

**SB**

**237**

<target><bill>SB 237</bill><subject>SB  
237</subject><comm>HFIN26</comm></target>

HOUSE COMMITTEE REPORT

4-17-10

(11)

Date Referred to Committee: April 5, 2010

FURTHER REFERRALS:  
First Supplemental  
calendar

Date of Committee Action: 4/17/10

The FINANCE Committee considered:

CS FOR SENATE BILL NO. 237(FIN)

"An Act establishing a formula and a fund for school construction grant funding for regional educational attendance areas; extending the deadline for authorizing school construction debt reimbursed by the state; and requiring a report from the commissioner of revenue."

SB 237-SCHOOL CONSTRUCTION DEBT REIMBURSEMENT

Recommends it be replaced with  HCS or  CS for CS SB 237 (FIN)  
For Senate Bills with new title:  Technical Title  New Title: HCR HCS FIN

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

Pending ↑  
introduction Forthcoming

- List of Abbrev for Depts.:
- ADM
  - CEC
  - COR
  - CRT
  - EED
  - DEC
  - DFG
  - GOV
  - DHS
  - LWF
  - LAW
  - LEG
  - MVA
  - DNR
  - DPS
  - REV
  - DOT
  - UA

NEW FISCAL NOTES				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
EED	3	✓		
EED	4	✓		

PREVIOUS				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

(6) (5)

Signing with recommendations		Printed Last Name	DP	DNP	NR	AM
		Thomas J. Gara	✓		✓	
		DOOGAN			✓	
		Jenise Foster	✓			
		FAIRCLOUGH			✓	
		Salmon AUSTERLOMAN	X			
		KELLY			X	
Chair:		Stolta			X	
Chair:		Hawkin	*			

**DUSE COMMITTEE REPORT**

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  - DOT
  - UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
EED	3	✓		
EED	4	✓		

<u>PREVIOUS</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

(6) (5)

<u>Signing with recommendations</u>		Printed Last Name	DP	DNP	NR	AM
		Thomas			✓	
		DOOGAN			✓	
		Foster	✓			
		FAIRCLOUGH			✓	
		AUSTERLWAN	X			
		KELLY			X	
Chair:		Stolta			X	
Chair:		Hawkin	*			

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

## DRAFT

Fiscal Note Number: 43  
 Bill Version: H CS for CS B237 (FIN)  
 () Publish Date: \_\_\_\_\_

Identifier (file name): H CS CSSB237(FIN)-EED-ESS-4-17-10 Section 3 Dept. Affected: Education & Early Develop  
 Title: "An act amending the percentages required to be paid by RDU: Education Support Services  
a municipal school district receiving a school construction..." Component: School Finance & Facilities  
 Sponsor: Senate Education Committee  
 Requester: House Finance Component Number: 2737

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>								

<b>CAPITAL EXPENDITURES</b>				37,960.6	37,960.6	37,960.6	37,960.6
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF				37,960.6	37,960.6	37,960.6	37,960.6
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts		0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>		0.0	0.0	0.0	37,960.6	37,960.6	37,960.6

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

Section three of SB 237 establishes a program to fund rural school construction by establishing an account in the General Fund to receive annual appropriations based on a formula defined in the legislation. The amount was determined by dividing the annual debt service amount, (FY2011-\$106,258,500) by the percentage of non-REAA schools, 68.3%, times a multiplier of 24.4%, equals \$37,960,577.

Prepared by: Eddy Jeans, Director  
 Division: School Finance  
 Approved by: Larry LeDoux  
Commissioner

Phone 465-8679  
 Date/Time 4/17/10 5:20 PM  
 Date 4/17/2010

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 114  
 Bill Version: H CS for CSSB237 (FIN)  
 () Publish Date: \_\_\_\_\_

Identifier (file name): H CS CS SB237(FIN)-EED-ESS-4-17-10 Section 4 Dept. Affected: Education & Early Develop  
 Title: "An act amending the percentages required to be paid by RDU School Debt Reimbursement  
a municipal school district receiving a school construction... Component: School Debt Reimbursement  
 Sponsor: Senate Education Committee  
 Requester: House Finance Component Number: 153

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims		0.0	0.0	3,700.0	3,700.0	3,700.0	3,700.0	
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>

<b>CAPITAL EXPENDITURES</b>							
<b>CHANGE IN REVENUES ( )</b>							

**FUND SOURCE** (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts		0.0	0.0	3,700.0	3,700.0	3,700.0	3,700.0
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

Section 4 of SB237 removes the sunset date for debt reimbursement program for both 70% and 60% reimbursement. Anticipated increases as a result of the extension of the debt program are based on increases averaged over the prior three fiscal years. FY08-09 increased by \$2,000,000; FY 09-10 increased by \$3,000,000; and FY10-11 increased by \$6,000,000. The average of the 3 year increases are  $\$11,000,000 \div 3 = \$3,666,666$ . 70% of school debt payments, made by a municipality, will be reimbursed by the state if they meet state approved space guidelines. 60% of school debt payments will be reimbursed by the state if the municipality exceeds state approved space guidelines.

Prepared by: Eddy Jeans, Director  
 Division: School Finance  
 Approved by: Larry LeDoux  
 Commissioner

Phone 465-8679  
 Date/Time 4/17/10 5:20 PM  
 Date 4/17/2010

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

# DRAFT

Fiscal Note Number: 43  
 Bill Version: H CS for CS B237 (FIN)  
 () Publish Date: \_\_\_\_\_

Identifier (file name): H CS CSSB237(FIN)-EED-ESS-4-17-10 Section 3  
 Title: "An act amending the percentages required to be paid by a municipal school district receiving a school construction..."  
 Sponsor: Senate Education Committee  
 Requester: House Finance  
 Dept. Affected: Education & Early Development  
 RDU: Education Support Services  
 Component: School Finance & Facilities  
 Component Number: 2737

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>								

<b>CAPITAL EXPENDITURES</b>				37,960.6	37,960.6	37,960.6	37,960.6
-----------------------------	--	--	--	----------	----------	----------	----------

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF				37,960.6	37,960.6	37,960.6	37,960.6
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts		0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>37,960.6</b>	<b>37,960.6</b>	<b>37,960.6</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

Section three of SB 237 establishes a program to fund rural school construction by establishing an account in the General Fund to receive annual appropriations based on a formula defined in the legislation. The amount was determined by dividing the annual debt service amount, (FY2011-\$106,258,500) by the percentage of non-REAA schools, 68.3%, times a multiplier of 24.4%, equals \$37,960,577.

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STATE OF ALASKA  
2010 LEGISLATIVE SESSION

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 Sponsor: Senate Education Committee  
 Requester: House Finance Component Number: 153

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims		0.0	0.0	3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>

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

<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

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1037 GF/Mental Health							
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<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

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Prepared by: Eddy Jeans, Director  
 Division: School Finance  
 Approved by: Larry LeDoux  
Commissioner

Phone 465-8679  
 Date/Time 4/17/10 5:20 PM  
 Date 4/17/2010

**Position Statement 09-5**

**Funding Bond Debt Reimbursement and the  
Capital Improvement Program**

The Alaska Council of School Administrators supports the continuation of the current level of 60% and 70% debt reimbursement of voter-approved bonds, and supports the development of a process to equitably address the need of school districts unable to bond locally.

- A reduction in the payment schedule from the State of Alaska will adversely affect budgets and promises made to taxpayers at an extremely challenging economic time.
- The planning of construction projects and major maintenance efforts were carefully considered with anticipated budget information secured from a variety of sources, including the State of Alaska.
- The public was informed that local and statewide bond efforts would receive state repayment support.

Adopted by the Alaska Council of School Administrators  
October and December 2009

Withdrew  
4/7/10

AMENDMENT #1

*by Thomas*

OFFERED IN THE HOUSE  
TO: CSSB 237(FIN)

- 1 Page 1, line 2, following "areas":
- 2       Insert "**and city school districts in the unorganized borough**"
- 3
- 4 Page 2, lines 7 - 8:
- 5       Delete "**regional educational attendance areas**"
- 6       Insert "**the unorganized borough**"
- 7
- 8 Page 2, line 10:
- 9       Delete "that is a regional educational attendance area"
- 10       Insert "in the unorganized borough"
- 11
- 12 Page 2, line 12, following "AS 14.11.005 - 14.11.020":
- 13       Insert "and for which sufficient bond funding is unavailable"
- 14
- 15 Page 2, following line 17:
- 16       Insert a new subsection to read:
- 17               "(c) The department shall determine for each school district that is in the
- 18               unorganized borough whether the district has the bonding capacity necessary to
- 19               finance construction of a project approved under AS 14.11.005 - 14.11.020. If the
- 20               department determines that sufficient bond funding is unavailable to the district, the
- 21               project may receive a grant under this section."
- 22
- 23 Page 2, line 18:

1 Delete "Regional educational attendance area school fund"

2 Insert "Fund for school construction in the unorganized borough"

3

4 Page 2, line 19:

5 Delete "regional educational attendance area school fund"

6 Insert "fund for school construction in the unorganized borough"

7

8 Page 2, lines 21 - 22:

9 Delete "regional educational attendance areas"

10 Insert "the unorganized borough"

11

12 Page 2, line 25:

13 Delete "\$100,000,000"

14 Insert "\$120,000,000"

Alaska Department of Education and Early Development  
Capital Improvement Projects (FY2011)  
School Construction Grant Fund

Total Points - Objective and Subjective  
Final List

Proj #	School District	Project Name	School Dist Rank	Weighting Age	Proj. 14.1 Fund	Plan and Design	Avg Exp'd Main	Up-Hour Today	Up-Included 7 Years	Type of Space	Survey and Appraisal	Man Labor	Man Type	Man Hrs	Energy Mgt	Curd Pgm	Maint Train	Capitol Plan	Emergency	Ades Dec	Usability and Code Conditions	Estim. Inq. Space	Cost Est. mate	Proj. m. Oper. Cost	Absor. m. Oper. Cost	Op-tions	Total Points
1	Lower Yukon	Alakanuk K-12 School Replacement	30.00	16.67	0.00	20.00	2.20	38.74	30.00	23.30	10.00	15.00	10.00	3.67	3.33	3.33	3.33	4.33	0.00	25.00	21.00	25.33	21.33	12.00	4.67	16.67	339.92
2	Lower Kuskokwim	Kipnuk K-12 School Renovation / Addition	30.00	4.84	0.00	20.00	3.71	50.00	30.00	24.38	10.00	15.00	10.00	5.00	5.00	4.00	4.67	4.33	0.00	23.67	15.33	30.00	19.67	7.00	4.33	15.67	336.40
3	Lower Kuskokwim	Kwigillingok K-12 School Renovation / Addition	27.00	9.34	0.00	20.00	3.71	33.87	25.09	23.42	10.00	15.00	10.00	5.00	5.00	4.00	4.67	4.33	0.00	23.67	17.33	21.67	20.00	7.00	4.33	18.00	312.53
4	Lower Kuskokwim	Napaskiak K-12 School Replacement	24.00	9.32	0.00	10.00	3.71	36.21	30.00	23.98	10.00	15.00	10.00	5.00	5.00	4.00	4.67	4.33	0.00	21.33	9.67	22.33	18.67	3.00	4.33	18.33	292.90
5	Lower Yukon	Emmonak K-12 School Renovation/Addition	27.00	8.15	0.00	20.00	2.20	20.60	12.36	25.66	10.00	15.00	10.00	3.67	3.33	3.00	3.33	4.33	0.00	23.33	20.00	16.33	18.00	10.67	4.67	17.33	278.97
6	Lower Kuskokwim	Kuinerramut Elnaivuat K-12 School Renovation/Addition.	3.00	8.63	0.00	10.00	3.87	38.09	30.00	22.89	10.00	15.00	10.00	5.00	4.67	3.67	4.00	4.67	0.00	20.67	13.67	23.67	18.67	6.00	4.00	16.00	275.95
7	Northwest Arctic	Kivalina K-12 Renovation/Addition	30.00	14.68	0.00	20.00	4.40	14.42	9.20	22.13	10.00	15.00	10.00	3.33	4.67	3.33	3.33	4.33	0.00	20.67	18.33	13.67	18.00	9.33	3.33	10.67	262.82
8	Lower Kuskokwim	Kweethuk K-12 School Replacement	21.00	8.22	0.00	10.00	3.71	24.73	20.86	22.53	10.00	15.00	10.00	5.00	5.00	4.00	4.67	4.33	0.00	17.67	15.00	20.67	16.67	3.33	4.33	14.33	261.06
9	Southwest Region	Koiganek K-12 School Replacement	30.00	28.69	0.00	20.00	2.39	0.00	0.00	24.03	10.00	15.00	10.00	4.33	4.33	4.67	4.33	3.67	0.00	24.00	19.00	6.00	19.33	5.67	2.67	20.67	259.79
10	Lower Kuskokwim	Nightmute K-12 School Renovation / Addition	6.00	3.98	0.00	10.00	3.71	24.73	29.87	23.39	10.00	15.00	10.00	5.00	5.00	4.00	4.67	4.33	0.00	17.33	12.33	23.33	17.00	4.67	4.33	13.67	252.36
11	Kuspuk	Auntie Mary Nicolli Elementary School Replacement, Aniak	30.00	30.00	0.00	0.00	4.23	0.00	0.00	24.19	0.00	10.00	10.00	2.33	2.33	2.00	2.67	2.00	6.67	11.67	17.67	14.67	9.00	9.00	3.00	9.67	201.09
12	Northwest Arctic	Districtwide Clock Upgrade	27.00	1.18	0.00	30.00	4.40	0.00	0.00	0.00	5.00	15.00	10.00	3.33	4.67	3.33	3.33	4.33	0.00	17.00	1.67	3.67	22.00	23.33	3.67	10.33	193.25
13	Craig City	Craig Schools Alternative Wood Heat Project, Recovery Of Funds	30.00	11.57	0.00	30.00	1.85	0.00	0.00	0.00	0.00	15.00	10.00	2.67	2.67	2.67	2.00	2.00	0.00	20.67	0.00	0.33	21.67	24.00	3.00	11.33	191.42
14	Lake & Peninsula	Port Alsworth Classroom Addition	30.00	6.04	0.00	0.00	2.70	8.21	25.62	29.07	0.00	15.00	0.00	3.67	3.33	2.33	3.00	3.33	0.00	13.00	3.00	19.67	12.67	2.33	1.67	6.00	190.65
15	Galena	Galena Regional Learning Center Iditarod Classroom Conversion	27.00	6.50	0.00	20.00	5.00	0.00	0.00	21.29	10.00	15.00	10.00	2.67	4.67	3.67	2.33	2.33	0.00	15.67	9.67	4.67	17.33	1.33	3.33	7.00	189.46
16	Kuspuk	Johnie John Sr. K-12 Replacement School, Crooked Creek	27.00	11.00	0.00	0.00	4.23	4.88	7.15	26.38	0.00	10.00	10.00	2.33	2.33	2.00	2.67	2.00	5.33	10.67	8.67	13.33	12.67	6.67	2.67	9.33	181.33
17	Northwest Arctic	Buckland Healing System Improvements	24.00	1.60	0.00	10.00	4.40	0.00	0.00	0.00	10.00	15.00	10.00	3.33	4.67	3.33	3.33	4.33	0.00	17.33	3.00	1.67	15.33	21.67	2.00	11.33	166.33
18	Anchorage	Mears Middle School & Huffman Elementary Paving and Site Circulation	21.00	10.58	0.00	20.00	4.65	0.00	0.00	0.00	5.00	15.00	10.00	5.00	5.00	4.33	4.67	4.67	0.00	21.00	3.67	2.00	15.33	1.33	2.00	10.67	165.90
19	Saint Marys	Playground Equipment Replacement	21.00	21.25	0.00	0.00	1.23	0.00	0.00	0.00	10.00	15.00	10.00	4.00	3.67	3.00	3.00	3.67	0.00	14.00	6.67	1.67	14.33	1.33	4.00	10.00	147.82

Alaska Department of Education and Early Development  
 Capital Improvement Projects (FY2011)  
 School Construction Grant Fund

Total Points - Objective and Subjective  
 Final List

Pr. #	School District	Project Name	School Dist Rank	Weight Avg Age	Prev. 14-15 Fund	Plan and Design	Avg Expend Main	Un-Housed Today	Un-Housed 7 Years	Type of Space	Survey and Appr	Maint Labor	Maint Type	Maint Mgt	Energy Mgt	Cur Pgm	Maint Train	Capital Plan	Emergency	Adeq Doc	Life Safety and Code Conditions	Exist. Space	Cost Estimate	Projve Oper Cost	Alter-natives	Op-erations	Total Points
20	Mat-Su Borough	Iliad Elementary School Interior Renovation	9.00	6.81	0.00	0.00	2.45	0.00	7.32	24.14	0.00	15.00	10.00	4.33	5.00	3.00	3.33	4.33	0.00	12.33	8.33	8.00	13.00	1.00	1.67	8.67	147.72
21	Southeast Island	Kassan K-12 Covered Physical Education Area	15.00	11.02	0.00	0.00	2.57	0.00	0.00	15.00	5.00	15.00	10.00	3.33	3.67	4.00	4.00	3.67	0.00	13.00	0.00	14.33	13.00	0.00	2.00	10.00	144.58
22	Kenai Peninsula	Districtwide Asphalt Repairs	18.00	26.54	0.00	30.00	2.75	0.00	0.00	0.00	10.00	10.00	10.00	2.67	5.00	4.33	3.67	3.67	0.00	7.33	1.67	0.00	7.67	2.33	0.33	6.00	141.96
23	Annette Island	Mellakalle Schools Track and Field Construction	18.00	30.00	0.00	0.00	1.82	0.00	0.00	0.00	5.00	15.00	10.00	3.67	3.67	3.33	4.33	3.33	0.00	14.00	1.33	3.00	11.33	1.67	3.00	9.33	141.82
24	Valdez City	Districtwide Technology Upgrades	24.00	15.02	0.00	10.00	2.94	0.00	0.00	0.00	0.00	15.00	10.00	4.33	4.67	3.00	3.00	0.67	0.00	14.67	2.67	0.00	12.00	7.67	0.33	11.00	140.96
25	Mat-Su Borough	Mat-Su Day School New Construction	3.00	4.88	0.00	0.00	2.45	0.00	2.77	21.55	0.00	15.00	10.00	4.33	5.00	3.00	3.33	4.33	0.67	11.00	3.67	10.67	13.00	1.00	1.67	8.67	130.00
26	Juneau City Borough	Floyd Dryden Middle School Covered Play Area & Dzanuk's Heent Middle School Trail Addition	24.00	7.03	0.00	0.00	3.00	0.00	0.00	15.00	0.00	15.00	10.00	4.67	4.67	5.00	3.33	4.00	0.00	8.00	0.00	1.67	5.33	0.00	2.67	8.00	121.36
27	Petersburg City	Districtwide Boiler Upgrades	30.00	30.00	0.00	0.00	1.22	0.00	0.00	0.00	5.00	5.00	5.00	1.67	2.00	1.33	1.33	0.33	0.00	10.00	2.67	0.00	13.33	3.67	1.00	4.00	117.56
28	Mat-Su Borough	Talkeena Elementary School Playground Equipment Replacement	0.00	5.07	0.00	30.00	2.44	0.00	0.00	0.00	0.00	15.00	10.00	2.67	5.00	3.33	3.33	3.33	0.00	10.67	2.00	0.00	12.00	2.00	1.33	7.00	115.17
29	Mat-Su Borough	Meadow Lakes Elementary School Playground Equipment Replacement	0.00	0.00	0.00	30.00	2.44	0.00	0.00	0.00	0.00	15.00	10.00	2.67	5.00	3.33	3.33	3.33	0.00	11.33	2.00	0.00	12.00	2.00	1.33	7.00	110.77
30	Mat-Su Borough	Colony High School Chalk Boards Replacement	0.00	5.75	0.00	30.00	2.44	0.00	0.00	0.00	0.00	15.00	10.00	2.67	5.00	3.33	3.33	3.33	0.00	8.67	1.00	0.00	12.00	0.00	1.33	6.33	110.19
31	Juneau City Borough	Juneau School District Site / Safety / Security Improvements	27.00	8.84	0.00	0.00	3.00	0.00	0.00	0.00	0.00	15.00	10.00	4.67	4.67	5.00	3.33	4.00	0.00	7.67	2.33	0.00	7.00	0.00	0.00	0.00	102.61
32	Mat-Su Borough	Track And Field Renovation, 3 Schools	0.00	10.58	0.00	0.00	2.44	0.00	0.00	0.00	0.00	15.00	10.00	2.67	5.00	3.33	3.33	3.33	0.00	9.67	5.67	1.00	9.33	6.00	2.00	8.33	97.68
33	Petersburg City	Districtwide Covered Sidewalks	6.00	30.00	0.00	0.00	1.22	0.00	0.00	10.00	5.00	5.00	5.00	1.67	2.00	1.33	1.33	0.33	0.00	8.67	1.67	0.00	10.00	1.67	1.33	0.33	92.56
34	Juneau City Borough	Districtwide Food Service Upgrades	9.00	8.03	0.00	0.00	3.00	0.00	0.00	0.00	0.00	15.00	10.00	4.67	4.67	5.00	3.33	4.00	0.00	7.33	0.00	1.33	5.00	1.67	0.00	6.67	88.69
35	Lower Yukon	Pilot Station K-12 School Access Road Remediation	18.00	0.00	0.00	0.00	2.20	0.00	0.00	0.00	0.00	15.00	10.00	3.67	3.33	3.33	3.33	4.33	0.00	10.00	4.67	0.00	6.33	0.00	0.00	3.67	87.87

*Adapted* 4-17-10  
NEW CONCEPTUAL AMENDMENT

①

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CSSB 237 (FIN) [26-LS1342\Q]

Purpose: to clarify that "annual debt service" on page 2, line 30 means the annual debt service of the school construction debt reimbursement program.

- 1 Page 2, line 30, following "be the"
- 2 Delete "annual debt service amount"
- 3 Insert "annual debt service on debt incurred under AS 14.11.100(a)"

*Kasayulie*

*adopted 4-17-10 m/o*

26-LS1342Q  
Mischel  
4/17/10

**HOUSE CS FOR CS FOR SENATE BILL NO. 237(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE EDUCATION COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act amending the percentages required to be paid by a municipal school district**  
2 **receiving a school construction or major maintenance grant; making a conforming**  
3 **amendment to a bond debt reimbursement provision referencing the percentages;**  
4 **establishing a formula and a fund for school construction grant funding for regional**  
5 **educational attendance areas; extending the deadline for authorizing school**  
6 **construction debt reimbursed by the state; requiring a report from the Department of**  
7 **Education and Early Development; and providing for an effective date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 **\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
10 to read:

11 **LEGISLATIVE FINDINGS.** The legislature finds that

12 (1) the Alaska Superior Court, Third Judicial District, in *Kasayulie v. State of*  
13 *Alaska*, Case No. 3AN-97-3782 (1999), determined that

1 (A) the method of funding capital projects for school construction and  
2 major maintenance does not provide rural schools with adequate or equitable funding  
3 opportunities; and

4 (B) while urban schools are adequately funded through existing  
5 mechanisms including bond debt, taxes, and appropriations, a comparable mechanism  
6 for funding rural schools does not exist;

7 (2) the mechanisms that currently exist in statute to provide construction  
8 funding to regional educational attendance areas have not resulted in sufficient funding for  
9 projects approved for those districts.

10 \* Sec. 2. AS 14.11.008(b) is amended to read:

11 (b) The required participating share for a municipal school district is based on  
12 the district's full value per average daily membership (ADM), which is calculated by  
13 dividing the full and true value of the taxable real and personal property in the district,  
14 calculated as described in AS 14.17.510 by the district ADM as defined in  
15 AS 14.17.990, for the same fiscal year for which the valuation was made. The  
16 municipal district's full value per ADM determines the district's required participating  
17 share, as follows:

Full Value Per ADM	District Participating Share
\$1 - \$150,000	5 percent
150,001 - 275,000	10 percent
275,001 - <u>500,000</u> [800,000]	<u>20</u> [30] percent
<u>500,001 - 800,000</u>	<u>30 percent</u>
over 800,000	35 percent.

23  
24 \* Sec. 3. AS 14.11 is amended by adding new sections to read:

25 **Sec. 14.11.025. State aid for school construction in regional educational**  
26 **attendance areas.** (a) In addition to other appropriations and funding sources, the  
27 department may provide grant funding from the fund established under AS 14.11.030  
28 to a school district that is a regional educational attendance area.

29 (b) The amount of money available each fiscal year for expenditure under (a)  
30 of this section shall be the annual debt service amount divided by the percentage of all  
31 schools that are located in a city or borough school district, the quotient of which is to

1 be multiplied by .244.

2 **Sec. 14.11.030. Regional educational attendance area school fund.** (a) The  
3 regional educational attendance area school fund is created as an account in the  
4 general fund to be used, in addition to other funding sources, to fund projects  
5 approved under AS 14.11.025 for the costs of school construction in regional  
6 educational attendance areas.

7 (b) Legislative appropriations, including appropriations of interest earned on  
8 the fund, shall be deposited in the fund established under this section. The fund  
9 balance may not exceed \$70,000,000.

10 (c) Money appropriated to the fund does not lapse except to the extent money  
11 in the fund exceed the maximum fund balance specified in (b) of this section.

12 **Sec. 14.11.035. Report on school construction and major maintenance**  
13 **funding.** Beginning in February, 2012, the department shall provide to the governor  
14 and the legislature an annual report on the effectiveness of the school construction and  
15 major maintenance grants, state aid for school construction in regional educational  
16 attendance areas, and state aid for costs of school construction debt under this chapter.  
17 The report must include an analysis of funding sources and the short-term and long-  
18 term fiscal effects of the funding on the state. Copies of the report shall be made  
19 available to the public and to the legislature.

20 \* **Sec. 4.** AS 14.11.100(a) is amended to read:

21 (a) During each fiscal year, the state shall allocate to a municipality that is a  
22 school district the following sums:

23 (1) payments made by the municipality during the fiscal year two years  
24 earlier for the retirement of principal and interest on outstanding bonds, notes, or other  
25 indebtedness incurred before July 1, 1977, to pay costs of school construction;

26 (2) 90 percent of

27 (A) payments made by the municipality during the fiscal year  
28 two years earlier for the retirement of principal and interest on outstanding  
29 bonds, notes, or other indebtedness incurred after June 30, 1977, and before  
30 July 1, 1978, to pay costs of school construction;

31 (B) cash payments made after June 30, 1976, and before July 1,

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1978, by the municipality during the fiscal year two years earlier to pay costs of school construction;

(3) 90 percent of

(A) payments made by the municipality during the fiscal year two years earlier for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness incurred after June 30, 1978, and before January 1, 1982, to pay costs of school construction projects approved under AS 14.07.020(a)(11);

(B) cash payments made after June 30, 1978, and before July 1, 1982, by the municipality during the fiscal year two years earlier to pay costs of school construction projects approved under AS 14.07.020(a)(11);

(4) subject to (h) and (i) of this section, up to 90 percent of

(A) payments made by the municipality during the current fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness incurred after December 31, 1981, and authorized by the qualified voters of the municipality before July 1, 1983, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11);

(B) cash payments made after June 30, 1982, and before July 1, 1983, by the municipality during the fiscal year two years earlier to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

(C) payments made by the municipality during the current fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are submitted to the department for approval under AS 14.07.020(a)(11) before July 1, 1983, and approved by the qualified voters of the municipality before October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the annual growth rate of average daily membership of the municipality is more than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual

1 growth rate of average daily membership of the municipality is 12 percent or  
2 more; payments made by a municipality under this subparagraph on total  
3 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph  
4 are subject to (5)(A) of this subsection;

5 (5) subject to (h) - (j) of this section, 80 percent of

6 (A) payments made by the municipality during the fiscal year  
7 for the retirement of principal and interest on outstanding bonds, notes, or  
8 other indebtedness authorized by the qualified voters of the municipality

9 (i) after June 30, 1983, but before March 31, 1990, to  
10 pay costs of school construction, additions to schools, and major  
11 rehabilitation projects that exceed \$25,000 and are approved under  
12 AS 14.07.020(a)(11); or

13 (ii) before July 1, 1989, and reauthorized before  
14 November 1, 1989, to pay costs of school construction, additions to  
15 schools, and major rehabilitation projects that exceed \$25,000 and are  
16 approved under AS 14.07.020(a)(11); and

17 (B) cash payments made after June 30, 1983, by the  
18 municipality during the fiscal year two years earlier to pay costs of school  
19 construction, additions to schools, and major rehabilitation projects that exceed  
20 \$25,000 and are approved by the department before July 1, 1990, under  
21 AS 14.07.020(a)(11);

22 (6) subject to (h) - (j) and (m) of this section, 70 percent of payments  
23 made by the municipality during the fiscal year for the retirement of principal and  
24 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified  
25 voters of the municipality on or after April 30, 1993, but before July 1, 1996, to pay  
26 costs of school construction, additions to schools, and major rehabilitation projects  
27 that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

28 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments  
29 made by the municipality during the fiscal year for the retirement of principal and  
30 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified  
31 voters of the municipality after March 31, 1990, but before April 30, 1993; to pay

1 costs of school construction, additions to schools, and major rehabilitation projects;

2 (8) subject to (h), (i), (j)(2) - (5), and (n) of this section and after  
3 projects funded by the bonds, notes, or other indebtedness have been approved by the  
4 commissioner, 70 percent of payments made by the municipality during the fiscal year  
5 for the retirement of principal and interest on outstanding bonds, notes, or other  
6 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
7 1995, but before July 1, 1998, to pay costs of school construction, additions to  
8 schools, and major rehabilitation projects that exceed \$200,000 and are approved  
9 under AS 14.07.020(a)(11);

10 (9) subject to (h), (i), (j)(2) - (5), and (n) of this section and after  
11 projects funded by the bonds, notes, or other indebtedness have been approved by the  
12 commissioner, 70 percent of payments made by the municipality during the fiscal year  
13 for the retirement of principal and interest on outstanding bonds, notes, or other  
14 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
15 1998, but before July 1, 2006, to pay costs of school construction, additions to  
16 schools, and major rehabilitation projects that exceed \$200,000 and are approved  
17 under AS 14.07.020(a)(11);

18 (10) subject to (h), (i), (j)(2) - (5), and (o) of this section, and after  
19 projects funded by the bonds, notes, or other indebtedness have been approved by the  
20 commissioner, 70 percent of payments made by the municipality during the fiscal year  
21 for the retirement of principal and interest on outstanding bonds, notes, or other  
22 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
23 1998, to pay costs of school construction, additions to schools, and major  
24 rehabilitation projects that exceed \$200,000, are approved under AS 14.07.020(a)(11),  
25 and are not reimbursed under (n) of this section;

26 (11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects  
27 funded by the bonds, notes, or other indebtedness have been approved by the  
28 commissioner, 70 percent of payments made by a municipality during the fiscal year  
29 for the retirement of principal and interest on outstanding bonds, notes, or other  
30 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
31 1999, but before January 1, 2005, to pay costs of school construction, additions to

1 schools, and major rehabilitation projects and education-related facilities that exceed  
2 \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n)  
3 or (o) of this section;

4 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent  
5 of payments made by a municipality during the fiscal year for the retirement of  
6 principal and interest on outstanding bonds, notes, or other indebtedness authorized by  
7 the qualified voters of the municipality on or after June 30, 1999, but before January 1,  
8 2005, to pay costs of school construction, additions to schools, and major  
9 rehabilitation projects and education-related facilities that exceed \$200,000, are  
10 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this  
11 section;

12 (13) subject to (h), (i), (j)(2) - (5), and (p) of this section, and after  
13 projects funded by the tax exempt bonds, notes, or other indebtedness have been  
14 approved by the commissioner, 70 percent of payments made by a municipality during  
15 the fiscal year for the retirement of principal and interest on outstanding tax exempt  
16 bonds, notes, or other indebtedness authorized by the qualified voters of the  
17 municipality on or after June 30, 1999, but before October 31, 2006, to pay costs of  
18 school construction, additions to schools, and major rehabilitation projects and  
19 education-related facilities that exceed \$200,000, are approved under  
20 AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section;

21 (14) subject to (h), (i), (j)(2), (3), and (5), and (p) of this section, 60  
22 percent of payments made by a municipality during the fiscal year for the retirement  
23 of principal and interest on outstanding tax exempt bonds, notes, or other indebtedness  
24 authorized by the qualified voters of the municipality on or after June 30, 1999, but  
25 before October 31, 2006, to pay costs of school construction, additions to schools, and  
26 major rehabilitation projects and education-related facilities that exceed \$200,000, are  
27 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this  
28 section;

29 (15) subject to (h), (i), (j)(2) - (5), and (q) of this section, and after  
30 projects funded by the bonds, notes, or other indebtedness have been approved by the  
31 commissioner, 90 percent of payments made by a municipality during the fiscal year

1 for the retirement of principal and interest on outstanding bonds, notes, or other  
2 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
3 1999, but before October 31, 2006, to pay costs of school construction, additions to  
4 schools, and major rehabilitation projects and education-related facilities that exceed  
5 \$200,000, are approved under AS 14.07.020(a)(11), meet the 10 percent participating  
6 share requirement for a municipal school district under the former participating  
7 share amounts required under AS 14.11.008(b), and are not reimbursed under (n) or  
8 (o) of this section;

9 (16) subject to (h), (i), and (j)(2) - (5) of this section, and after projects  
10 funded by the tax exempt bonds, notes, or other indebtedness have been approved by  
11 the commissioner, 70 percent of payments made by a municipality during the fiscal  
12 year for the retirement of principal and interest on outstanding tax exempt bonds,  
13 notes, or other indebtedness authorized by the qualified voters of the municipality on  
14 or after October 1, 2006, [BUT BEFORE NOVEMBER 30, 2010,] to pay costs of  
15 school construction, additions to schools, and major rehabilitation projects and  
16 education-related facilities that exceed \$200,000, are approved under  
17 AS 14.07.020(a)(11), and are not reimbursed under (o) of this section;

18 (17) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent  
19 of payments made by a municipality during the fiscal year for the retirement of  
20 principal and interest on outstanding tax exempt bonds, notes, or other indebtedness  
21 authorized by the qualified voters of the municipality on or after October 1, 2006,  
22 [BUT BEFORE NOVEMBER 30, 2010,] to pay costs of school construction,  
23 additions to schools, and major rehabilitation projects and education-related facilities  
24 that exceed \$200,000, are reviewed under AS 14.07.020(a)(11), and are not  
25 reimbursed under (o) of this section.

26 \* Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to  
27 read:

28 RETROACTIVITY. AS 14.11.008(b), as amended by sec. 2 of this Act, applies  
29 retroactively to an appropriation made under AS 37.05.560 or a grant approved under  
30 AS 14.11.008(a) on or after April 1, 2008.

31 \* Sec. 6. Section 3 of this Act takes effect July 1, 2012.

1 \* Sec. 7. Sections 1, 2, 4, and 5 of this Act take effect immediately under AS 01.10.070(c).

*replaced*

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 237(FIN)  
(S) Publish Date: 4/1/10

Identifier (file name): CSSB237-EED-ESS-1-29-10 Dept. Affected: Education & Early Develo  
Title: "An act extending the deadline for authorizing school RDU School Debt Reimbursement  
construction debt reimbursed by the state" Component: School Debt Reimbursement  
Sponsor: Senate Education Committee  
Requester: Senate Finance Committee Component Number: 153

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims		0.0	0.0	3,700.0	3,700.0	3,700.0	3,700.0	
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>	<b>3,700.0</b>

<b>CAPITAL EXPENDITURES</b>			40,300.0	40,300.0	40,300.0	40,300.0	40,300.0
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF			40,300.0	40,300.0	40,300.0	40,300.0	40,300.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts		0.0	0.0	3,700.0	3,700.0	3,700.0	3,700.0
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>40,300.0</b>	<b>44,000.0</b>	<b>44,000.0</b>	<b>44,000.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

SB 237 establishes a program to fund rural school construction by establishing an account in the General Fund to receive annual appropriations based on a formula defined in the legislation. The fiscal note anticipates full expenditure of all appropriated amounts for capital in the year appropriated, although the actual cash flow may vary based on the annual CIP priority list for school construction projects. The first year of fiscal expenditure as a result of this bill will be in FY2013.

SB 237 also removes the sunset date for the existin debt reimbursement program. Anticipated increases as a result of the extension of the debt program are based on increases averaged over the prior three fiscal years. FY08-09 increased by \$2,000,000; FY 09-10 increased by \$3,000,000; and FY10-11 increased by \$6,000,000. The average of the 3 year increases are \$11,000,000÷3= \$3,666,666. 70% of school debt payments, made by a municipality, will be reimbursed by the state if they meet state approved space guidelines. 60% of school debt payments will be reimbursed by the state if the municipality exceeds state approved space

Prepared by: Eddy Jeans, Director  
Division: School Finance  
Approved by: Larry LeDoux  
Commissioner

Phone 465-8679  
Date/Time 3/30/10 12:30 PM  
Date 3/30/2010

*Adopted  
4-17-10*

~~AMENDMENT~~ AMENDMENT #2

*Thomas  
Gare*

OFFERED IN THE HOUSE  
TO: CSSB 237(FIN)

1 Page 1, line 1, following "Act":

2 Insert "relating to energy consumption and costs, operating costs, and energy  
3 efficiency standards for school construction and major maintenance by the Department  
4 of Education and Early Development;"

5

6 Page 2, following line 5:

7 Insert new bill sections to read:

8 **\*\* Sec. 2.** AS 14.07.020(a) is amended to read:

9 (a) The department shall

10 (1) exercise general supervision over the public schools of the state  
11 except the University of Alaska;

12 (2) study the conditions and needs of the public schools of the state,  
13 adopt or recommend plans, administer and evaluate grants to improve school  
14 performance awarded under AS 14.03.125, and adopt regulations for the improvement  
15 of the public schools;

16 (3) provide advisory and consultative services to all public school  
17 governing bodies and personnel;

18 (4) prescribe by regulation a minimum course of study for the public  
19 schools; the regulations must provide that, if a course in American Sign Language is  
20 given, the course shall be given credit as a course in a foreign language;

21 (5) establish, in coordination with the Department of Health and Social  
22 Services, a program for the continuing education of children who are held in detention  
23 facilities in the state during the period of detention;

1           (6) accredit those public schools that meet accreditation standards  
2 prescribed by regulation by the department; these regulations shall be adopted by the  
3 department and presented to the legislature during the first 10 days of any regular  
4 session, and become effective 45 days after presentation or at the end of the session,  
5 whichever is earlier, unless disapproved by a resolution concurred in by a majority of  
6 the members of each house;

7           (7) prescribe by regulation, after consultation with the state fire  
8 marshal and the state sanitarian, standards that will assure healthful and safe  
9 conditions in the public and private schools of the state, including a requirement of  
10 physical examinations and immunizations in pre-elementary schools; the standards for  
11 private schools may not be more stringent than those for public schools;

12           (8) exercise general supervision over pre-elementary schools that  
13 receive direct state or federal funding;

14           (9) exercise general supervision over elementary and secondary  
15 correspondence study programs offered by municipal school districts or regional  
16 educational attendance areas; the department may also offer and make available to any  
17 Alaskan through a centralized office a correspondence study program;

18           (10) accredit private schools that request accreditation and that meet  
19 accreditation standards prescribed by regulation by the department; nothing in this  
20 paragraph authorizes the department to require religious or other private schools to be  
21 licensed;

22           (11) review plans for construction of new public elementary and  
23 secondary schools and for additions to and major rehabilitation of existing public  
24 elementary and secondary schools and, in accordance with regulations adopted by the  
25 department, determine and approve the extent of eligibility for state aid of a school  
26 construction or major maintenance project; for the purposes of this paragraph, "plans"  
27 include educational specifications, schematic designs, **projected energy consumption**  
28 **and costs**, and final contract documents;

29           (12) provide educational opportunities in the areas of vocational  
30 education and training, and basic education to individuals over 16 years of age who  
31 are no longer attending school;

- 1 (13) administer the grants awarded under AS 14.11;
- 2 (14) establish, in coordination with the Department of Public Safety, a  
3 school bus driver training course;
- 4 (15) require the reporting of information relating to school disciplinary  
5 and safety programs under AS 14.33.120 and of incidents of disruptive or violent  
6 behavior;
- 7 (16) establish by regulation criteria, based on low student performance,  
8 under which the department may intervene in a school district to improve instructional  
9 practices, as described in AS 14.07.030(14) or (15); the regulations must include
- 10 (A) a notice provision that alerts the district to the deficiencies  
11 and the instructional practice changes proposed by the department;
- 12 (B) an end date for departmental intervention, as described in  
13 AS 14.07.030(14)(A) and (B) and (15), after the district demonstrates three  
14 consecutive years of improvement consisting of not less than two percent  
15 increases in student proficiency on standards-based assessments in math,  
16 reading, and writing as provided in AS 14.03.123(f)(2)(A); and
- 17 (C) a process for districts to petition the department for  
18 continuing or discontinuing the department's intervention;
- 19 (17) notify the legislative committees having jurisdiction over  
20 education before intervening in a school district under AS 14.07.030(14) or redirecting  
21 public school funding under AS 14.07.030(15).

22 \* Sec. 3. AS 14.11.014(b) is amended to read:

23 (b) The committee shall

24 (1) review the department's priorities among projects for which school  
25 construction grants are requested;

26 (2) make recommendations to the board concerning school  
27 construction grants and make recommendations to the commissioner concerning  
28 projects for which bond reimbursement is requested;

29 (3) develop criteria for construction of schools in the state; criteria  
30 developed under this paragraph must include requirements intended to achieve cost  
31 effective school construction;

1 (4) analyze existing prototypical designs for school construction  
2 projects;

3 (5) establish a form for grant applications;

4 (6) establish a method of ranking grant projects;

5 (7) recommend to the board necessary changes to the approval process  
6 for school construction grants and for projects for which bond reimbursement is  
7 requested;

8 **(8) set standards for energy efficiency for school construction and**  
9 **major maintenance to provide energy efficiency benefits for all school locations in**  
10 **the state and that address energy efficiency in design and energy systems that**  
11 **minimize long-term energy and operating costs.**

12 \* Sec. 4. AS 14.11.135(6) is amended to read:

13 (6) "major maintenance" means a project described in  
14 AS 14.11.013(a)(1)(C), [OR] (D), **or (E)**;

15 \* Sec. 5. AS 14.11.135(7) is amended to read:

16 (7) "school construction" means a project described in  
17 AS 14.11.013(a)(1)(A), (B), [(E),] (F), or (G)."

18

19 Renumber the following bill sections accordingly.

20

21 Page 8, line 5:

22 Delete "sec. 3"

23 Insert "sec. 7"

# Senator Lyman Hoffman

## *Alaska State Legislature*



### **Sponsor Statement for SB 237**

This proposed legislation addresses the way in which Alaska funds school construction for both REAA's and Municipal districts.

In 2001, Alaska courts ruled in *Kasayulie vs. State of Alaska* that the process by which REAA schools are funded in Alaska is significantly different than the process used for funding schools in municipal districts. The court further said that, as a result of this difference, funding for REAA schools has been arbitrary and inadequate.

While municipal districts are able to access the debt service program which is described in statute, the funding for REAA school construction has not been clear. Because funding depends upon legislative appropriation, there is uncertainty from year to year as to how much money will be available. This uncertainty makes construction planning difficult for both the REAA school districts and the Department of Education.

This legislation proposes to remedy this situation by creating a stream of funding that can be used for REAA construction. This funding is based on the amount of debt outstanding for municipal schools, adjusted by the amount of money spent on REAA schools and by the percent of students who attend these schools. This methodology provides a reasonable, consistent level of funding to be used for REAA school construction and moves the State along the road to addressing concerns raised in the *Kasayulie* case.

Additionally, the legislation provides that a fund be established into which the proceeds from this mechanism can be deposited. However, to assure that excess dollars cannot accumulate in this account, the balance of the fund is limited to \$100,000,000. Also, the legislation assumes that a project must meet all current Department of Education approvals before becoming eligible to use money from this account.

This legislation also changes the State's debt reimbursement program for municipal school construction. Current law establishes the debt reimbursement to municipal districts for outstanding bonds at 70 percent and time limits for that reimbursement. Consequently, every few years, the statute needs amending to continue the program. This creates uncertainty among school district planners. The committee substitute lessens uncertainty by eliminating a date certain when the 70 percent reimbursement will sunset.

State of Alaska  
Department of Education and Early Development  
Capital Improvement Projects (FY 2011)  
School Construction Grant Fund (Top 11 Projects)

Reconsideration List  
Summary with Student Capacity Data

Reconsideration Priority	Initial Priority	District	Project Name	Year Constructed	School Student Capacity	Current ADM	Number of Students*	District Request	Eligible Amount	Department Recommended	District Share	State Share	
1	1	Lower Yukon	Akiavik K-12 School Replacement	1974/2003	111	239	300	\$47,384,170	\$47,384,170	\$47,384,170	\$87,883	\$48,446,287	
2	2	Lower Kuskoquim	Kignak K-12 School Renovation / Addition	1990	70	209	241	\$56,344,082	\$50,841,480	\$50,841,480	\$1,016,830	\$48,824,650	
3	3	Lower Kuskoquim	Kwigillingak K-12 School Renovation / Addition	1979/1987	55	114	124	\$39,128,740	\$32,750,467	\$32,750,467	\$655,009	\$32,095,458	
4	4	Lower Kuskoquim	Napaskiak K-12 School Replacement	1973/1978/1984	77	161	206	\$40,821,255	\$33,566,431	\$33,566,431	\$671,729	\$32,914,702	
5	5	Lower Yukon	Enononak K-12 School Renovation/Addition	1980/1975	143	231	231	\$28,898,799	\$38,990,445	\$39,990,445	\$799,809	\$38,190,636	
6	6	Lower Kuskoquim	Kuerramnet Etinarvik K-12 School	1997/1986	90	212	259	\$31,160,414	\$31,160,414	\$31,160,414	\$623,208	\$30,537,206	
7	7	Northwest Arctic	Renovations/Addition, Quinhagak	1978/1984	75	107	109	\$15,414,481	\$15,414,481	\$15,414,481	\$4,524,347	\$10,790,144	
8	8	Lower Kuskoquim	Ivavine K-12 Renovation/Addition # Kwethluk K-12 School Replacement	1987/1986	143	250	253	\$60,483,818	\$45,445,163	\$45,445,163	\$808,903	\$44,636,260	
9	9	Southwest Region	Koiganek K-12 School Replacement #	1959/1979/1983	75	51	51	\$26,311,134	\$22,902,662	\$22,902,662	\$458,053	\$22,444,609	
10	10	Lower Kuskoquim	Hignimide K-12 School Renovation / Addition	1989/1984	53	92	132	\$33,913,215	\$23,770,075	\$23,770,075	\$475,401	\$23,294,674	
11	11	Kupuk	Aunite Mary Nicol Elementary School Replacement, Anakt	1979/1972/1993	111	63	64	\$12,363,060	\$12,363,060	\$12,363,060	\$247,281	\$12,115,779	
								<b>Totals for top 11 projects on the FY2011 School Construction CIP List</b>	<b>\$392,339,278</b>	<b>\$355,618,858</b>	<b>\$355,618,858</b>	<b>\$11,428,433</b>	<b>\$344,190,425</b>
								<b>Totals for all 35 projects on the FY2011 School Construction CIP List</b>	<b>\$475,961,552</b>	<b>\$437,939,547</b>	<b>\$437,939,547</b>	<b>\$26,296,398</b>	<b>\$411,643,149</b>

\* Projected at 5 year Post Occupancy  
# Reused FY2010 data  
+ Eligible Space Reduced

Kivalina K-12 Renovation/Addition adds 9,100 square feet of new space in order to address moderate overcrowding. The school has also demonstrated significant life/safety and health issues including no fire protection, no sewage lagoon for waste discharge (waste is discharged directly into the surf adjacent to the school), a leaking roof with suspected structural damage and/or rot. All plumbing and mechanical systems have exceeded their useful life and are in need of replacement, and the interior finishes are significantly aged and worn and in need of replacement. The Corps of Engineers is currently working on a shoreline protection project that is designed to protect the school property from additional erosion for the next 15-20 years. The district considered relocation, but due to land constraints in the village, there are no other locations available that could reasonably accommodate a new school facility.

Koiganek K-12 School Replacement does not add space due to overcrowding, but has demonstrated significant life/safety and health issues including no fire protection, moisture infiltration, a leaking roof that continues to leak despite repeated repairs, differential foundation movements due to several different years of construction, mechanical and electrical systems that no longer meet functional or code requirements, and environmental health issues including lead and asbestos.

Aunite Mary Nicol Elementary School Replacement, Anakt does not add space due to overcrowding, but has demonstrated significant life/safety and health issues including a deteriorating foundation and differential settling, moisture and mold infiltration, a sewage lift station in the basement beneath the food preparation area and which floods often and contains no

SB 237 Funding Formula =  
 Outstanding debt x proxy % .28 x % of REAA students.

REAA School Construction - past	
10 years: 2001-2010	\$ 543,645,894
FY11 REAA Projects	\$ 344,190,425
Total REAA Funding - incl FY11	<u>\$ 887,836,319</u>

Outstanding School Constr. Debt	\$ 1,230,933,627
Less Total REAA Funding	\$ (887,836,319)
Funding Differential	<u>\$ 343,097,308</u>
differential % municipal vs REAA	27.87%

Based on FY09	
Average Daily Student Count Total	128,380
Average Daily Student Count REAA	14,208
% of REAA students	<u>11%</u>

SB 237 Formula =	
Outstanding Debt (variable)	\$ 1,230,933,627
x differential % 'proxy' (constant)	28.00%
x % of REAA students (variable)	<u>11%</u>
	<u>\$ 37,912,755.71</u>

*Submitted by JAY LIVERY  
 OFFICE OF SEN. LYMAN HOFFMAN  
 4-7-2010*

Alaska Department of Education and Early Development  
 School Construction and Major Maintenance funding last 20 years  
 Grants and Debt Reimbursement funded projects  
 Prepared 3/29/10

REAA			City/Borough		
Year	Funding	# of projects	Funding	# of projects	
1990	\$4,115,500	16	\$5,331,154	22	
1991	\$17,590,300	13	\$268,000	1	
1992	\$17,594,700	17	\$16,151,500	7	
1993	\$14,770,400	7	\$52,815,700	8	
1994	\$38,829,471	35	\$154,832,003	65	
1995	\$0	0	\$158,935,000	17	
<b>Subtotal 1990-1995</b>	<b>\$92,900,371</b>	<b>88</b>	<b>\$388,333,357</b>	<b>120</b>	
1996	\$400,000	2	\$10,641,550	3	
1997	\$5,322,300	3	\$66,294,985	16	
1998	\$336,720	1	\$4,335,864	4	
1999	\$27,962,208	27	\$338,292,184	71	
2000	\$0	0	\$10,250,000	1	
<b>Subtotal 1996-2000</b>	<b>\$34,021,228</b>	<b>33</b>	<b>\$429,814,583</b>	<b>95</b>	
<b>10yr Sub-total</b>	<b>\$126,921,599</b>	<b>13.43%</b>	<b>\$818,147,940</b>	<b>86.57%</b>	
2001	\$88,725,178	5	\$86,599,657	33	
2002	\$75,824,359	28	\$114,686,707	36	
2003	\$140,182,852	32	\$427,372,247	49	
2004	\$814,738	3	\$117,978,054	46	
2005	\$5,839,787	11	\$162,541,971	18	
<b>Subtotal 2000-2005</b>	<b>\$311,386,914</b>	<b>79</b>	<b>\$909,178,636</b>	<b>182</b>	
2006	\$67,494,522	22	\$78,422,984	21	
2007	\$82,268,165	21	\$146,242,068	23	
2008	\$127,180,513	13	\$124,868,261	20	
2009	\$139,127,653	12	\$83,397,904	22	
2010	\$20,918,597	8	\$40,374,884	17	
<b>Subtotal 2005-2010</b>	<b>\$436,989,450</b>	<b>76</b>	<b>\$473,306,101</b>	<b>103</b>	
<b>10yr Sub-total</b>	<b>\$748,376,364</b>	<b>35.12%</b>	<b>\$1,382,484,737</b>	<b>64.88%</b>	
<b>Total REAA</b>	<b>\$875,297,963</b>	<b>276</b>	<b>Total City/Borough</b>	<b>\$2,200,632,677</b>	<b>500</b>

4-17-10

**HCS for CS for Senate Bill 237 (FIN)  
26-LS1342\Q  
April 17, 2010**

**BILL SUMMARY**

The proposed House Finance CS for SB237 amends the Senate version and adds the language from HB180.

**SECTION SUMMARY**

**Section 1.** This section is the Legislative Findings that were found in the Senate version of SB237. This CS does not make any changes to the Senate's language.

**Section 2.** Amends AS 14.11.008(b), the participating share for school districts to address major maintenance and school construction programs. This is from Sec. 1, HB180.

**Section 3.** Creates the state aid for school construction in regional educational attendance areas program, and establishes the regional educational attendance area school fund. There is a new "House version" formula for calculating the amount of money available for expenditure for regional educational attendance area schools. Last, the Department of Education and Early Development is required to provide an annual report beginning February, 2012 on the effectiveness of state funding for school facilities.

**Section 4.** This section extends the municipal bond debt reimbursement program to the date of June 30, 2014. This limitation is identical to the sunset date in Sec. 10 for the REAA school construction program.

**Section 5.** This section retroactively applies to the changes in Section 2 of this legislation. The changes in local share made by the bill apply to all school construction and major maintenance projects back to April 1, 2008.

**Section 6.** Effective date of July 1, 2012 for Section 3 of this Act.

**Section 7.** Immediate effective date for Sections 1, 2, and 4 – 6 of this Act.

26-LS1342/Q  
Mischel  
4/17/10

**HOUSE CS FOR CS FOR SENATE BILL NO. 237(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE EDUCATION COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act amending the percentages required to be paid by a municipal school district  
2 receiving a school construction or major maintenance grant; making a conforming  
3 amendment to a bond debt reimbursement provision referencing the percentages;  
4 establishing a formula and a fund for school construction grant funding for regional  
5 educational attendance areas; extending the deadline for authorizing school  
6 construction debt reimbursed by the state; requiring a report from the Department of  
7 Education and Early Development; and providing for an effective date."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
10 to read:

11 **LEGISLATIVE FINDINGS.** The legislature finds that

12 (1) the Alaska Superior Court, Third Judicial District, in *Kasayulie v. State of*  
13 *Alaska*, Case No. 3AN-97-3782 (1999), determined that

1 (A) the method of funding capital projects for school construction and  
2 major maintenance does not provide rural schools with adequate or equitable funding  
3 opportunities; and

4 (B) while urban schools are adequately funded through existing  
5 mechanisms including bond debt, taxes, and appropriations, a comparable mechanism  
6 for funding rural schools does not exist;

7 (2) the mechanisms that currently exist in statute to provide construction  
8 funding to regional educational attendance areas have not resulted in sufficient funding for  
9 projects approved for those districts.

10 \* Sec. 2. AS 14.11.008(b) is amended to read:

11 (b) The required participating share for a municipal school district is based on  
12 the district's full value per average daily membership (ADM), which is calculated by  
13 dividing the full and true value of the taxable real and personal property in the district,  
14 calculated as described in AS 14.17.510 by the district ADM as defined in  
15 AS 14.17.990, for the same fiscal year for which the valuation was made. The  
16 municipal district's full value per ADM determines the district's required participating  
17 share, as follows:

Full Value Per ADM	District Participating Share
\$1 - \$150,000	5 percent
150,001 - 275,000	10 percent
275,001 - <u>500,000</u> [800,000]	<u>20</u> [30] percent
<u>500,001 - 800,000</u>	<u>30 percent</u>
over 800,000	35 percent.

23  
24 \* Sec. 3. AS 14.11 is amended by adding new sections to read:

25 **Sec. 14.11.025. State aid for school construction in regional educational**  
26 **attendance areas.** (a) In addition to other appropriations and funding sources, the  
27 department may provide grant funding from the fund established under AS 14.11.030  
28 to a school district that is a regional educational attendance area.

29 (b) The amount of money available each fiscal year for expenditure under (a)  
30 of this section shall be the annual debt service amount divided by the percentage of all  
31 schools that are located in a city or borough school district, the quotient of which is to

1 be multiplied by .244.

2 **Sec. 14.11.030. Regional educational attendance area school fund.** (a) The  
3 regional educational attendance area school fund is created as an account in the  
4 general fund to be used, in addition to other funding sources, to fund projects  
5 approved under AS 14.11.025 for the costs of school construction in regional  
6 educational attendance areas.

7 (b) Legislative appropriations, including appropriations of interest earned on  
8 the fund, shall be deposited in the fund established under this section. The fund  
9 balance may not exceed \$70,000,000.

10 (c) Money appropriated to the fund does not lapse except to the extent money  
11 in the fund exceed the maximum fund balance specified in (b) of this section.

12 **Sec. 14.11.035. Report on school construction and major maintenance**  
13 **funding.** Beginning in February, 2012, the department shall provide to the governor  
14 and the legislature an annual report on the effectiveness of the school construction and  
15 major maintenance grants, state aid for school construction in regional educational  
16 attendance areas, and state aid for costs of school construction debt under this chapter.  
17 The report must include an analysis of funding sources and the short-term and long-  
18 term fiscal effects of the funding on the state. Copies of the report shall be made  
19 available to the public and to the legislature.

20 \* **Sec. 4.** AS 14.11.100(a) is amended to read:

21 (a) During each fiscal year, the state shall allocate to a municipality that is a  
22 school district the following sums:

23 (1) payments made by the municipality during the fiscal year two years  
24 earlier for the retirement of principal and interest on outstanding bonds, notes, or other  
25 indebtedness incurred before July 1, 1977, to pay costs of school construction;

26 (2) 90 percent of

27 (A) payments made by the municipality during the fiscal year  
28 two years earlier for the retirement of principal and interest on outstanding  
29 bonds, notes, or other indebtedness incurred after June 30, 1977, and before  
30 July 1, 1978, to pay costs of school construction;

31 (B) cash payments made after June 30, 1976, and before July 1,

1 1978, by the municipality during the fiscal year two years earlier to pay costs  
2 of school construction;

3 (3) 90 percent of

4 (A) payments made by the municipality during the fiscal year  
5 two years earlier for the retirement of principal and interest on outstanding  
6 bonds, notes, or other indebtedness incurred after June 30, 1978, and before  
7 January 1, 1982, to pay costs of school construction projects approved under  
8 AS 14.07.020(a)(11);

9 (B) cash payments made after June 30, 1978, and before July 1,  
10 1982, by the municipality during the fiscal year two years earlier to pay costs  
11 of school construction projects approved under AS 14.07.020(a)(11);

12 (4) subject to (h) and (i) of this section, up to 90 percent of

13 (A) payments made by the municipality during the current  
14 fiscal year for the retirement of principal and interest on outstanding bonds,  
15 notes, or other indebtedness incurred after December 31, 1981, and authorized  
16 by the qualified voters of the municipality before July 1, 1983, to pay costs of  
17 school construction, additions to schools, and major rehabilitation projects that  
18 exceed \$25,000 and are approved under AS 14.07.020(a)(11);

19 (B) cash payments made after June 30, 1982, and before July 1,  
20 1983, by the municipality during the fiscal year two years earlier to pay costs  
21 of school construction, additions to schools, and major rehabilitation projects  
22 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

23 (C) payments made by the municipality during the current  
24 fiscal year for the retirement of principal and interest on outstanding bonds,  
25 notes, or other indebtedness to pay costs of school construction, additions to  
26 schools, and major rehabilitation projects that exceed \$25,000 and are  
27 submitted to the department for approval under AS 14.07.020(a)(11) before  
28 July 1, 1983, and approved by the qualified voters of the municipality before  
29 October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the  
30 annual growth rate of average daily membership of the municipality is more  
31 than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual

1 growth rate of average daily membership of the municipality is 12 percent or  
 2 more; payments made by a municipality under this subparagraph on total  
 3 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph  
 4 are subject to (5)(A) of this subsection;

5 (5) subject to (h) - (j) of this section, 80 percent of

6 (A) payments made by the municipality during the fiscal year  
 7 for the retirement of principal and interest on outstanding bonds, notes, or  
 8 other indebtedness authorized by the qualified voters of the municipality

9 (i) after June 30, 1983, but before March 31, 1990, to  
 10 pay costs of school construction, additions to schools, and major  
 11 rehabilitation projects that exceed \$25,000 and are approved under  
 12 AS 14.07.020(a)(11); or

13 (ii) before July 1, 1989, and reauthorized before  
 14 November 1, 1989, to pay costs of school construction, additions to  
 15 schools, and major rehabilitation projects that exceed \$25,000 and are  
 16 approved under AS 14.07.020(a)(11); and

17 (B) cash payments made after June 30, 1983, by the  
 18 municipality during the fiscal year two years earlier to pay costs of school  
 19 construction, additions to schools, and major rehabilitation projects that exceed  
 20 \$25,000 and are approved by the department before July 1, 1990, under  
 21 AS 14.07.020(a)(11);

22 (6) subject to (h) - (j) and (m) of this section, 70 percent of payments  
 23 made by the municipality during the fiscal year for the retirement of principal and  
 24 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified  
 25 voters of the municipality on or after April 30, 1993, but before July 1, 1996, to pay  
 26 costs of school construction, additions to schools, and major rehabilitation projects  
 27 that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

28 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments  
 29 made by the municipality during the fiscal year for the retirement of principal and  
 30 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified  
 31 voters of the municipality after March 31, 1990, but before April 30, 1993, to pay

1 costs of school construction, additions to schools, and major rehabilitation projects;

2 (8) subject to (h), (i), (j)(2) - (5), and (n) of this section and after  
3 projects funded by the bonds, notes, or other indebtedness have been approved by the  
4 commissioner, 70 percent of payments made by the municipality during the fiscal year  
5 for the retirement of principal and interest on outstanding bonds, notes, or other  
6 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
7 1995, but before July 1, 1998, to pay costs of school construction, additions to  
8 schools, and major rehabilitation projects that exceed \$200,000 and are approved  
9 under AS 14.07.020(a)(11);

10 (9) subject to (h), (i), (j)(2) - (5), and (n) of this section and after  
11 projects funded by the bonds, notes, or other indebtedness have been approved by the  
12 commissioner, 70 percent of payments made by the municipality during the fiscal year  
13 for the retirement of principal and interest on outstanding bonds, notes, or other  
14 indebtedness authorized by the qualified voters of the municipality on or after July 1,  
15 1998, but before July 1, 2006, to pay costs of school construction, additions to  
16 schools, and major rehabilitation projects that exceed \$200,000 and are approved  
17 under AS 14.07.020(a)(11);

18 (10) subject to (h), (i), (j)(2) - (5), and (o) of this section, and after  
19 projects funded by the bonds, notes, or other indebtedness have been approved by the  
20 commissioner, 70 percent of payments made by the municipality during the fiscal year  
21 for the retirement of principal and interest on outstanding bonds, notes, or other  
22 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
23 1998, to pay costs of school construction, additions to schools, and major  
24 rehabilitation projects that exceed \$200,000, are approved under AS 14.07.020(a)(11),  
25 and are not reimbursed under (n) of this section;

26 (11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects  
27 funded by the bonds, notes, or other indebtedness have been approved by the  
28 commissioner, 70 percent of payments made by a municipality during the fiscal year  
29 for the retirement of principal and interest on outstanding bonds, notes, or other  
30 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
31 1999, but before January 1, 2005, to pay costs of school construction, additions to

1 schools, and major rehabilitation projects and education-related facilities that exceed  
2 \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n)  
3 or (o) of this section;

4 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent  
5 of payments made by a municipality during the fiscal year for the retirement of  
6 principal and interest on outstanding bonds, notes, or other indebtedness authorized by  
7 the qualified voters of the municipality on or after June 30, 1999, but before January 1,  
8 2005, to pay costs of school construction, additions to schools, and major  
9 rehabilitation projects and education-related facilities that exceed \$200,000, are  
10 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this  
11 section;

12 (13) subject to (h), (i), (j)(2) - (5), and (p) of this section, and after  
13 projects funded by the tax exempt bonds, notes, or other indebtedness have been  
14 approved by the commissioner, 70 percent of payments made by a municipality during  
15 the fiscal year for the retirement of principal and interest on outstanding tax exempt  
16 bonds, notes, or other indebtedness authorized by the qualified voters of the  
17 municipality on or after June 30, 1999, but before October 31, 2006, to pay costs of  
18 school construction, additions to schools, and major rehabilitation projects and  
19 education-related facilities that exceed \$200,000, are approved under  
20 AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this section;

21 (14) subject to (h), (i), (j)(2), (3), and (5), and (p) of this section, 60  
22 percent of payments made by a municipality during the fiscal year for the retirement  
23 of principal and interest on outstanding tax exempt bonds, notes, or other indebtedness  
24 authorized by the qualified voters of the municipality on or after June 30, 1999, but  
25 before October 31, 2006, to pay costs of school construction, additions to schools, and  
26 major rehabilitation projects and education-related facilities that exceed \$200,000, are  
27 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this  
28 section;

29 (15) subject to (h), (i), (j)(2) - (5), and (q) of this section, and after  
30 projects funded by the bonds, notes, or other indebtedness have been approved by the  
31 commissioner, 90 percent of payments made by a municipality during the fiscal year

1 for the retirement of principal and interest on outstanding bonds, notes, or other  
2 indebtedness authorized by the qualified voters of the municipality on or after June 30,  
3 1999, but before October 31, 2006, to pay costs of school construction, additions to  
4 schools, and major rehabilitation projects and education-related facilities that exceed  
5 \$200,000, are approved under AS 14.07.020(a)(11), meet the 10 percent participating  
6 share requirement for a municipal school district under the former participating  
7 share amounts required under AS 14.11.008(b), and are not reimbursed under (n) or  
8 (o) of this section;

9 (16) subject to (h), (i), and (j)(2) - (5) of this section, and after projects  
10 funded by the tax exempt bonds, notes, or other indebtedness have been approved by  
11 the commissioner, 70 percent of payments made by a municipality during the fiscal  
12 year for the retirement of principal and interest on outstanding tax exempt bonds,  
13 notes, or other indebtedness authorized by the qualified voters of the municipality on  
14 or after October 1, 2006, [BUT BEFORE NOVEMBER 30, 2010,] to pay costs of  
15 school construction, additions to schools, and major rehabilitation projects and  
16 education-related facilities that exceed \$200,000, are approved under  
17 AS 14.07.020(a)(11), and are not reimbursed under (o) of this section;

18 (17) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent  
19 of payments made by a municipality during the fiscal year for the retirement of  
20 principal and interest on outstanding tax exempt bonds, notes, or other indebtedness  
21 authorized by the qualified voters of the municipality on or after October 1, 2006,  
22 [BUT BEFORE NOVEMBER 30, 2010,] to pay costs of school construction,  
23 additions to schools, and major rehabilitation projects and education-related facilities  
24 that exceed \$200,000, are reviewed under AS 14.07.020(a)(11), and are not  
25 reimbursed under (o) of this section.

26 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 RETROACTIVITY. AS 14.11.008(b), as amended by sec. 2 of this Act, applies  
29 retroactively to an appropriation made under AS 37.05.560 or a grant approved under  
30 AS 14.11.008(a) on or after April 1, 2008.

31 \* **Sec. 6.** Section 3 of this Act takes effect July 1, 2012.

1 \* Sec. 7. Sections 1, 2, 4, and 5 of this Act take effect immediately under AS 01.10.070(c).

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA  
THIRD JUDICIAL DISTRICT

WILLIE & SOPHIE KASAYULIE, )  
et al., )  
Plaintiff, )  
vs. )  
STATE OF ALASKA, )  
Defendant. )

FILED  
In chambers of  
Superior Court  
Judge John Reese

MAR 27 2001

State of Alaska  
Third Judicial District  
at ANCHORAGE

Case No. 3AN-97-03782 CIV

ORDER

The state has moved to reopen the rural school facilities funding order of this court, citing a "mistake of law" made in its prior briefing. Specifically, the state argues that its prior briefing did not present the court with information about prior appropriations made for rural school construction and maintenance.

The court has carefully reviewed the supplemental briefing and the exhibits. They show that the State of Alaska has failed to fund the C.I.P. program, to follow the legally established funding priorities in the projects it did fund, or to allocate available school facility construction and maintenance funds in a non discriminatory way. The prior findings of this court are well supported in the record, and reinforced by the new filings.

Procedure.

The States motion is a Civil R. 60(b) motion premised on a "mistake of law". The State's failure to present a more detailed funding history certainly is not a mistake of law, nor in the final analysis was it a mistake in tactics.

However, the gravity of the issues involved requires that the litigants have every opportunity to fully air their claims and defenses, even if it appears superficially to excuse tactical decisions or legal mistakes. The rules of procedure are designed to do justice, and justice requires the State to be allowed a reasonable opportunity to test a new defense, to use

different counsel, and perhaps even to craft its litigation strategy in a way to satisfy political pressures. Civ R.94 will be applied to relax the application of Rule 60(b) and Civ.R. 77 (l), and to allow the State its second bite at the apple.

Analysis:

The fundamental facts presented in the new briefing are how much money the State spent over the last 20 years or so on rural school facility funding. The State argues that since it spent hundreds of millions of dollars on rural school facilities, this courts findings of equal protection and civil rights violations was incorrect.

What this court found was that the systems for school facility funding, the C.I.P. for rural schools and the bond reimbursement program for districts with a tax base, have not been applied in a sufficiently even handed way to avoid constitutional and federal civil rights condemnation.

The C.I.P. program was established in 1990. Rural school per capita capital expenditures for FY 91, 92, 93 and 94, were roughly equal to the bond reimbursed urban expenditures, even though rural construction and maintenance costs exceed urban by a very large factor. In the six fiscal years prior to this court's order, the legislature chose to fund rural school construction at \$30 or less per student four times, and at zero twice:

Fiscal Yr.	C.I.P.	Urban
95	-0-	869
96	30	724
97	389	627
98	24	581
99	1998	1009
00	-0-	556

After this court's order, the 2000-2001 fiscal year per capita funding for rural schools jumped to \$6,200 versus \$476 for urban schools. The State's brief claims this change was a result of the court's order, pressure from the governor, and the good faith of the legislature.

The court has no reason to doubt this, but there remains the flawed dual funding system that allowed the prior problems. The urban districts get 70% of their funding for schools reimbursed by the State. The rural districts get whatever the legislature chooses to give them.

The bond reimbursement program is automatic. The rural funding is political, and has been arbitrary, inadequate and racially discriminatory. Education health and safety of our youth have suffered. The dignity of our fellow citizens has suffered. The respect for public officials has suffered. The racial divisions in our state are further aggravated.

The media has reported legislators' comments on this issue: "It is cheaper to build a school in Homer than the bush", "There is only so much money to go around." These are absolutely true statements, of course - but they illustrate the fundamental legislative mistakes: We are constitutionally required to provide education on a substantially equal basis to all children, including rural mostly Native children, even if it costs more in the rural areas. As we spend the money available, we cannot spend it on urban, mostly non Native children first, and then say there is not enough to go around.

The present dual funding system is constitutionally flawed in form, and application.

Civ.R. 54(b).

Plaintiffs ask the court to enter a final order, and to require specific funding to correct the prior errors of the legislature. This court does have the power to require remedial action, within the limitations of separation of power, but would do so only with great reluctance.


The spending of the wealth of Alaska is for the legislature to manage, within the constitutional and federal limits. Legislation takes time, and school funding is expensive and complex. This court is not prepared to say the legislature will not, within a reasonable time, create a constitutionally proper system of funding, nor is this court prepared at this time to say the legislature will not, in the mean time, provide adequate remedial and ongoing capital funding for rural schools, in light of the FY 01 appropriation.<sup>1</sup>

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<sup>1</sup> This court is, however, concerned that the priorities established through the legislatively mandated process have not been followed even in the FY 01 funding. Urban school districts choose their capital plans, and the reimbursement law carries it out. The priority setting by the Department of Education is a surrogate for the rural districts choices. There is no inherent problem with this representative arrangement, but if the priorities are ignored, it leaves the rural districts, and the parents and children they represent, "out of the loop," effectively

What the legislature creates, and what is developed in the other parts of this litigation, will result in a comprehensive resolution. It should be done together, and therefore a Civ- R. 54 (b) partial final judgment will not be entered at this time. However, should progress be thwarted, or the good faith efforts of the players be successfully challenged, specific orders will be issued.

DATED this 27<sup>th</sup> day of March, 2001, at Anchorage, Alaska.

  
John Reese  
Superior Court Judge

I certify that on 03-27-01  
a copy of the above was mailed to  
each of the following at their  
addresses of record:

H. Trickey, C, Middleton.

B. Bjorkquist, AGO

Marie Suazo *MS*  
Secretary

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disenfranchised. Considering the impermissible racial impact of the prior funding choices made by the legislature, to deprive the rural children of even the indirect voice of the priority list seems to be treading on pretty thin legal ice. Endorsement of the priorities would seem to be a much better policy.