

**SB**

**7**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: May 10, 1993

FURTHER REFERRALS:

Date of Committee Action: 5/10/93

The FINANCE Committee considered:

CSSB 7(FIN) am(reengrossed)

CS FOR SENATE BILL NO. 7(FIN) am(reengrossed)

SCHOOL DEBT REIMBURSEMENT

"An Act relating to school construction grants and major maintenance grants to school districts; providing for school district participation in the cost of school construction and major maintenance; creating a major

TITLE CONTINUED ON PAGE 2.

**RECOMMENDATIONS:**

be replaced with \_\_\_\_\_ [ ] the same title

[ ] a new title

[ ] have attached amendments(s)

do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

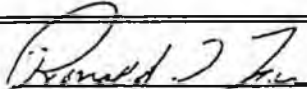
fiscal impact DOE

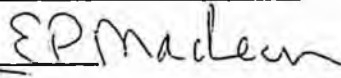
[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Eileen P. Maclean</i> <small>Maclean</small>	X	<i>Ben ...</i> <small>grussendorf</small>		X	
<i>Ronald J. ...</i> <small>lanson</small>	X	<i>Jim Hoff</i> <small>Hoffman</small>		✓	
<i>Mike ...</i> <small>Hanley</small>	X	<i>Mike ...</i> <small>Nabanc</small>		NA	✓
<i>Ken ...</i> <small>Parham</small>	X	<i>Richard ...</i> <small>Foster</small>		X	
<i>Perry Martin</i> <small>Martin</small>	X				
<i>Jan ...</i> <small>Brown</small>	✓				
<i>Jan ...</i> <small>Thernant</small>	✓				

  
 (C) CHAIRMAN'S SIGNATURE  
 LANSON

  
 E.P. Maclean  
 Maclean

5/09  
 Transition to CH

# FISCAL NOTE

STATE OF ALASKA  
 1993 LEGISLATIVE SESSION

BILL NO. CS SB7 (FIN) am (2nd)

Revision Date: May 8, 1993  
 Title: "An Act relating to school construction grants and major maintenance grants to school districts . . ."  
 Sponsor: Senator Kerttula, Little, Donley  
 Requestor: Senate Finance

Department Affected: Education  
 BRU: Executive Administration  
 Component: Clp Overhead and Associated Costs

COMPONENT SERIAL NO. 157

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	158.8	158.8	158.8	158.8	158.8	158.8
TRAVEL	28.6	28.6	28.6	28.6	28.6	28.6
CONTRACTUAL	182.2	42.2	42.2	42.2	42.2	42.2
SUPPLIES	1.8	1.8	1.8	1.8	1.8	1.8
EQUIPMENT	27.0	7.0	7.0	7.0	7.0	7.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>398.4</b>	<b>238.4</b>	<b>238.4</b>	<b>238.4</b>	<b>238.4</b>	<b>238.4</b>

CAPITAL						
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REVENUE FUND SOURCE:						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	398.4	238.4	238.4	238.4	238.4	238.4
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
	398.4	238.4	238.4	238.4	238.4	238.4

**POSITIONS:**

FULL-TIME	3	3	3	3	3	3
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
 (SEE ATTACHED)

Prepared by: Gary M. Bader *Mary M. Bader*

Phone: 465-2875

Division: Administrative Services

Date: 8 May 1993

Approved by Commissioner: *J. Covey*  
 Agency: Education

Jerry Covey

Date: 5-8-93

**FISCAL NOTE**  
**SB7**

" An Act relating to grants for school construction, to reimbursement of school construction debt, and to school construction bonds issued by the Alaska Municipal Bond Bank Authority; and providing for an effective date."

This bill will enable municipal and REAA school districts throughout the state to construct school facilities for unhoused students and to correct safety hazards and building code violations in aging facilities. Small municipalities, whose ability to bond is restricted or nonexistent, will still be required to seek State aid through the grant process. This bill would establish a committee to review the school construction and debt reimbursement program and make recommendations to the State Board of Education. Funds are provided in this fiscal note for the committee's activities.

It is certain that this bill will result in a large number of requests for approval of school construction projects. This will place an additional burden on the Facilities Section for administrative and professional services. It will require additional time at the administrative level in order to ensure compliance with regulations and fiscal accountability. The extremely technical matter of ensuring compliance with construction guidelines required by this bill will necessitate an architect on staff with the Department to perform a more technical review of all school construction plans in order to ensure they meet or exceed the minimum standards established by the Departments of Education and Transportation and Public Facilities. This technical review must also include an evaluation of all projects submitted to assure compliance with the applicable standards. The bill will require the promulgation of new regulations. Necessary review of project plans and on-site review to establish eligibility and compliance will increase travel requirements.

It is anticipated that participation by the Department of Law will also increase. Historically, this program has created a need for legal services related to interpretation of the statutes and regulation, project eligibility and the differences between grant and bond funding. In addition technical assistance will be required in the development of statewide educational specifications and standardization review. These funds are expected to be needed continually in order to update the standards as material and educational program needs evolve.

The Department of Education will contract with experts to develop criteria for construction of schools in the state.

**SB7**

Personal Services		158.8
Architect (21B)	72.5	
Project Assistant (16B)	52.8	
Clerk Typist III (8B)	33.5	
Travel		28.6
Administrative Travel for 9 person Review committee		
Air Fare for two meetings per year (2 x 700 x 9 = 12.6)	12.6	
Per Diem for 3 (3 x 95 x 9 = 2.6)	2.6	
Project Assistant Travel		
Air Fare for 15 site visits (15 x 700 = 10.5)	10.5	
Per Diem for 30 days (30 x 95 = 2.9)	2.9	
Contractual		182.2
Development of Regulations	13.5	
Funds for defense of Department position in disputes	10.0	
Additional funds for hearing officer/court reporter	7.5	
Phone lines 3 positions @ \$300/year	.9	
Technical expert to assist in the development and updating of school construction standards and development of educational specifications	150.0	
Substitute teacher for 3 days at \$100/day	.3	
Supplies		1.8
Supplies for 3 positions @ \$600 each		
Equipment		27.0
Office Furniture (desks, partitions, etc.)	9.0	
Computer Equipment (computer, monitor, software, network, et.)	18.0	
	FY 94 Total	398.4

## Letter of Intent

CSSB- 7 (FIN)

BY SENATE FINANCE COMMITTEE

It is the intent of the Legislature that municipalities and school districts receive debt reimbursement for school construction and major rehabilitation projects from the school construction grant fund. The Legislature does not intend the fund to be used for normal, preventative, or routine maintenance activities.

It is further the Legislature's intent that municipalities and school districts ensure the proper maintenance and upkeep of their schools and classroom facilities through use of operating funds appropriated annually through the foundation funding formula.

Adopted by Senate: 4/23/93 & 4/24/93

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. CS SB7 (FIN) AM

Revision Date: 27-Apr-93  
Title: An Act relating to grants for school construction reimbursement of school construction debt and school construction bonds issued by the Alaska Municipal Bond Bank Authority

Dept. Affected: EDUCATION  
BRU: Executive Administration  
Component: CIP Overhead and Associated Costs

Sponsor: Senator Kerttula, Little, Donley  
Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 157

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	72.5	74.7	76.9	79.2	81.6	84.0
TRAVEL	68.9	68.9	68.9	68.9	68.9	68.9
CONTRACTUAL	73.3	73.3	73.3	73.3	73.3	73.3
SUPPLIES	1.1	1.1	1.1	1.1	1.1	1.1
EQUIPMENT	9.0	1.5	1.5	1.5	1.5	1.5
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>224.8</b>	<b>219.5</b>	<b>221.7</b>	<b>224.0</b>	<b>226.4</b>	<b>228.8</b>

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other: 1061 CIP Receipts	224.8	219.5	221.7	224.0	226.4	228.8
<b>TOTAL</b>	<b>224.8</b>	<b>219.5</b>	<b>221.7</b>	<b>224.0</b>	<b>226.4</b>	<b>228.8</b>

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary)

(SEE ATTACHED)

Prepared by: Gary M. Bader  
Division: Administrative Services  
Approved by Commissioner: \_\_\_\_\_  
Agency: Department of Education

Phone: 465-2875  
Date: 27-Apr-93  
Date: 4/30/93

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FISCAL NOTE  
SB7

"An Act relating to grants for school construction, to reimbursement of school construction debt, and to school construction bonds issued by the Alaska Municipal Bond Bank Authority; and providing for an effective date."

This bill will enable municipalities throughout the State to construct school facilities for unhoused students and to correct safety hazards and building code violations in aging facilities. Small municipalities, whose ability to bond is restricted or nonexistent, will still be required to seek State aid through the grant process. This bill would establish a bond reimbursement and grant review committee to evaluate projects for the which reimbursement of school construction debt is requested and to establish the priorities for which school construction grants are requested. The committee would be composed of the Commissioner of Education or his designee and the following members:

1. a retired or active classroom teacher or school employee;
2. an engineer licensed under AS08.48 and licensed as a construction contractor under AS 08.18;
3. an architect in private practice licensed under AS 03.48;
4. an employee of the Department of Transportation and Public Facilities;
5. a nonvoting member with five years of experience in city or borough school district facilities management;
6. a nonvoting member with five years of experience in municipal facilities management;
7. a nonvoting member with five years of experience in regional education attendance area facilities management.

It is certain that this bill will result in a large number of requests for approval of school construction projects. This will place an additional burden of the Facilities Section in both clerical and administrative requirements. It is impossible to predict the State liability under SB7 in FY94.

This bill will require additional time in the administrative level in order to ensure compliance with the regulations and fiscal accountability. The extremely technical makeup of the review committee will necessitate an architect on staff with the Department to perform a more technical review of all school construction plans in order to ensure that they meet or exceed the minimum standards established by the Departments of Education and Transportation and Public Facilities. This technical review must also include an evaluation of all projects submitted to assure compliance with the applicable standard. The amendment to Sec.14.11.014(b) will require the promulgation of new regulations regarding evaluation to include such factors as education programs. Necessary review of project plans and on-site reviews to establish eligibility and compliance will increase travel requirements.

It is anticipated that participation by the Department of Law will increase. Historically, this program has created a need for legal services related to interpretation of the statute and regulations, project eligibility and the discrepancy between full funding through the

grant program and partial funding through the debt retirement process. In addition technical assistance will be required in the development of statewide educational specifications and standardization review. These funds are expected to be needed continually in order to update the standards as materials and educational program needs evolve. Funds will be required for contractual services.

It is assumed that DOT/PF will provide the standard regional design specifications for schools in the arctic, interior, western, southcentral and southeastern regions of the State.

<b>Personal Services</b>		
Architect (21B)		72.5
	72.5	
<b>Travel</b>		
Administrative Travel for 7 person Review Committee		68.9
Air Fare of 10 site visits (10 x 700 x 7 = 49.0)	49.0	
Per Diem for 30 days (30 x 95 x 7 = 19.9)	19.9	
<b>Contractual</b>		73.3
Development of Regulations	7.5	
Funds for defense of Department position in disputes	10.0	
Additional funds for hearing officer/court reporter	2.5	
Phone lines 1 position @ \$300/year	.3	
Technical expert to assist in the development and updating of school construction standards and development of educational specifications	50.0	
Substitute teacher for 30 days at \$100/day	3.0	
<b>Supplies</b>		1.1
Supplies at \$150/year per member	1.1	
<b>Equipment</b>		9.0
Office Furniture (desks, partitions, etc.)	3.0	
Computer Equipment (Computer, token ring, etc.)	6.0	
	<b>FY94 Total</b>	<b>224.8</b>

S E C O N D

LETTER OF INTENT

OFFERED IN THE SENATE

BY SENATOR LITTLE

TO: CS FOR SENATE BILL 7 (FIN)

It is the intent of the Legislature that the development of standard regional guidelines for construction of schools in the state include the consideration and implementation to the extent possible of energy efficient design and construction standards.

Adopted by Senate: 4/23/93 4/24/93

**FISCAL NOTE**

Revision Date: 04/23/93 (Work Copy)  
Title: School Debt Reimbursement

Department Affected: DOT&PF  
BRU: E&OS

Sponsor: Kerttula, Little, Donley  
Requestor:

Component: D&C Standards  
Component Serial Number: 547

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	7.0	7.2	7.5	7.8	8.0	8.3
TRAVEL	3.0	3.1	3.2	3.3	3.4	3.6
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING:</b>	<b>10.0</b>	<b>10.3</b>	<b>10.7</b>	<b>11.1</b>	<b>11.4</b>	<b>11.9</b>

CAPITAL	1,641.0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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**FUNDING: (Thousands of Dollars)**

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	1,651.0	10.3	10.7	11.1	11.4	11.9
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL FUNDING:</b>	<b>1,651.0</b>	<b>10.3</b>	<b>10.7</b>	<b>11.1</b>	<b>11.4</b>	<b>11.9</b>

**POSITIONS**

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

Estimate of current year (FY93) impact: None

**ANALYSIS: (Attach a separate page if necessary)**

\*\* See page two (Fiscal Note Summary) for comments pertaining to staffing requirements. Monetary amounts shown for FY 95 and beyond have been inflated by 3.5% annually.

See attached summary and four page analysis for details and assumptions.

Prepared by: Roger W. Allington, Director

Phone: 465-2951

Division: Engineering and Operations Standards

Date: April 27, 1993

Approved by Commissioner: B.A. Campbell  
Bruce A. Campbell

Phone: 465-3900

Agency: Department of Transportation and Public Facilities

Date: April 27, 1993

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ANALYSIS (cont. from page 1):

**Fiscal Note Analysis for CS SB 7 (FIN)**

**Fiscal Note Summary:**

The proposed legislation is anticipated to have the following impacts.

**Section 4 Impacts - FY 94 and 95** (Capital funds for design guidelines, specifications and review of prototypical school designs.)

Expenditures: Personal services, contractual and travel costs total \$1.64 MM. *It should be recognized that this amount equates to only three tenths of one percent of the entire construction amount (\$500,000,000) that could be obligated under this bill.*

Personnel: Depending on the extent of guidelines required and the magnitude of funding provided, additional CIP positions may be needed.

**Section 5 Impacts - FY 94 and beyond** (Operating funds for grant review committee activities inflated annually by 3.5%.)

Expenditures: Personal services, contractual and travel costs of \$10,000.

Personnel: No additional personnel are anticipated for these projects.

**Program Description:**

The proposed bill would require the Department of Transportation and Public Facilities (DOT&PF) to consult with the Department of Education (DOE) in the development of standard regional school "specifications" (per Sec. 4 of the proposed legislation). Additionally, it is anticipated that the department would be involved in the grant review process (per Sec. 5 of the proposed legislation).

**Background Information Relating to the Proposed Legislation:**

Definition of the fundamental school construction (program) needs, appropriate design standards and concerns (criteria), and the minimum acceptable construction specifications have long been a desire of many different entities within the State of Alaska. It is believed that - when created - these documents could be used to formulate a basis on which school construction grants would be funded.

**Program Implementation and Resulting Fiscal Impacts:**

Despite the fact that the bill contains an effective date, the program would likely "come on line" in somewhat of a staged process. Because section 4 is fundamental to the other sections, the requirements of this section will have to be met before the full effect of the legislation will be apparent. Section 4 will require an extensive amount of time and effort (by both DOT&PF and the Department of Education) to complete the mandated guidelines and construction specifications. As both elements are intertwined, it should be expected that they will be developed as a package as opposed to piecemeal elements. At a minimum one year to eighteen months should be allocated in the preparation of this component of the legislation. The costs of the developmental

aspects associated with this "staged process" appear in the FY 94 portion of the fiscal note.

### **Analysis and Assumptions:**

The following detailed analysis, covering the sixteen sections of the bill and focusing on the department's specific areas of program involvement, was developed around the following assumptions.

- *Given past experience, and based upon the evaluating criteria presented under lines 14 through 24 on page 3, a substantial amount of preliminary review work will have to occur prior to the first meeting of the Review Committee. Presently, no fiscal impacts for these services are included in this document. However, (based upon previous fiscal notes) it is anticipated that, if the Department of Education desires the assistance of DOT&PF in these areas, a Reimbursable Services Agreement of approximately \$85,000 per year will be required.*
- *Due to a lack of detail and the overall uncertainty of what is expected, the assumptions and resulting cost calculations are assumed to represent a "worse case" scenario.*
- *Given the language within line 13 on page 1 of the proposed legislation, it is assumed that the terminology "guidelines" which appears on page 2 lines 13, 14, and 18 is actually meant to include design criteria, construction specifications and cost estimates.*
- *It is assumed that due to program differences (five in total), differences in school size - between communities in a given region (large districts VS. small) and the climatic conditions present in each of the four defined regions, that a wide variety of school specifications may have to be developed.*
- *Schools of less than 100 students are considered "small" schools for the purpose of this analysis.*
- *Costs shown in this report reflect a facility based guideline/specification approach. While not done at this time, some consideration towards a component/matrix design approach or perhaps a review of existing (or proposed) designs should be considered. This would allow for communities to build to a higher level of quality provided that the life cycle costs supported a higher initial capital cost.*
- *It is assumed that the grant review committee will meet only on an annual (or worst case semi-annual) basis to conduct the activities associated with the Section 5 grant review.*

### **Proposed Legislation Sections 1 through 3**

No departmental comment as a result of these sections.

### **Proposed Legislation Section 4 (page 2)**

As a preamble to this section, the department wishes to re-emphasize that the costs associated with the services described within this section of the analysis are very insignificant when compared to the total dollar value of the ensuing school construction costs. This amount, \$1.64 million, constitutes only 0.3% of the potential

\$500 million in total construction costs that could be allocated under the legislation. A very small amount when compared to the 7.3 % design costs <sup>1</sup> experienced on a local school project.

**Types of facilities under consideration:**

As educational program needs vary, it will be necessary to develop design specifications that best establish a baseline "standard" for each of the following:

- elementary schools,
- middle schools,
- junior high schools,
- high schools,
- special education facilities, and
- various combinations of the above.

Once the baselines have been established for each of the educational programs, and after consulting with DOE, DOT&PF would be prepared to establish the design criteria and construction specifications for each set of regional standards. Modifications, in the form of design features and cost factors, could then be applied to the baseline standards to reflect such variables as structural requirements associated for snow and seismic loadings, soils conditions, energy (thermal) requirements, unique climatic conditions and geographic construction costs. It follows then that school construction costs (probably on a square footage basis, and possibly on a per student basis) could be determined for each school type, whereby the cost of the basic school type, modified by the appropriate adjustment factors, would yield an allowable overall school cost for the subject facility. The basic cost and adjustment factors could later be inflated (from year to year) as appropriate.

At a minimum an architect, a structural engineer, a mechanical engineer and an electrical engineer would be heavily involved in the process. From time to time a cost estimator would be called in for assistance. It is anticipated that the process would also involve a good deal of effort on the parts of a DOT&PF project manager and a DOE programming person. It is estimated take approximately 1.5 years to complete the task.

**Hence the following costs:**

**Personnel costs (for 1.5 years of professional service efforts):**

Architect = 3000 hours @ \$85/ hour yields	\$255,000
Structural Engineer = 3000 hours @ \$100/ hour yields	\$300,000
Mechanical Engineer = 3000 hours @ \$90/ hour yields	\$270,000
Electrical Engineer = 3000 hours @ \$90/ hour yields	\$270,000
Cost Estimator = 300 hours @ 100/ hour yields	\$ 30,000

**Allowance for support staff: (for architects and engineers):**

Secretary and technical support staff 6000 hours @ \$35/ hour yields	\$210,000
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**Allowance for professional staff travel: (for architects and engineers):**

A lump Sum allowance of	<u>\$ 30,000</u>
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<b>Subtotal of costs associated with professional services activities</b>	<b>\$1,365,000</b>
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<sup>1</sup> Comments were provided By Ms. Cathy Fritz, CBJ Architect and project manager for the \$15.1 million middle school (currently under construction) and a future \$40 million high school facility.

Personnel costs (for 1.5 years of DOT&PF Design Manager efforts):	
Range 22 C position = 3000 @ \$42/ loaded hourly rate yields	\$126,000
Allowance for travel, procurement expenses and support services	
Allowance is based upon 5% of project costs, yields	<u>\$150,000</u>
<b>GRAND TOTAL OF SECTION 4 COSTS (Excluding DOE Personnel Costs)</b>	<b>\$1,641,000</b>

### Proposed Legislation Section 5 (page 2)

Based upon the department's understanding that its involvement will be limited solely to the review and ranking process the following fiscal impacts are anticipated.

**Personal Services where:**

"one person shall be employed by the Department of Transportation and Public Facilities". Personnel costs related to one month's efforts of a DOT&PF Design Manager II @ range 22 C position = 165 hrs @ \$42/ (loaded) hour rate yields approx. \$7,000

**Travel Expense for the three evaluators where:**

- two trips are required for the evaluator to attend meetings directly associated with the ranking process \$ 1,000
- Associated per diem (20 days/person @ \$100/day) \$ 2,000

Total anticipated travel costs are \$ 3,000

**Contractual Expense.** Based upon our earlier assumption (see the listing of assumptions in a previous portion of this report), no expenses are allocated for this element.

<b>GRAND TOTAL OF SECTION 5 COSTS (Excluding DOE Costs)</b>	<u><u>\$10,000</u></u>
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### Proposed Legislation Sections 6 through 16

No departmental comment as a result of these sections.