

SB

264

ALASKA STATE LEGISLATURE



Interim:

600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

Session:

State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
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SENATOR LYDA GREEN SENATE DISTRICT N

Sponsor Statement Senate Bill 264

Reimbursement program for municipal bonds, notes, or other indebtedness incurred for school construction

Senate Bill 264 would authorize 70% state reimbursement for \$113 million dollars of school projects that are funded by voter authorized debt issued by local governments. The authorization would be distributed among school districts in the following manner; \$50 million for projects in Anchorage, \$15 million for projects in Fairbanks, \$13 million for projects in Mat-Su, \$10 million for projects in Kenai and \$25 million for projects in smaller school districts in organized Alaska. The amounts are intended to equal \$1000 in projects per student rounded to the nearest million dollars in each district.

Debt reimbursement is one of the methods that have been used to fund school construction in Alaska for a number of years. Debt reimbursement has a unique advantage over other financing methods in that it allows for maximum local involvement and input in the decision of which specific projects should be funded. Municipal debt reimbursement insures that the projects funded in a school district are the highest priority of the voters in that district. Projects need to meet state standards for approval but do not need to be funded in the state's priority order.

SB 264 is not intended to serve as a complete school funding package. School districts in unorganized Alaska cannot use debt reimbursement. Individual school projects are often larger than the authorization in SB 264 for any school district. Other funding methods, such as G.O. debt, must be used for most school construction and major maintenance in Alaska. Municipal debt reimbursement is, however, the best method for many school districts to build and maintain the facilities most important to the people in their community.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 264
 (S) Publish Date: 3/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: EED
 Title "An Act relating to a reimbursement program BRU School Debt Reimbursement
for municipal bonds, notes, or other indebtedness..." Component School Debt Reimbursement
 Sponsor Senator Green
 Requester Community and Regional Affairs Component No. 153

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	7,910.0	7,712.3	7,514.5	7,316.8	7,119.0
Miscellaneous						
TOTAL OPERATING	0.0	7,910.0	7,712.3	7,514.5	7,316.8	7,119.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		7,910.0	7,712.3	7,514.5	7,316.8	7,119.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	7,910.0	7,712.3	7,514.5	7,316.8	7,119.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This bill will add an additional \$113 million in bonding capacity for reimbursable school construction projects. This bill allocates the authorization among 5 categories based on the number of students in a municipality. All projects would have to be approved by the Department of Education & Early Development before the bond proposition goes to the local voters. The bond propositions would have to comply with the voter information requirements of AS 14.11.100(j)(1). It is assumed that the authorization provided in this bill would be approved and sold in FY2003 with the first principal and interest payments coming due in FY2004. It is also assumed that the bonds will be 20 year bonds with equal principal payments to maturity.

Prepared by: Eddy Jeans, School Finance Manager Phone 465-8679
 Division: Education Support Services Date/Time 2/26/02 8:45 AM
 Approved by: Ed McLain, Deputy Commissioner of Education Date 2/26/2002
 Agency: Department of Education & Early Development

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Sectional Analysis SB 264

- Section 1: Amends AS 14.11.100(a) by adding a new subsection (a)(11). AS 14.11.100(a)(11) provides 70 percent reimbursement for retirement of principal and interest on outstanding, bonds, notes or other indebtedness authorized by municipal voters after June 30, 2002 to pay costs of school construction, additions and major rehabilitation projects that exceed \$200,000.
- Section 2: Amends AS 14.11.100(h) to provide a reference to new subsection (a)(11) added in Section 1
- Section 3: Amends AS 14.11.100(i) to provide a reference to new subsection (a)(11) added in Section 1
- Section 4: Amends AS 14.11.100(j) to provide a reference to new subsection (a)(11) added in Section 1
- Section 5: Authorizes \$113,000,000 for projects specified in Section 1, AS 14.11.100 (a)(11), and allocates the funding as follows:
\$50,000,000 to projects in Anchorage
\$15,000,000 to projects in Fairbanks
\$13,000,000 to projects in Mat-Su
\$10,000,000 to projects in Kenai
\$25,000,000 to projects in municipalities with less than 9,000 students each (Juneau and smaller)
- Section 6: Effective date July 1, 2002

SB 264, Bonded Debt Reimbursement

- Provides 70% state reimbursement for \$133 million in school construction projects funded by bonds approved by local voters
- Funding is allocated to school districts based on student population, the four largest districts have specific allocations of approximately \$1,000 per student (rounded to the nearest million), \$25 million is allocated in a block for use by any/all of the smaller districts, again approximately \$1,000 per student
- Projects must meet state requirements and be approved by the Department of Education to qualify for reimbursement
- Projects do not have to be funded in rank order as determined by the Department of Education
- SB 264 provides reimbursement for bonds approved/issued after July 1, 2002 but does not provide a time limit for when the bonds must be approved
- SB 264 does not extend the time limit for authorizations currently in law. Fairbanks has reimbursement authorization that will expire in 2004 if not renewed
- SB 264 does not address the issue of reimbursement for projects paid for with investment earnings from bond proceeds, at least one school district has excess investment earnings from a bond issue and would benefit from a change to the statute that restricts the use of these earnings.
- REAA's cannot use this funding mechanism, the Department of Education and the members of the minority may argue that only by using the Department's
- Representative James' bill, HB 451, requires that school districts have in place an approved maintenance plan in order to qualify for debt reimbursement (this was a recommendation of the bond reimbursement committee) adding her language to SB 264 would possibly be politically useful

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SPONSOR STATEMENT

