

**HB**

**322**

TONY KNOWLES  
GOVERNOR

HW Jdd  
P.O. Box 11000  
Juneau, Alaska 99811-0100  
1907-465-3600  
Fax 1907-465-3532

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 26, 2000

The Honorable Brian Porter  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Porter:

Part of my Quality Schools Initiative is the provision of adequate, safe and well-maintained schools in which our children can learn. Unfortunately, with declining general fund capital budgets, the backlog of needed school construction and major maintenance projects across our state has continued to grow. Today I am introducing a \$510 million package that will address all of the statewide deferred maintenance list and two-thirds of the current statewide prioritized list of construction projects. In addition, the bill extends the 70 percent school debt reimbursement program for those districts that bond directly for projects.

The revenues for the state portion of the bond proposal rely largely on Alaska's share of national tobacco settlement funds. The settlement proceeds would serve as security for bonds issued by a subsidiary of the Alaska Housing Finance Corporation (AHFC). Additional proceeds would be raised from bonds issued directly by AHFC. This method for raising school construction money preserves the state's debt capacity.

The program will provide \$360 million for all 86 major maintenance projects and 40 of 69 new school construction projects on the current Department of Education and Early Development priority list. The current priority list will remain in effect over the next three years to allow these critical projects to be funded.

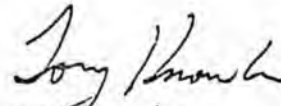
To address funding for school districts with the capacity to bond, my proposal includes \$150 million in authorization for a 70% school debt retirement program. This authorization will provide \$60 million for the state's largest school district and \$90 million for other municipal districts.

Governor

The Honorable Brian Porter  
January 26, 2000  
Page 2

We know we have needs beyond what is included in this package. However, this proposal will address a significant portion of our existing need, address issues raised in the Kasayulie case, and provide adequate space and safe learning environments for Alaska's children. I urge your prompt and favorable action.

Sincerely,



Tony Knowles  
Governor

# FISCAL NOTE

Bill Version: HB 322

(H) Publish Date: 1/28/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/Time \_\_\_\_\_ Dept. Affected Education & Early Development  
 Title An Act related to the financing of construction BRU School Debt Reimbursement  
and major maintenance of public school facilities... Component \_\_\_\_\_  
 Sponsor Rules School Debt Reimbursement  
 Requester Governor Component No. 153

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	0.0	2,700.0	5,400.0	8,100.0	10,800.0
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>2,700.0</b>	<b>5,400.0</b>	<b>8,100.0</b>	<b>10,800.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	2,700.0	5,400.0	8,100.0	10,800.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>2,700.0</b>	<b>5,400.0</b>	<b>8,100.0</b>	<b>10,800.0</b>

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation would authorize an additional \$150 million in school construction projects under AS 14.11.100. The debt on these projects will be eligible for 70% reimbursement. This legislation will allocate \$60 million in projects to municipalities with a public school enrollment of 25,000 or more students. The remaining \$90 million will be available for school construction projects to municipalities with a public school enrollment of less than 25,000 students. It is anticipated that as new debt is issued the reimbursement will occur beginning in FY2003. As the annual debt reimbursement on the existing program declines, funds will become available to help offset new debt authorization.

Prepared by: Eddy Jeans, School Finance Manager Phone 465-8679  
 Division Education Support Services Date/Time 01/25/00  
 Approved by Richard S. Cross, Commissioner Date 1/26/2000  
 Agency Education & Early Development

**COMMITTEE COPY** PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE  
 For further distribution information, call the Governor's Legislative Office

# FISCAL NOTE

Bill Version: HB 322  
(H) Publish Date: 1/28/00

## STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction)	Dept Affected	Revenue
Title <u>School Construction Financing</u>	<u>BRU</u>	<u>Alaska Housing Finance Corp.</u>
Sponsor <u>Rules Committee</u>	Component	<u>Operations</u>
Requester <u>Governor</u>	Component No.	<u>110</u>

### Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>120,481.9</b>	<b>122,207.6</b>	<b>108,923.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
-----------------------------	------------------	------------------	------------------	------------	------------	------------

<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>(29,804.1)</b>	<b>(29,078.5)</b>	<b>(30,265.7)</b>	<b>(30,301.6)</b>	<b>(47,643.5)</b>
-------------------------------	------------	-------------------	-------------------	-------------------	-------------------	-------------------

### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: \_\_\_\_\_

### POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

Under AS 18.56.089(a)(2)(A), activities of the corporation that relate to the issuance of obligations and the repayment of debt obligations are exempt from the provisions of the Executive Budget Act. These costs are included in the bond authorizations in the bill, including the cost of issuance, debt service reserves and capitalized interest. Debt service for these bonds will come from tobacco settlement funds and AHFC transfer payments that otherwise would have gone to the state treasury. This will result in a reduction in annual unrestricted revenues to the treasury (shown above).

Estimates for debt service and other costs are included in attached spreadsheets. These estimates are based on a number of assumptions, including future interest rates and bond ratings.

Operational costs for issuing and monitoring these bonds will be done with existing personnel and within the authorized operating budget requests for FY2001 and beyond. No budget authorizations are necessary with this fiscal note.

Prepared by: John Bitney, Legislative Liaison  
 Division: Alaska Housing Finance Corporation  
 Approved by Commissioner: Wilson Condon  
 Agency: Department of Revenue

Phone: 330-8445  
 Date/Time: 1/25/00 6:24 PM  
 Date: \_\_\_\_\_

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

BOND DEBT SERVICE REPORT - DETAIL

HB322

State Education Bonds, 2000 Series A  
 AHFC State Capital Project Bonds  
 Under Current Plan  
 Fixed Rate

SCP 2000A-1 (BON07)

Date	Bond Debt Service				Bond Valuation		
	Maturing Principal	Rate	Interest Paid	Debt Service	Total Bond Payment	Bond Balance	Accreted Bond-Value
Sep 1, 2000	-	-	-	-	-	102,365,000	102,365,000
Jun 30, 2001	-	-	-	-	-	102,365,000	102,365,000
Jun 30, 2002	3,365,000	4.85%	9,365,822	12,730,821.52	12,730,821.52	99,000,000	99,000,000
Jun 30, 2003	6,900,000	**	5,105,154	12,005,154.25	12,005,154.25	92,100,000	92,100,000
Jun 30, 2004	7,235,000	**	4,762,428	11,997,427.50	11,997,427.50	84,865,000	84,865,000
Jun 30, 2005	7,630,000	**	4,390,376	12,020,375.50	12,020,375.50	77,235,000	77,235,000
Jun 30, 2006	24,550,000	**	4,051,901	28,601,900.50	28,601,900.50	52,685,000	52,685,000
Jun 30, 2007	47,820,000	**	2,177,908	49,997,907.50	49,997,907.50	4,865,000	4,865,000
Dec 1, 2007	4,865,000	5.35%	130,139	4,995,138.75	4,995,138.75	-	-
	102,365,000		29,983,726	132,348,725.52	132,348,725.52		

BOND DEBT SERVICE REPORT

HB322

State Education Bonds, 2000 Series A  
AHFC Tobacco Revenue Bonds

Date	Bond Debt Service			Redeemed Principal	Total Bond Payment	Bond Valuation		
	Maturing Principal	Interest Paid	Total Debt Serv			Bond Balance	Unpaid Interest	Accreted Bond-Value
Dec 1, 2000	-	-	-	-	-	339,424,838	-	339,424,838.00
Jun 1, 2001	-	8,536,654	8,536,653.50	-	8,536,653.50	339,424,838	-25,894,758	313,530,079.68
Jun 1, 2002	-	17,073,307	17,073,307.00	-	17,073,307.00	339,424,838	-24,077,470	315,347,368.19
Jun 1, 2003	-	17,073,307	17,073,307.00	-	17,073,307.00	339,424,838	-22,232,505	317,192,332.60
Jun 1, 2004	1,195,000	17,073,307	18,268,307.00	-	18,268,307.00	338,229,838	-20,288,233	317,941,605.41
Jun 1, 2005	1,265,000	17,016,186	18,281,186.00	-	18,281,186.00	336,964,838	-18,174,546	318,790,291.62
Jun 1, 2006	1,315,000	16,934,363	18,249,363.00	792,200	19,041,563.00	334,857,638	-15,898,514	318,959,124.08
Jun 1, 2007	1,305,000	16,763,923	18,068,922.75	3,297,745	21,366,667.75	330,254,893	-13,584,625	316,670,267.80
Jun 1, 2008	8,005,033	16,518,842	24,523,875.25	3,653,297	28,177,172.25	318,596,563	-11,089,019	307,507,544.37
Jun 1, 2009	7,425,743	16,044,658	23,470,400.50	11,264,402	34,734,802.50	299,906,418	-8,782,698	291,123,919.71
Jun 1, 2010	7,024,780	15,323,998	22,348,777.50	12,821,504	35,170,281.50	280,060,134	-6,757,684	273,302,449.83
Jun 1, 2011	6,498,836	14,506,889	21,005,724.50	14,453,995	35,459,719.50	259,107,303	-5,053,386	254,053,917.40
Jun 1, 2012	6,102,273	13,593,025	19,695,297.50	16,272,088	35,967,385.50	236,732,942	-3,492,651	233,240,291.23
Jun 1, 2013	5,677,393	12,570,933	18,248,326.25	17,993,205	36,241,531.25	213,062,344	-2,233,165	210,829,178.79
Jun 1, 2014	5,219,481	11,437,588	16,657,068.50	19,769,157	36,426,225.50	188,073,706	-1,260,843	186,812,862.89
Jun 1, 2015	4,639,980	10,182,352	14,822,331.50	21,701,904	36,524,235.50	161,731,822	-574,625	161,157,196.63
Jun 1, 2016	4,067,755	8,790,356	12,858,110.75	23,853,358	36,711,468.75	133,810,709	-172,843	133,637,866.66
Jun 1, 2017	3,334,331	7,233,529	10,567,859.50	26,446,378	37,014,237.50	104,030,000	-	104,030,000.00
Jun 1, 2018	1,435,000	5,484,153	6,919,152.75	29,350,000	36,269,152.75	73,245,000	-	73,245,000.00
Jun 1, 2019	1,065,000	3,820,173	4,885,173.25	22,280,000	27,165,173.25	49,900,000	-	49,900,000.00
Jun 1, 2020	580,000	2,321,898	2,901,898.25	24,470,000	27,371,898.25	24,850,000	-	24,850,000.00
Dec 1, 2020	-	767,584	767,583.75	24,850,000	25,617,583.75	-	-	-
66,155,605 249,067,021 315,222,626.00 273,269,233 588,491,859.00								

\*\*Note: The entire \$8.5 million debt service payment in FY 2001, and \$8.5 million of the FY 2002 debt service payment will be made from Capitalized Interest and will not result in lost earnings to the State's General Fund.

TAPE 00-11, SIDE A  
Number 0001

DRAFT

CHAIRMAN FRED DYSON called the House Health, Education and Social Services Standing Committee meeting to order at 3:00 p.m. Members present at the call to order were Representatives Dyson, Whitaker, Brice and Coghill. Representatives Green, Morgan and Kemplen arrived as the meeting was in progress.

#hb277

HB 277-RETIREMENT BENEFITS FOR REHIRED TEACHERS

CHAIRMAN DYSON announced the first order of business is House Bill No. 277, "An Act relating to payment of retirement benefits for subsequently reemployed retired members of the teachers' retirement system." Also, he said that the Alaska Native Health Board (ANHB) had asked him to distribute a booklet to committee members which is in the information packet before them.

Number 0206

JONATHON LACK, Legislative Assistant to Representative Halcro, Alaska State Legislature, came forward to present HB 277. He stated that HB 277 would allow retired teachers in Alaska to be re-employed in Alaska schools without jeopardizing the collection of their retirement benefits. Schools throughout the state of Alaska are experiencing a dire shortage of teachers. Today there are almost 8,000 retired Alaskan teachers living outside. It is unknown how many of these have taken jobs with outside school districts, but they represent a lost opportunity for the people of Alaska. These are experienced teachers who could be filling a need here in Alaska. They understand the Alaskan way of life but have moved on to teach outside so they can collect their Alaskan retirement and a paycheck from the outside school.

MR. LACK went on say the bill is a very broad concept. Representative Halcro drafted it not to restrict the ability of school districts and teachers to negotiate the terms of how to implement the language of this bill. Each school district would go

to their respective bargaining units and establish a system for rehire. Presumably teachers would be able to come back at a lower salary; they might even come back without health benefits because rehired teachers would be eligible for health insurance through the Teachers' Retirement System (TRS). Each school district and bargaining unit would be able to work out a system for rehire that would best benefit that individual school district. Members of the Anchorage School District brought this bill to Representative Halcro's attention, and they support the bill.

MR. LACK indicated that Representative Halcro asks the committee to support it.

DRAFT

Number 0231

CHAIRMAN DYSON asked how present law precludes a retired teacher from working full time.

MR. LACK replied that actual language in AS 14.25.043 prohibits a retired teacher from returning to service in more than a 40 percent capacity. A retired teacher can work for a school district on a part-time basis but if they return full time, they lose their retirement benefits. He said HB 277 allows retired teachers to return to a school district to teach and continue to receive their retirement benefits.

Number 0272

CHAIRMAN DYSON clarified if a retired teacher returned to teach full time, he/she would actually receive two paychecks, one for retirement and one for teaching.

Number 0282

MR. LACK answered yes. He further stated that HB 277 does not address at what step or range a retired teacher would be rehired. He presumed that the school district and the teacher's union bargaining unit would negotiate the pay range of the rehired retired teacher. He believes that school districts will not want to rehire retired teachers at the high twenty-year salary level, so the school districts will probably negotiate less than the high retirement figure. Initially Representative Halcro had wanted to designate that retired teachers return at year one salary level to the school district. In answer to Representative Halcro's idea, school districts indicated they would like to offer more, maybe year four or five. Subsequently, it was Representative Halcro's decision to leave the pay rate issue up to school districts and the teacher's union bargaining unit.

DRAFT

Number 0422

LARRY WIGET, Executive Director, Public Affairs, Anchorage School District, testified via teleconference from Anchorage. He said that the Anchorage School District supports the concept of HB 277 very strongly. He explained that the Anchorage School District sees HB 277 as a tool to attract school psychologists, special education teachers and physical therapists, of which there is a nationwide shortage. Nevertheless, he commented that the Anchorage School District does not see HB 277 as a panacea for all teachers who may think they can retire and then be rehired. He noted that in Anchorage there were up to potentially 300 teachers who would be eligible for rehire but that the Anchorage School District would probably not want to rehire the majority of those eligible. The Anchorage School District is interested in rehiring teachers who

serve the critical needs areas previously mentioned.

Number 0537

DRAFT

GUY BELL, Director, Division of Retirement & Benefits, Department of Administration, testified for the Teachers' Retirement System (TRS) and discussed the implications HB 277 could have on the teachers retirement fund. He said the Teachers' Retirement System is funded from three sources: 1) school district employer contributions, 2) employee contributions and 3) interest earnings on investments.

MR. BELL explained that the TRS fund is used to pay for current benefits of retired members and to provide health benefits for retirees. The number of state employees affected by HB 277 is only about 100 out of about 930 active TRS members now employed in the Department of Education, the Alaska Vocational Technical Institute and Mt. Edgecumbe High School. Therefore, he explained, when the Division of Retirement & Benefits produces a fiscal note on legislation which affects the TRS, very often minimal fiscal impact to the state is cited on the fiscal note even if a piece of legislation could have a financial impact. He reminded the committee that actual impact on employer rates is hard to measure because the employer rate is variable. He noted that the teacher contribution rate is set in statute at 8.65 percent. The school district employer rate has been variable but Teachers' Retirement board policy has set it at 12 percent for the past seven years in an effort to keep the rate level stable for all employers. He indicated that if teachers' behavior did not change as a result of HB 277 and everything stayed the same, there would be no impact on employer rates.

MR. BELL informed the committee that the Division of Retirement & Benefits had asked their actuarial firm to assess the impact of HB 277 on contribution rates if teacher behavior changed. The fiscal note analysis in the last paragraph indicates that if half of the people who had twenty years of service stayed an additional two years, then the impact on employer rates would be .75 percent. He said that figure does not exert a huge impact on rates but .75 percent does add up to about \$3 million on a yearly basis. However, he cautioned the committee to remember that the scenario he has presented is a big "what if."

DRAFT

Number 0755

MR. BELL admitted that there is no way to know how many teachers will take advantage of HB 277 or how many teachers the school districts will allow to return, assuming that the school districts can have the option to rehire retired teachers. He wanted the committee to understand that HB 277 could have a fiscal impact, depending on what happened in response to HB 277 if the legislation is adopted as it is drafted now.

CHAIRMAN DYSON commented that the committee is working with an undetermined fiscal note. He inquired as to what it would cost the state if 100 retired teachers came back to work.

Number 0790

MR. BELL answered by posing a hypothetical scenario of a total teacher salary base of \$1 million. Of that \$1 million, .75 percent would result in \$75,000 of additional cost. However, he believes that due to the size of the TRS system, the first scenario he presented would cost the state about \$3.6 million annually.

REPRESENTATIVE COGHILL said he understands that if a retired teacher is rehired, employer and employee contributions would be deposited in the TRS for that employee.

MR. BELL agreed and said that whenever a retired teacher is rehired, the requirement still exists of employer and employee contribution to TRS.

DRAFT

Number 0867

REPRESENTATIVE WHITAKER asked Mr. Bell to repeat the \$1 million example of percentage because Mr. Whitaker had not heard it clearly and did not think the \$75,000 figure was correct.

MR. BELL explained again that supposing a .75 percent rate increase were imposed on a \$1 million salary cost for state employees, the fiscal impact annually would be \$7,500, not \$75,000 [he had made a mistake in figuring].

Number 0962

JOHN CYR, President, NEA-Alaska [National Education Association], came forward to testify in favor of HB 277. He stated that NEA-Alaska is especially pleased that HB 277 will be bargained at a local level. He believes there is enough variance of need from one school district to another that it is appropriate for union bargaining units to negotiate with school districts about how to use HB 277. He does not believe districts will hire hundreds of retired teachers; he believes districts will recruit new teachers. In his opinion, districts will only use HB 277 when they have no other choice. Therefore, he does not believe there will be any impact on the TRS system. Even if some teachers are rehired, they

will continue to contribute to the TRS system at the same rate as they would have originally.

DRAFT

Number 1048

REPRESENTATIVE COGHILL asked if Mr. Cyr knew, from a bargaining perspective, what the original 40 percent number in AS 14.25.043 was based upon.

MR. CYR answered he did not know; that number has been on the books for years.

BILL CHURCH, Retirement Supervisor, Division of Retirement & Benefits, Department of Administration, came forward to answer questions regarding HB 277. He explained that an employee became a member of the TRS if he/she worked a minimum of 50 percent of a contract for a school district or another employer that qualified for TRS. Individuals who work less than 50 percent of a contract are not covered by TRS.

DARROLL HARGRAVES, Executive Director, Alaska Council of School Administrators, came forward to testify and said he supported HB 277 if certain things are true. He understood from testimony heard that HB 277 is actuarially sound. If HB 277 is actuarially sound in TRS, HB 277 allows teachers to form a hiring pool for school district critical need shortages. Statistics that he has read indicate that there are many certified teachers in Alaska. He reminded committee members that these numerous certificate holders are people in the retired category and that under HB 277, they could be rehired to meet school district needs. It is important that school districts retain jurisdiction over who is rehired. That way school districts can fill a critical need. For this

reason, not all retired teachers will be rehired. He indicated that if a teacher were rehired, that teacher would be rehired under policies, terms and conditions of a negotiated agreement at the local level.

DRAFT

MR. HARGRAVES noted that HB 277 is a winning proposition for both school districts and retired teachers. He said that HB 277 seems to maintain an actuarially sound TRS, saves money for school districts and provides quality instruction performed by certified teachers.

Number 1343

CARL ROSE, Executive Director, Alaska Association of School Boards (AASB), came forward to testify. He said that the AASB is trying to address the teacher shortage issue. His membership has not had an opportunity to address HB 277. He will review HB 277 with his membership within the next two weeks and bring an answer back to the committee.

CHAIRMAN DYSON commented that if HB 277 passes, it is his intention to include a note to the Finance Committee asking them to explore actuarial soundness and advise if anything needs to be added to the fiscal note.

Number 1400

REPRESENTATIVE WHITAKER made a motion to move HB 277 out of committee with individual recommendations, attached note to the Finance Committee and attached fiscal note. There being no objection, HB 277 moved from the House Health, Education and Social Services Standing Committee.