

SB

232

POSITION PAPER: DEPARTMENT OF EDUCATION

Division School Finance Bill Number SB232

Bill Title An Act relating to reimbursement of bonds issued for school construction; and providing for an effective date

Sponsor Senators Kerttula, Salo, Zharoff

At this time, the Department of Education does not support SB232. This bill proposes to increase the total amount of school construction projects approved for reimbursement by the state under AS 14.11.100(n) by \$90,000,000. The school bond debt reimbursement program, as re-instated by 1993 SLA chapter 78, makes \$250,000,000 available to the department for the purpose of issuing school bond debt reimbursement authorizations based on community size. Allocations include \$133,000,000 for Anchorage, \$67,000,000 for Fairbanks and \$50,000,000 for the remainder the state. The cost of the new debt is shared 70% by the state and 30% by the local tax payers. The state share is appropriated annually based on the specific maturity dates of the bonds and annual claims by school districts.

By October 1993, the department had issued \$67,000,000 of school bond debt reimbursement authorizations to Fairbanks and \$49,000,000 of the \$50,000,000 statewide allocation. After that date, \$53,500,000 was voided due to the failure of a local ballot in Fairbanks. As of January 1994, only \$33,516,000 of the capacity was actually approved by local voters. Some of which is yet to be sold.

The department has approved three projects for communities, other than Anchorage and Fairbanks, worth \$33,425,000, for which no allocation currently exists. Approximately \$29,000,000 of outstanding reimbursement authorizations for the same size communities are still subject to voter approval. Those that fail to receive voter approval, expire on or before the certification date of the local 1994 general elections. Dependent upon the outcome of those elections, some additional reimbursement authorizations may be voided, providing an opportunity to fund some of the three remaining projects.

The three allocations of project amounts based on community size expire on July 1, 1996. Any remaining allocation will be available to the state as a whole. Based on current applications and available resources, there appears to be no need to increase capacity at this time.

APPROVED:

Director DUANE F. GUILLEY Division DIVISION OF SCHOOL FINANCE

Signature [Signature] Date 1/25/94

Commissioner/Deputy MILIE MATHER

Signature [Signature] Date 1/25/94

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 232

Revision Date: _____ Dept. Affected EDUCATION
 Title: An Act relating to reimbursement of bonds issued BRU: School Finance
for school construction; and providing for an effective date. Component: Educational Facilities Support
& School Debt Reimbursement

Sponsor: Senators Kerttula, Salo, Zharoff
 Requestor: Senator Kerttula's Office COMPONENT SERIAL NO. 153 & 157

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES		23.4	24.1	24.8	25.6	26.3
TRAVEL		4.8	4.8	4.8	4.8	4.8
CONTRACTUAL		8.0	8.0	8.0	8.0	8.0
SUPPLIES		0.3	0.3	0.3	0.3	0.3
EQUIPMENT		9.0				
LAND & STRUCTURES						
GRANTS, CLAIMS		5,760.0	5,760.0	5,760.0	5,760.0	5,760.0
MISCELLANEOUS						
TOTAL OPERATING	0	5,805.5	5,797.2	5,797.9	5,798.7	5,799.4

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	0.0	45.5	37.2	37.9	38.7	39.4
1044 Debt Retire.	0.0	5,760.0	5,760.0	5,760.0	5,760.0	5,760.0
TOTAL	0.0	5,805.5	5,797.2	5,797.9	5,798.7	5,799.4

POSITIONS:

FULL-TIME						
PART-TIME		1	1	1	1	1
TEMPORARY						

Estimate of current year (FY94) Impact: \$ 0

ANALYSIS:

This bill will cause an increase in state liability for school debt reimbursement. An increased annual debt of approximately \$5,760,000, due to SB 232, reflects the assumptions that all debt is incurred by FY96, at or near current low interest rates with bonds maturing at 20 years. Earlier bond maturities will increase the short term impact. Higher interest rates will increase the debt throughout the life of the bonds.

(See attached for statement of Impact on Educational Facilities Support)

Prepared by: Charlotte E. Doogan Phone: 465-8665
 Division: School Finance - Facilities Date: 25-Jan-94
 Approved by Commissioner: [Signature] Date: 1/26/94
 Agency: Department of Education

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and providing for an effective date

Sponsor Senators Kerttula, Salo, Zharoff

This bill will enable municipalities throughout the State to construct schools. If this results in a large number of requests for approval of school construction projects, an additional burden will be placed on the Facilities Section. While it may reduce the number of requests for grants through AS14.11 from the larger municipalities, it is likely that they will continue to seek grant funds depending on their current bond debt and fiscal obligations. Currently, districts apply under both programs for the same projects. Although similar, the qualification criteria differs somewhat and requires additional review and analysis.

New projects will require additional staff commitment in order to ensure compliance with the regulations and provide fiscal accountability. Though regulations are in place to govern general administration of this program, in order to establish consistency over the State's obligation for debt, regulations should be revised to reflect specific time frames and application procedures. Necessary review of project plans and on-site reviews to determine eligibility and compliance will increase travel time.

It is anticipated that contractual services through the Department of Law will increase. This program has created a need for legal services related to interpretation of the statute and regulations, project eligibility, and the discrepancy between matching funding through the grant program and partial funding through the debt retirement process.

One half of an additional position is necessary to ensure compliance with this legislation. Personal services costs are assumed to increase 3% per year after the first year. Equipment costs are \$9.0 the first year.

Funding for the CIP Overhead and Associated Costs component will be based upon a percentage charge from the school construction grant account and inter-agency receipts originating from the Alaska debt retirement fund.

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Personal Services		23.4
Administrative Assistant II (14B) 1/2 time	23.4	
Travel		4.8
Air fare for 5 site visits (5 x 750 = 3.8)	3.8	
Per Diem for 10 days (10 x 95 = 1.0)	1.0	
Contractual		8.0
Development of regulations	2.7	
Funds for defense of Department position	4.0	
Additional funds for hearing officer/court reporter	1.0	
Phone lines 1 position @ \$300/year	.3	
Supplies		.3
Supplies for 1/2 position	.3	
Equipment		9.0
Office furniture (desks, partitions, etc.)	3.0	
Computer Equipment (Computer, token ring, etc.)	6.0	
	FY 95 Total	0.0



Official Business

Alaska State Legislature

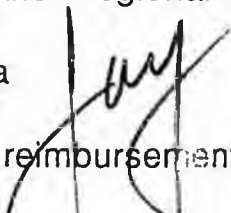
Senate

Pouch V
State Capitol
Juneau, Alaska 99811

FEBRUARY 1, 1994

MEMORANDUM

To: Senator Randy Phillips, Chair
Senate Community and Regional Affairs Committee

From: Senator Jay Kerttula 

Re: S.B. 232 relating to reimbursement of bonds issued for
school construction

I request that you schedule the above bill for a hearing at your earliest convenience. Attached you will find a sectional analysis and a sponsor statement. The Department of Education is preparing a fiscal note.

Thank you in advance for your assistance in this matter.

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 18, 1994

SUBJECT: Sectional Summary of SB 232

TO: Senator Jay Kerttula

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

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Increases by 90,000,000 the amount of money available to reimburse municipalities for bonds issued for school construction.

MFF:pl
94-042.plm

SPONSOR STATEMENT S.B. 232
REIMBURSEMENT OF BONDS ISSUED FOR
SCHOOL CONSTRUCTION
SENATOR JAY KERTTULA

THE PURPOSE OF THIS BILL IS TO INCREASE BY \$90 MILLION THE CEILING FOR STATE PARTICIPATION IN SCHOOL CONSTRUCTION BY MUNICIPALITIES.

LAST YEAR THE STATE'S PARTICIPATION WAS LIMITED TO \$250 MILLION AND ALLOCATED BY POPULATION. \$50 MILLION WAS SHARED BY ALL BUT TWO CITIES IN THE STATE. IN PRACTICAL TERMS, THE MANY MUNICIPALITIES THAT HAD TO SHARE THE \$50 MILLION ALLOCATION WERE UNABLE TO ADDRESS ALL OF THEIR SCHOOL CONSTRUCTION NEEDS.

ALTHOUGH THE ALLOCATION OF BONDING CAPACITY LAPSES JULY 1, 1996, AND BECOMES AVAILABLE TO THE OTHER DISTRICTS OF THE STATE, IT IS UNKNOWN WHAT THE INTEREST RATES WILL BE AT THAT TIME. THE PRESENT ALLOCATION ALLOWS CERTAIN DISTRICTS TO TAKE ADVANTAGE OF THE PRESENT LOW INTERESTS RATE AND THE REST OF THE DISTRICTS MUST BET ON THE RATES TWO YEARS FROM NOW.

IN ORDER TO ALLEVIATE THE LACK OF CAPACITY INHERENT IN THE PRESENT LAW, AN ADDITIONAL \$90 MILLION WOULD ALLOW ALL COMMUNITIES TO ACCESS THE REIMBURSEMENT PROGRAM TO HELP BUILD NEEDED SCHOOLS AND NOT LOSE THE OPPORTUNITY TO FINANCE SCHOOLS AT LOWER INTEREST RATES.



Alaska State Legislature

SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Senator Randy Phillips, Chair
Senator Robin Taylor, Vice Chair
Senator Loren Leman
Senator Al Adams
Senator Fred Zharoff

SESSION:
State Capitol
Juneau, Ak 99801-1182
(907) 465-4989

INTERIM:
P. O. Box 142
Eagle River, Ak 99577
(907) 694-4949

AGENDA

February 3, 1994
9:00 AM

Butrovich Room
Room 205

1. Call to Order (time and members present)
2. Teleconference on all bills - various sites on line.
3. Bills held from Tuesday 2/1/94
 - SB 203 Mandatory Municipal Police Services
 - SB 255 State Policy on Human Resource Development
Adopt Committee Substitute
 - SB 2 Pay Equity Based on Value of Work
Adopt Admin Committee Substitute
 - SB 39 Retired Credited Service & Benefits
Amendment in packet
4. SB 62 Public School Foundation Program
Dwayne Gully from DOE to explain changes
 - SB 232 School Construction Bond Reimbursement
 - SB 233 State Education Aid: Funding Communities
Amendment in packet
5. Adjourn

8-LS1350E
Ford
2/10/94

CS FOR SENATE BILL NO. 232(CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS KERTTULA, Salo, Zharoff

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to reimbursement of bonds issued for school construction."

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

3 * Section 1. AS 14.11.100(n) is amended to read:

4 (n) The total amount of school construction projects approved for
5 reimbursement by the department under (a)(6) or (7) of this section

6 (1) may not exceed \$250,000,000; and

7 (2) until December 1, 1994 [JULY 1, 1996], shall be allocated as
8 follows:

9 (A) \$133,000,000 shall be allocated to projects in a municipality
10 with a population of 200,000 or more people;

11 (B) \$67,000,000 shall be allocated to projects in a municipality
12 with a population of at least 60,000, but less than 200,000 people;

13 (C) \$50,000,000 shall be allocated to projects in a municipality
14 with less than 60,000 people.