the department;

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

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

29 (1) priorities assigned by the assembly, council, or school

board to the projects requested;

- (2) emergency requirements;
- (3) the number of students without classroom space;
- (4) new local elementary or secondary programs;
- (5) existing regional, community, and school facilities and the condition of the facilities; and
- (6) the economic and social stability of the municipality or region.

(d) This section does not affect a municipality's eligibility for reimbursement under AS 14.11.100.

* Sec. 8. AS 14.11 is amended by adding new sections to read:

Sec. 14.11.011. GRANT APPLICATIONS. (a) A district may submit a grant request to the department for a school construction grant.

(b) To be eligible for a school construction grant the district shall submit

- (1) a six-year capital improvement plan that includes a description of the district's fixed asset inventory system and preventive maintenance program no later than September 1 of the fiscal year before the fiscal year for which the request is made; the six-year plan must contain for each proposed project a detailed scope of work, a project budget, and documentation of conditions justifying the project; and

- (2) evidence that the district has secured and will maintain adequate property loss insurance for the replacement cost of all facilities for which state funds are available under AS 14.11.005 or a program of insurance acceptable to the department.

Sec. 14.11.013. DEPARTMENT REVIEW OF GRANT APPLICATIONS. (a) With regard to projects for which grants are requested under AS 14.11.011, the department shall

1 (1) annually review the six-year plans submitted by each
2 district under AS 14.11.011(b) and recommend to the board a revised
3 and updated six-year construction grant schedule that serves the best
4 interests of the state and each district; in recommending projects for
5 this schedule, the department shall verify that each proposed project
6 qualifies as a project required to

7 (A) avert imminent danger or correct life-threatening
8 situations;

9 (B) house students who would otherwise be unhoused;

10 (C) protect the structure of existing school facil-
11 ities;

12 (D) correct building code deficiencies that require
13 major repair or rehabilitation in order for the facility to
14 continue to be used for the educational program;

15 (E) achieve an operating cost savings;

16 (F) modify or rehabilitate facilities for the purpose
17 of improving the instructional program;

18 (G) meet an educational need not specified in (A) -
19 (F) of this paragraph, identified by the department;

20 (2) prepare an estimate of the amount of money needed to
21 finance each project;

22 (3) provide to the governor, by November 1, and to the
23 legislature within the first 10 days of each regular legislative
24 session, a revised and updated six-year construction grant schedule
25 together with a proposed schedule of appropriations.

26 (b) In preparing the construction grant schedule, the department
27 shall establish priorities among projects for which grants are re-
28 quested and shall award school construction grants in the order of
29 priority established. In establishing priorities the department shall

1 evaluate at least the following factors:

- 2 (1) emergency requirements;
- 3 (2) priorities assigned by the district to the projects
4 requested;
- 5 (3) the number of students without classroom space;
- 6 (4) new local elementary and secondary programs;
- 7 (5) existing regional, community, and school facilities,
8 and their condition; and
- 9 (6) alternate education program options for accomplishing
10 the project's objectives.

11 (c) The department may reject project requests and omit them
12 from the six-year schedule due to

- 13 (1) incomplete information or documentation provided by the
14 district;
- 15 (2) a determination by the department that existing facili-
16 ties can adequately serve the program requirements, or that alterna-
17 tive projects are in the best interests of the state;
- 18 (3) a determination that the project is not in the best
19 interest of the state.

20 (d) The department shall reduce a project budget by the cost of
21 those portions of a project design that the department determines are
22 for construction of student residential space, planetariums, hockey
23 rinks, saunas, and other facilities for single purpose sporting or
24 recreational uses that are not suitable for other activities. This
25 subsection does not apply to funding for swimming pools that meet
26 criteria established by the department.

27 (e) By November 15, the department shall provide public notice
28 of the grant applications submitted under (a) of this section and the
29 priorities established under (b) of this section. After public notice

1 has been given, the department shall hold a public hearing on the
2 priorities established under (b) of this section. In this subsection,
3 "public notice" means notice published in a newspaper of general
4 circulation and notice to every person who has requested notice about
5 the grant application program from the department.

6 Sec. 14.11.015. APPROVAL OF GRANT APPLICATIONS. (a) The board
7 shall review grant applications that have been recommended by the
8 department under AS 14.11.013, and may approve a grant application if
9 the board determines that the project meets the criteria specified in
10 AS 14.11.013(a)(1). The department may not award a school construc-
11 tion grant unless the grant application is approved by the board.

12 (b) The department shall award grants approved under (a) of this
13 section in the order of the projects' priority on the date the appro-
14 priation bill funding the school construction grant fund is passed by
15 the legislature, regardless of any appeal pending under AS 14.11.016.
16 Appeals pending under AS 14.11.016 at the time that grants are awarded
17 may not delay the funding of grants awarded under this section.

18 (c) If a project is assigned a new priority ranking under
19 AS 14.11.016 after the date of passage by the legislature of the
20 appropriation bill for the school construction grant fund, the project
21 must be funded in accordance with the new priority ranking at the next
22 time that school construction grants are awarded.

23 Sec. 14.11.016. ADMINISTRATIVE AND JUDICIAL REVIEW. (a) A
24 district may request reconsideration of a decision of the department
25 assigning a priority to the district's project, establishing the scope
26 of the project, or establishing the budget for the project. The
27 request must be in writing and must include a statement of the spe-
28 cific changes desired, and a summary of the evidence supporting the
29 district's claim that the department has erred in its review of the

1 district's grant application. A request for reconsideration must be
2 received by the department by the day of the public hearing held under
3 AS 14.11.013(e). The department shall review its decision on the
4 basis of the request by the district and determine whether its deci-
5 sion should be changed. The department shall issue its determination
6 in writing within 15 days after the last day of the public hearing
7 held under AS 14.11.013(e).

8 (b) A district may appeal an adverse decision of the department
9 under (a) of this section to the commissioner on the ground that the
10 department has not complied with AS 14.11.013. The notice of appeal
11 must be in writing and must include a statement of evidence supporting
12 the district's claim that the department has not complied with AS 14.-
13 11.013. The notice of appeal must be received by the commissioner
14 within 15 days after the department issues its determination under (a)
15 of this section. The commissioner shall issue a written decision on
16 the appeal within 15 days after receiving the notice of appeal.

17 (c) A district may appeal an adverse decision of the commis-
18 sioner under (b) of this section by filing a written notice of appeal
19 with the board within 30 days after the date of the commissioner's
20 decision. The notice of appeal must state the legal and factual basis
21 for the appeal and the precise relief sought. The failure of the
22 district to include an issue in a notice of appeal constitutes a
23 waiver of the right to have the issue considered under this subsec-
24 tion. If the board finds that the notice of appeal does not raise a
25 reasonable issue of fact or law, it shall issue a written decision.
26 If the board finds that the notice of appeal raises a reasonable issue
27 of fact or law, the board shall appoint a hearing officer who is
28 qualified under AS 44.62.350(c) to conduct a hearing on those issues.
29 The hearing officer shall conduct a hearing on the issues raised in

1 the notice of appeal, make findings of fact and law, and recommend a
2 decision to the board within 60 days after the last day for filing a
3 notice of appeal with the board. The board shall consider the recom-
4 mended decision of the hearing officer at its next regularly scheduled
5 meeting and may adopt all, part, or none of the recommended decision
6 or may remand the issue to the hearing officer for further hearings.
7 The board shall issue its decision in writing.

8 (d) The board shall consolidate appeals under (c) of this sec-
9 tion, if the notices of appeal raise related issues of fact or law.

10 (e) A district may appeal an adverse decision of the board under
11 (c) of this section to the superior court in the manner provided by
12 AS 44.62.560 - 44.62.570.

13 (f) The board shall adopt regulations governing procedures for
14 the reconsideration and appeal of decisions under this section. The
15 regulations adopted under this subsection are not required to conform
16 to AS 44.62.330 - 44.62.630, but shall be consistent with minimum
17 standards of due process.

18 (g) A district may not request reconsideration of or appeal a
19 priority determination on the grounds that a revised priority assigned
20 to another project, due to a reconsideration or appeal under this sec-
21 tion, has resulted in a lower priority being accorded to the dis-
22 trict's project.

23 Sec. 14.11.017. SCHOOL CONSTRUCTION GRANT CONDITIONS. (a) The
24 department shall require in the grant agreement that the district

25 (1) agree to construction of a facility of appropriate size
26 and use that meets criteria adopted by the department;

27 (2) demonstrate by a means acceptable to the department
28 that the proposed project should be a capital construction project and
29 not part of a preventive maintenance program or regular custodial care

program;

1
2 (3) provide reasonable assurance by a means acceptable to
3 the department, that the cost of the project will be uniform with the
4 costs of the most current construction projects in the area;

5 (4) agree to limit equipment purchases to that required for
6 the approved school construction plan and account for all equipment
7 purchased for the project under a fixed asset inventory system ap-
8 proved by the department;

9 (5) submit project budgets for department approval and
10 agree that the grant amount may, at the discretion of the department,
11 be reduced or increased by amounts equal to the amounts by which
12 contracts vary from the budget amounts approved by the department; and

13 (6) submit to the department for approval, before award of
14 the construction contract, a plan for school construction that in-
15 cludes educational specifications, final construction drawings, and
16 contract documents.

17 (b) The cost of any school construction activity encompassed by
18 the definition of "costs of school construction" under AS 14.11.135 is
19 payable under a grant awarded under AS 14.11.015 without regard to
20 whether the costs were incurred prior to the

21 (1) award of the grant;

22 (2) approval of the grant application by the board; or

23 (3) effective date of an appropriation to the school con-
24 struction grant account for the year in which the grant is funded.

25 Sec. 14.11.019. SCHOOL CONSTRUCTION GRANT APPROPRIATIONS.
26 Within the general appropriation bill submitted to the legislature
27 under AS 37.07.020, the governor shall include an appropriation for
28 school construction grants in the succeeding fiscal year as determined
29 by the six-year construction grant schedule prepared under

AS 14.11.013.

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

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

5 (A) payments made by the municipality during the
6 fiscal year for the retirement of principal and interest on
7 outstanding bonds, notes or other indebtedness authorized by the
8 qualified voters of the municipality after June 30, 1983, but
9 before July 1, 1989, to pay costs of school construction, addi-
10 tions to schools, and major rehabilitation projects that exceed
11 \$25,000 and are approved under AS 14.07.020(11); and

12 (B) cash payments made after June 30, 1983, by the
13 municipality during the fiscal year two years earlier to pay
14 costs of school construction, additions to schools, and major
15 rehabilitation projects that exceed \$25,000 and are approved by
16 the department before July 1, 1990, under AS 14.07.020(11).

17 * Sec. 10. AS 14.11.100(a)(5) is repealed and reenacted to read:

18 (5) subject to (h), (i), and (j); of this section, 80 per-
19 cent of

20 (A) payments made by the municipality during the
21 fiscal year for the retirement of principal and interest on
22 outstanding bonds, notes, or other indebtedness authorized by the
23 qualified voters of the municipality after June 30, 1993, to pay
24 costs of school construction, additions to schools, and major
25 rehabilitation projects that exceed \$25,000 and are approved
26 under AS 14.07.020(11); and

27 (B) cash payments made after June 30, 1993, by the
28 municipality during the fiscal year two years earlier to pay
29 costs of school construction, additions to schools, and major

1 rehabilitation projects that exceed \$25,000 and are approved
2 under AS 14.07.020(11).

3 * Sec. 11. AS 14.11.100(c) is amended to read:

4 (c) The school construction account is established. Funds to
5 carry out the provisions of this section shall be included within the
6 general appropriation bill submitted to the legislature under AS 37.-
7 07.020 and may be appropriated annually by the legislature to the
8 account. If amounts in the account are insufficient for the purpose
9 of providing the share to which a borough or city is entitled under
10 this section, those funds that are available shall be distributed pro
11 rata among the eligible local governments except that the legislature
12 may direct that additional debt service on refunding bonds that ex-
13 ceeds the total debt service on the refunded bonds be disregarded in
14 whole or in part.

15 * Sec. 12. AS 14.11.100(c) is repealed and reenacted to read:

16 (c) The school construction account is established. Funds to
17 carry out the provisions of this section may be appropriated annually
18 by the legislature to the account. If amounts in the account are
19 insufficient for the purpose of providing the share to which a munic-
20 ipality is entitled under this section, those funds that are available
21 shall be distributed pro rata among the eligible local governments
22 except that the legislature may direct that additional debt service on
23 refunding bonds that exceeds the total debt service on the refunded
24 bonds be disregarded in whole or in part.

25 * Sec. 13. AS 14.11 is amended by adding a new section to read:

26 Sec. 14.11.103. EVALUATION OF PROJECTS. The department shall
27 evaluate projects for which retirement of school construction debt is
28 requested by school districts under the procedures set out in AS 14.-
29 11.009. A request for an allocation of funds under AS 14.11.100 must

1 be submitted to the department by the school district not later than
2 October 15 of the fiscal year before the fiscal year for which the
3 request is made.

4 * Sec. 14. AS 14.11 is amended by adding a new section to read:

5 Sec. 14.11.106. PUBLIC SCHOOL FACILITIES CONSTRUCTION ADVANCE
6 ACCOUNT. The public school facilities construction advance account is
7 established. The account consists of appropriations for distribution
8 under AS 14.11.106 - 14.11.135 to municipalities that are school
9 districts to assist in paying the costs of public school facilities
10 projects approved under AS 14.07.020(11) for which construction is
11 commenced after June 30, 1978, and for which bonding, notes, or other
12 indebtedness was not incurred before July 1, 1978.

13 * Sec. 15. AS 14.11 is amended by adding a new section to read:

14 Sec. 14.11.111. ELIGIBILITY. Eligibility of a proposed con-
15 struction project for funding assistance under AS 14.11.106 - 14.11.-
16 135 shall be determined by the department based on standards and
17 criteria established by regulation. The standards and criteria to be
18 considered in determining eligibility include the following:

- 19 (1) emergency requirements;
20 (2) number of unhoused students;
21 (3) new elementary or secondary programs;
22 (4) existing community and school facilities and their
23 condition; and
24 (5) economic and social stability of the community.

25 * Sec. 16. AS 14.11 is amended by adding a new section to read:

26 Sec. 14.11.116. STATE AID. (a) The amount of state aid payable
27 in advance under AS 14.11.106 - 14.11.135 is the amount by which the
28 cost of construction of the approved school construction project would
29 cause the debt-to-valuation ratio of the municipality to exceed 12

percent.

1
2 (b) A payment under (a) of this section is limited to an amount
3 that, when combined with estimated payments to the school district for
4 the retirement of the principal and interest on bonds, notes, or other
5 indebtedness or reimbursement of cash payments for a school construc-
6 tion project for which payment is made under AS 14.11.100(a)(1) or (2)
7 or for an approved school construction project for which payment is
8 made under AS 14.11.100(a)(3), does not exceed 80 percent of the cost
9 of the school construction project.

10 (c) In this section,

11 (1) "debt" means the principal amount of the direct and
12 general obligation indebtedness of the municipality for which all
13 taxable property is subject to taxation to pay the bond, note, or
14 other evidence of the debt, determined annually by the Department of
15 Community and Regional Affairs in consultation with each municipality
16 that is a school district and reported to the municipality and the
17 commissioner of education; the determination shall be made by October
18 1 and report the outstanding debt as of July 1 of that year;

19 (2) "valuation" means the full and true value of the real
20 and personal property of the municipality determined under AS 14.17.-
21 140(a).

* Sec. 17. AS 14.11 is amended by adding a new section to read:

22 Sec. 14.11.121. APPLICATION FOR AID. (a) The commissioner
23 shall prescribe the necessary forms and procedures to be used in
24 applying for construction cost assistance under AS 14.11.106 - 14.-
25 11.135.

26 (b) A municipality that is a school district seeking construc-
27 tion cost aid shall apply to the department by October 15 of the prior
28 fiscal year.

1 (c) Based on the commissioner's review of applications and
2 determination of project eligibility, the commissioner shall recommend
3 to the governor an appropriation of funds for state aid for those
4 projects under AS 14.11.106 - 14.11.135.

5 * Sec. 18. AS 14.11 is amended by adding a new section to read:

6 Sec. 14.11.126. CONDITIONS OF STATE AID. (a) Funds distributed
7 to a municipality that is a school district during a school year under
8 AS 14.11.106 - 14.11.135 shall be received, held, and expended by the
9 district in accordance with the applicable provisions of law and of
10 regulations adopted by the department. Funds provided under AS 14.-
11 11.106 - 14.11.135, but which are not required for the project for
12 which they were granted or which are in excess of that municipality's
13 entitlement for aid under AS 14.11.116 shall be returned to the de-
14 partment and deposited in the general fund.

15 (b) Each municipality that is a school district shall maintain
16 financial records of the receipt and disbursement of state funds
17 received under AS 14.11.106 - 14.11.135 and money provided toward
18 local effort. The records shall be in the form prescribed by the
19 department and are subject to audit by the department at any time.

20 (c) Upon completion of the construction project, the chief
21 school administrator of the district shall report the total cost of
22 the project and means of financing it to the commissioner.

23 (d) Municipalities that are school districts shall secure and
24 maintain in full force and effect adequate property loss insurance for
25 the replacement cost of all facilities constructed after July 1, 1978,
26 and for which state funds are available under AS 14.11.100 - 14.11.-
27 135.

28 * Sec. 19. AS 14.11 is amended by adding a new section to read:

29 Sec. 14.11.127. ALLOCATION OF APPROPRIATIONS FOR SCHOOL

1 CONSTRUCTION. (a) If the amount appropriated to the department for
 2 school construction in a fiscal year is less than the amount necessary
 3 to fund full entitlements for school construction debt retirement
 4 under AS 14.11.100 and the amount necessary to fully fund all projects
 5 required to avert imminent danger or correct life-threatening situa-
 6 tions that have been approved by the board under AS 14.11.015, then
 7 the amount appropriated for that fiscal year shall be allocated,
 8 unless otherwise provided by law, between the school construction
 9 grant account under AS 14.11.005 and the school construction account
 10 under AS 14.11.100(c) in the following proportions:

Fiscal year	School Construction Grant Account	School Construction Account
1990	.11	.89
1991	.13	.87
1992	.15	.85
1993	.21	.79
1994	.29	.71
1995	.36	.64
1996	.46	.54
1997	.58	.42
1998	.60	.40
1999 and subsequent fiscal years	.62	.38

24 (b) If the amount appropriated to the department for school
 25 construction debt retirement exceeds the amount necessary to pay full
 26 entitlements under AS 14.11.100(c), the excess amount of the appro-
 27 priation may be deposited, unless otherwise provided by law, in the
 28 school construction grant account under AS 14.11.005.

29 * Sec. 20. AS 14.11.130 is repealed and reenacted to read:

1 Sec. 14.11.130. CONSTRUCTION OF CHAPTER. This chapter may not
2 be construed to prevent a district from using other revenue to include
3 additional or expanded facilities as part of approved school construc-
4 tion projects.

5 * Sec. 21. AS 14.11.130 is repealed and reenacted to read:

6 Sec. 14.11.130. CONSTRUCTION AND IMPLEMENTATION. (a) AS 14.-
7 11.106 - 14.11.135 may not be construed so as to create a debt to the
8 state.

9 (b) Funds to carry out the provisions of AS 14.11.106 - 14.11.-
10 135 may be appropriated annually by the legislature into the public
11 school facilities construction advance account. If amounts in the
12 account are insufficient to meet the allocations authorized by the
13 commissioner under AS 14.11.106 - 14.11.135, such funds as are avail-
14 able shall be distributed pro rata among each municipality that is a
15 school district based upon its computed entitlement.

16 * Sec. 22. AS 14.11.135(3) is amended to read:

17 (3) "costs of school construction" means the cost of ac-
18 quiring, constructing, enlarging, repairing, remodeling, equipping or
19 furnishing of public elementary and secondary school buildings and
20 includes the sum total of all costs of financing and carrying out the
21 project; these include, but are not limited to, the costs of all
22 necessary studies, surveys, plans and specifications, architectural,
23 engineering or other special services, acquisition of real property,
24 site preparation and development, purchase, construction, reconstruc-
25 tion and improvement of real property and the acquisition of machinery
26 and equipment as may be necessary in connection with the project [; AN
27 ALLOCABLE PORTION OF THE ADMINISTRATIVE AND OPERATING EXPENSES OF THE
28 GRANTEE; THE COST OF FINANCING THE PROJECT, INCLUDING INTEREST ON
29 BONDS ISSUED TO FINANCE THE PROJECT; AND THE COST OF OTHER ITEMS,

1 INCLUDING ANY INDEMNITY AND SURETY BONDS AND PREMIUMS ON INSURANCE,
2 LEGAL FEES, FEES AND EXPENSES OF TRUSTEES, DEPOSITARIES, FINANCIAL
3 ADVISORS, AND PAYING AGENTS FOR THE BONDS ISSUED AS THE ISSUER CONSID-
4 ERS NECESSARY];

5 * Sec. 23. AS 14.11.135(3) is repealed and reenacted to read:

6 (3) "costs of school construction" means the cost of ac-
7 quiring, constructing, enlarging, repairing, remodeling, equipping or
8 furnishing of public elementary and secondary school buildings and
9 includes all costs of financing and carrying out the project; these
10 include the costs of

11 (A) all necessary studies, surveys, plans and speci-
12 fications, architectural, engineering or other special services,
13 acquisition of real property, site preparation and development,
14 purchase, construction, reconstruction, and improvement of real
15 property and the acquisition of machinery and equipment as may be
16 necessary in connection with the project;

17 (B) an allocable portion of the administrative and
18 operating expenses of the grantee;

19 (C) the cost of financing the project, including
20 interest on bonds issued to finance the project; and

21 (D) the cost of other items, including any indemnity
22 and surety bonds and premiums on insurance, legal fees, fees and
23 expenses of trustees, depositaries, financial advisors, and
24 paying agents for the bonds issued as the issuer considers neces-
25 sary;

26 * Sec. 24. AS 14.11.135 is amended by adding a new paragraph to read:

27 (5) "district" means the districts described in AS 14.12.-
28 010.

29 * Sec. 25. AS 46.11.900(8) is amended to read:

1 (8) "state financial assistance" means a loan, grant,
2 guarantee, insurance, payment, rebate, subsidy, or other form of state
3 assistance other than aid under AS 05.35.010 - 05.35.070, AS 14.11.
4 [AS 14.11.100 - 14.11.135,] and AS 29.60, including the purchase by a
5 state agency of a loan to finance the construction of a new resi-
6 dential, commercial, or industrial building;

7 * Sec. 26. AS 14.11.010, 14.11.102, 14.11.105, 14.11.110, 14.11.115,
8 14.11.120, and 14.11.125 are repealed.

9 * Sec. 27. AS 14.03.150, AS 14.07.170(b), AS 14.11.005, 14.11.011,
10 14.11.013, 14.11.015, 14.11.016, 14.11.017, 14.11.019, 14.11.127, and
11 14.11.135(5) are repealed.

12 * Sec. 28. Sections 1 - 4, 6, 8, 9, 11, 19, 20, 22, and 24 - 26 of this
13 Act take effect July 1, 1989.

14 * Sec. 29. Sections 5, 7, 10, 12 - 18, 21, 23, and 27 of this Act take
15 effect July 1, 1993.

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Mary Van Nimwegen

House Labor & Commerce

January 24, 1989 3:00 pm