

**SB**

**2**

SFIN

FILE

SB 2

was referred to the  
Senate Finance  
Committee

Hearing(s) were held

The bill did not move  
from Committee



# ALASKA STATE LEGISLATURE

**SENATOR JOHN TORGERSON**

CHAIR, SENATE RESOURCES COMMITTEE

CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Session:

State Capitol, Room 427, Juneau, AK 99801  
Telephone 907/465-2828 Fax 907/465-4779

District:

45457 Kenai Spur Hwy.; Suite 101B, Soldotna, AK 99669  
Telephone 907/260-3042 Fax 907/260-3044

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FEB 07 2001

Senate Finance  
Committee

## SB 2 – Municipal School Bond Reimbursement

### Senate Finance Committee Materials

- ◆ Sponsor Statement
- ◆ Sectional Analysis
- ◆ A.D.N. Article – May 25, 2001
- ◆ Letter of Support – Northwest Arctic Borough School District
- ◆ Letter of Support – Anchorage School District

**REPRESENTING THE KENAI PENINSULA**

*Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Fritz Creek Happy Valley Halibut Cove  
Homer Hope Kachemak City Kachemak Selo Kaslof Lowell Point Moose Pass Nanwalek Nikolaevsk  
Ninilchik Port Graham Razdolna Seward Seldovia Soldotna Stariski Sterling Voznesenka*



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## SB 2 – MUNICIPAL SCHOOL BOND REIMBURSEMENT

### Sponsor Statement

During the 21<sup>st</sup> Legislative Session, HB 281 passed, which provided for bond reimbursement for various purposes, including municipal school construction. Unfortunately, there was a verbiage problem in the existing statute that was not brought to the attention of the Legislature by the Department of Education.

The verbiage resulted in the ineligibility of some school construction projects that had been approved by the voters. This bill remedies that problem by deleting the verbiage pertaining to the ballot language, set forth in subsection (j)(1) of AS 14.11.100. That verbiage requires that the cost of each project be listed on the ballot for the bond issue.

This legislation primarily affects the Anchorage School District, where voters approved bonds last spring, prior to passage of HB 281, but the ballot language for the bonds did not conform to the language set forth in subsection (j)(1).

I urge your support for this bill, which corrects an inadvertent verbiage error in the previous legislation.

JT/mj: SB 2 (S-FIN) Sp St

**REPRESENTING THE KENAI PENINSULA**

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## SB 2 – MUNICIPAL SCHOOL BOND REIMBURSEMENT

### Sectional Analysis

**Section 1.** AS 14.11.100: Amends (a)(10) to allow state reimbursement for municipal bonds authorized **AFTER** June 30, 1998. Removes the requirement for compliance with (j)(1); which is that the cost of each project be listed on the ballot for the bond issue.

**Section 2.** AS 14.11.100: Amends (j) so that municipal bonds authorized after June 30, 1998 (under (a)(10)) are eligible for reimbursement without compliance with (j)(1); which is that the cost of each project be listed on the ballot for the bond issue.

Section 3. Makes the Act retroactive to July 1, 2000.

Section 4. Effective Date.

JT/mj: SB 2 (S-FIN) Sect Anl

#### REPRESENTING THE KENAI PENINSULA

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Senate Finance Committee

# SCHOOL REPAYMENT BILL FLAWED, OFFICIAL SAYS

By Rosemary Shinohara, Daily News Reporter

The Alaska Legislature voted to take care of 70 percent of the construction bond debt for many city and borough school districts this year -- including \$78 million in projects Anchorage voters approved in April.

But a state finance expert said Wednesday that the legislation is flawed and can't be used to pay off this year's projects.

The bill is meant to cover projects approved by local voters from 1998 to 2004. To work, it would have had to suspend state law that sets out what districts must do in advance of a bond election to qualify for state reimbursement -- such as list the 70-30 split for state and local payments on the ballot. It didn't do that, said Eddy Jeans, finance manager for the state Department of Education.

The news took legislators and Anchorage School District officials by surprise.

"You're kidding," said Anchorage Superintendent Bob Christal. "That's new news."

"That's interesting," said Sen. John Torgerson, R-Kenai, who was among key legislators drafting the school construction bill. "It's strange they didn't mention anything when we were debating the bill."

Torgerson later checked with legislative legal advisers and confirmed that the problem exists. "It's a technicality, but it's enough" to stop Anchorage and other districts from collecting state money to pay off debt this year, he said. He plans to begin work immediately on a bill for the 2001 Legislature to make the money available retroactively.

The bill includes \$92.9 million in state grants to replace five rural schools and build an elementary school addition in Kake. It includes state reimbursement for up to \$151 million worth of projects in 12 identified cities and boroughs, at the rate of 70 percent.

Local taxes would pay for the other 30 percent.

Anchorage's share of debt reimbursement would cover \$77.9 million in projects, for which the state would lay out \$54.5 million. The projects approved by Anchorage voters this year include

renovations to Chugiak, East, Bartlett and Service high schools and Wendler Middle School, and replacement of Denali Elementary.

Voters agreed to repay 100 percent of the costs, but Christal said the district wanted to use state reimbursement if it's available.

The Legislature debated various means of school construction funding and only agreed to this plan, a version of House Bill 281, in the final days of the session.

Sen. Gary Wilken, R-Fairbanks, said the HB 281 backers specifically attempted to set the debt reimbursement date back to 1998 because voters in the Matanuska-Susitna Borough have approved bonds that could be eligible for state reimbursement.

Gov. Tony Knowles had proposed the state spend more. His plan called for \$510 million for school construction and maintenance over the next three years. The state would pay for it through a combination of revenue bonds, proceeds from the national tobacco settlement, and general funds.

HB 281 has not yet reached his desk for signature, said Bob King, Knowles' press secretary. But Knowles made it clear during the session he was disappointed the Legislature didn't fund more maintenance projects in Bush schools. "He's pleased they funded the school needs that they did, but we don't think it went far enough," King said.

State Department of Education officials testified against the bill that finally passed because it didn't follow the state priority list for funding projects, which includes more rural projects and fewer in urban areas.

The school construction legislation came together under the shadow of a court ruling last year that Alaska is violating the state constitution and federal civil rights law by providing inadequate school buildings for rural students.

The plaintiffs in that lawsuit -- rural school districts and parents -- were attempting to achieve a settlement during the session. But they, too, left the session unsatisfied, said Don Evans, chief executive for the Southwest Region School District, and a representative of the plaintiffs.

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## Northwest Arctic Borough School District

P.O. Box 51 • Kotzebue, Alaska 99752 • Phone (907) 442-3472 • Fax (907) 442-2392

January 31, 2001

*Leading the Way*

The Honorable Senator John Torgerson  
Chairman, Community Regional Affairs Committee  
Senate  
State Capital  
Juneau, Alaska 99801-1182

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Senate Finance  
Committee

RE: Letter of Support for SB2

Dear Senator Torgerson:

The Northwest Arctic Borough School District (NWABSD) wishes to go on record in support of SB2; An Act Relating to Reimbursement of Municipal Bonds for School Construction; and Providing for an Effective Date. Additionally, on behalf of the School District, I wish to express my appreciation to you for introducing this legislation.

The NWABSD has a School construction project in the community of Selawik that is positively effected by your changes in a bill. We need the reference to prior approval by the Commissioner prior to Bond election to be replaced. This seems to be what Section 2. AS 14.11.100 Subsection 1 - 4 does. Thank you again for finding an expeditious solution to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Charles F. Mason".

Charles F. Mason,  
Chief Executive Officer

cc: Senator Don Olson  
Representative Reggie Joulc  
Commissioner Shirley Holloway, DEED  
Mr. Eddie Jeans, DEED

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## Anchorage School District

4600 DeBarr Road  
P O Box 196614  
Anchorage, Alaska 99519-6614  
(907) 742-1000

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### SUPERINTENDENT

Dub Christal

February 1, 2001

Dear Senator Torgerson:

On behalf of the voters of Anchorage and the Anchorage School District, I wish to thank you for sponsoring SB 2, "An act relating to reimbursement of municipal bonds for school construction."

The passage of this bill will enable the Anchorage School District to seek State debt reimbursement eligibility under HB 281 for projects passed by the voters of Anchorage in April 2000.

### Pertinent Information

House Bill 281 approved by the Legislature during the last session provides for 70 percent debt reimbursement for bonds authorized by voters after June 30, 1998. Based on student enrollment, Anchorage School District is eligible for debt reimbursement on \$77.897 million of projects approved by voters after June 30, 1998 and until July 1, 2004. Anchorage voters approved \$77.9 million of projects on Proposition 13 in April 2000.

Even though the voters approved the bonds during the specified time period, projects contained in Proposition 13 are currently not eligible for debt reimbursement. As in prior bills that have provided debt reimbursement on projects approved by voters prior to the legislation, HB 281 did not contain language that allowed certain requirements to be waived. These requirements apply only if State debt reimbursement is applicable. In this case, the specific projects had not received prior approval by the Department of Education and Early Development (DEE) before being placed on the ballot. Certain required ballot language, such as estimated total interest and estimated total amounts that will be paid by the State and by the municipality, were not on the ballot because based on Bond Counsel's direction the percentage of State debt reimbursement was not known at that time.

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Proposition 13 ballot language states: "There is currently no program for State reimbursement to Anchorage for payment of principal and interest on these bonds. If legislation were enacted to establish such a program, Anchorage would seek reimbursement pursuant to the terms of the legislation."

The changes to statute provided in SB 2 will enable the Anchorage School District to seek reimbursement for bond projects passed by voters last April.

Again, thank you for your sponsorship of this bill.

Sincerely,

*Carol Comcau*  
Carol Comcau  
Superintendent

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**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 1/8/01

FURTHER: Finance

Date of 5-Day Notice: 02/01/01  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/5/2001

Health, Education and Social Services Committee considered SENATE BILL NO. 2

"An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Education & Early Dev	2/5/01		✓	1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Wm. D. Roman</i>	✓			
<i>George Ward</i>	✓			
<i>Gene White</i>	✓			
<i>Betty Davis</i>	✓			
CHAIR: <i>Lyle Green</i>	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

SB 2-MUNICIPAL SCHOOL BOND REIMBURSEMENT

NAME: Eddy Jeans Subject/Bill No: SB 2

Co./Dept./Title: EEO School Finance Manager Phone: 8679

Address: 801 West 10th St, Suite 200 Zip: 99801

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

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