

SB

64

<TARGET><BILL>SB 64</BILL><SUBJECT>SB
64</SUBJECT><COMM>SEDC29</COMM></TARGET>

ALASKA STATE LEGISLATURE
SENATE FINANCE COMMITTEE

Senator Anna MacKinnon, Co-Chair
State Capitol, Room 516
Juneau, Alaska 99801-1182
Phone: (907) 465-3777
Sen.Anna.MacKinnon@akleg.gov



Senator Pete Kelly, Co-Chair
State Capitol, Room 518
Juneau, Alaska 99801-1182
Phone: (907) 465-3709
Sen.Pete.Kelly@akleg.gov

Sponsor Statement

Senate Bill 64 An Act relating to school bond debt reimbursement; and providing for an effective date

The State of Alaska is currently faced with a \$3.5 billion shortfall in revenue for Fiscal Year 2015 and a potential \$3.5 billion shortfall for Fiscal Year 2016. Senate Bill 64 will allow the state to control expenses.

There are four major cost drivers in Alaska's budget: K-12 education, Health and Social Services, debt service (PERS/TRS and bond payments), and employee salaries and benefits. Senate Bill 64 proposes to address the growth in state debt service expenses by suspending other government entities' ability to bond without explicit state approval.

Senate Bill 64 would sunset Alaska statutes relating to state aid for costs of school construction and major maintenance debt for five years. After five years, if the legislature does not take further action on these statutes, the reimbursement rates for school construction would be reinstated and reduced from 70% to 50% for eligible projects described under AS 14.11.100 (h), (i), (j)(2) – (5) and from 60% to 40% for eligible projects described under AS 14.11.100(h), (i), and (j)(2), (3), and (5).

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Sectional Analysis

Senate Bill 64 An Act relating to school bond debt reimbursement; and providing for an effective date

*Section 1: Amends AS 14.11.014, adds new subsection (d)

Sunsets the bond debt reimbursement provisions for school construction and major maintenance for five years, May 1, 2015 – July 1, 2020.

*Section 2: Amends AS 14.11.100(a)

Page 6, line 21 restricts reimbursement of bonds authorized after May 1, 2015.

Page 7, lines 1 – 11, deletes language relating to bonds authorized after May 1, 2015.

*Section 3: Amends AS 14.11.100(a)

Page 12, line 17 – Page 13, line 2 inserts language relating to bonds authorized on or after July 1, 2020.

(18) For projects approved under AS 14.11.100 (h), (i), and (j)(2) – (5) the reimbursement would be 50 percent.

(19) For projects approved under AS 14.11.100 (h), (i), and (j)(2), (3), and (5) the reimbursement would be 40 percent.

*Section 4: Amends AS 14.11.100, adds a new section (s)

Restricts the Commissioner from approving an application for bond debt reimbursement between May 1, 2015 – July 1, 2020

*Section 5: Amends AS 14.11.102, adds new section (c)

Restricts the Commissioner from approving an application for bond debt reimbursement between May 1, 2015 – July 1, 2020

SB 64 Sectional Analysis

March 5, 2015

Page 2

*Section 6: Repeals sections 1, 4, and 5 of this act on July 1, 2020

*Section 7: Retroactivity clause

Sections 1, 2, 4, and 5 of this act are retroactive to May 1, 2015

*Section 8: Section 3 of this act takes effect July 1, 2020

*Section 9: Sections 1, 2, 4, 5, and 7 of this act take effect immediately

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: SB 64
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB064-EED-SDR-3-9-15
Title: SCHOOL BOND DEBT REIMBURSEMENT
Sponsor: FINANCE
Requester: Senate Education Committee

Department: Debt Service
Appropriation: Debt Service
Allocation: School Debt Reimbursement
OMB Component Number: 153

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	***	***	***	***	***	***	***
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Elizabeth Nudelman, Director
Division: School Finance and Facilities
Approved By: Mike Hanley
Agency: Commissioner

Phone: (907)465-8679
Date: 03/09/2015 04:15 PM
Date: 03/09/15

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. SB 64

Analysis

Sectional Analysis

Sec. 1 adds a new subsection, AS 14.11.014(d), which closes the school debt program to new school bond debt applications for indebtedness authorized by voters from May 1, 2015 to June 30, 2020. (Note, debt authorized by voters prior to May 1, 2015 is not affected by this legislation.)

Sec. 2 amends AS 14.11.100(a)(16) by sunsetting the 70% program as of May 1, 2015. This section also amends AS 14.11.100(a)(18) by removing the section; which was passed under HB278 (Ch15 SLA14) to lower the 60% debt category to 50% effective May 1, 2015.

Sec. 3 adds new sections AS 14.11.100(a)(18) and AS 14.11.100(a)(19).

(18) The language added at AS 14.11.100(a)(18) parallels the language for the 70% program under AS 14.11.100(a)(16), but sets the reimbursement rate at 50% for bonds authorized by municipal voters on or after July 1, 2020.

(19) The language added at AS 14.11.100(a)(19) parallels the language for the 60% program at AS 14.11.100(a)(17), but sets the reimbursement rate to 40%; includes debt approved by voters on or after July 1, 2020.

Sec. 4 provides that the commissioner may not approve an application for bond debt reimbursement for school construction or major maintenance for indebtedness authorized by voters from May 1, 2015 to June 30, 2020.

Sec. 5 provides that the commissioner may not allocate funds to a municipality under AS 14.11.100 for the retirement of indebtedness authorized by voters from May 1, 2015 to June 30, 2020.

Sec. 6 repeals AS 14.11.014(d), AS 14.11.100(s), and AS 14.11.102(c) as of July 1, 2020.

Sec. 7 provides for retroactivity to May 1, 2015 for sections 1, 2, 4, and 5 of this Act.

Sec. 8 provides that section 3 this Act takes effect July 1, 2020.

Sec. 9 provides that sections 1, 2, 4, 5, and 7 of this Act takes effect immediately under AS 01.10.070(c).



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Alaska Commission on
Postsecondary Education**

EXECUTIVE OFFICE

P.O. Box 110505
Juneau, Alaska 99811-0505
Phone: 907.465.6740
Fax: 907.465.3293
acpe.alaska.gov

March 2, 2015

The Honorable Mike Dunleavy, Chair
Senate Education
State Capitol Room 11
Juneau, Alaska 99801

Dear Senator Dunleavy,

I am writing in follow up to a question posed at the February 24th committee hearing on Senate Joint Resolution 2, the constitutional amendment relating to contracting state debt for postsecondary student loans. You asked, in the event the Alaska Student Loan Corporation has issued General Obligation backed bonds and is later unable to make debt service payments when due, how would state payments on that debt occur and whether such payments would be made through the standard appropriation process. I directed that inquiry to staff at the Department of Revenue who have advised that current statutes give the Department of Revenue standing authority to make debt service payments without an additional appropriation through the annual budget approval process. That authority is provided in AS 37.15.012. Continuing debt service appropriation.

I hope this information is helpful. Please feel free to contact me if you have any additional questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane Barrans".

Diane Barrans
Executive Director



Fairbanks North Star Borough Mayor's Office

809 Pioneer Road PO Box 71267 Fairbanks, Alaska 99707-1267 (907)459-1300 FAX (907)459-1102

March 12, 2015

Senator Mike Dunleavy, Chair
Senate Education Committee
State Capitol
Juneau, Alaska 99801

Subject: SB 64 School Debt Reimbursement

Dear Senator Dunleavy:

We appreciate the opportunity to testify today on SB 64, "An Act relating to school bond debt reimbursement". We are aware of the budgetary constraints facing Alaska and understand the actions currently being taken by state officials in addressing budget shortfalls. We very much appreciate your dedication and service during these financially difficult times.

However, the suspension of this program on May 1, 2015 eliminates the opportunity for the Fairbanks North Star Borough residents to benefit from 70/30 school bond reimbursement. It is our understanding that with the exception of the Municipality of Anchorage - who has a bond package before their voters on April 7, 2015 - most other local municipal elections are held during the month of October.

The Fairbanks North Star Borough is considering placing a school construction bond package before our voters this October (see attached). While our School Board and the borough consider advancing all or some of these projects to the ballot, it is important to note that each of these projects meet the criteria to qualify for 70/30 reimbursement and Department of Education and Early Development approval.

We are concerned that delaying construction of these major maintenance projects will cause serious further deterioration of our facilities. These schools are the oldest in our community and these mechanical and structural issues must be addressed.

We respectfully request that the suspension deadline of May 1 in SB 64 be changed to October 30, 2015 to allow Alaska communities and residents to benefit from the current 70/30 reimbursement program.

Respectfully,

A handwritten signature in black ink, appearing to read 'Luke Hopkins'.

Luke Hopkins, Mayor
Fairbanks North Star Borough

Cc: Interior Delegation

The Fairbanks North Star Borough is considering advancing the following School District projects for ballot proposition(s) for bond this fall. These projects provide renovation and major maintenance of existing facilities and meet the current requirements for 70 /30 match reimbursement through DEED.

Barnette Magnet School Renovation Phase IV **\$11,467,095**
(final phase – completion)

Barnette Elementary School was completed in 1960. This final phase will complete the renovation of the original 1960's wing and demolish the 1970's addition that has severe seismic structural deficiencies. No new or replacement space will be built in this project. The scope of this project is to complete the renovation as designed, but not completed in the previous phases. This will include the building envelope, windows, doors and finishes; and the mechanical plumbing, heating and ventilation, electrical, and phone / data systems. Additionally, as detailed in the educational specifications, the building is deficient in a number of areas with regard to educational program deliverability. The scope addresses this through realignment, rearrangement, and upgrades of spaces to match the highly successful magnet school program. This project is listed as #5 on the DEED Major Maintenance Grant program list.

Districtwide Fire Sprinkler Systems Backflow Preventers **\$750,000**
Many schools have been required to install double-backflow preventers in their fire sprinkler systems to meet requirements of the local water utility in order to prevent cross contamination of the community potable water system.

Woodriver Elementary School Phase III Renovation **\$9,952,321**
Woodriver Elementary School was completed in 1976. This final phase will complete renovation of the facility and will improve energy efficiency including building envelope, roof replacement and increase of insulation to current standards, boiler replacement, upgrades to mechanical and electrical systems and elimination of victaulic pipe connections. Interior renovation will include hallways, restrooms, offices, common areas and other work not completed previously.

Tanana Middle School Mechanical Upgrades and Energy Efficiencies **\$9,663,173**
Tanana Middle School was completed in 1975. The mechanical system has older fire-tube boilers that require expensive maintenance and are in need of replacement with newer more efficient boilers. Also included are building automation system improvements to new direct digital controls, ventilation system, plumbing and other upgrades to increase energy efficiency in the facility.

Joy Elementary School Partial Roof Replacement **\$1,102,435**
Joy Elementary School was completed in 1962 and added to in 1989. This project replaces the roof and insulation of the 1989 addition. This roof is an IRMA roof system that is failing and is in need of replacement. The project will also increase insulation to current standards and improve energy efficiency.

Total **\$32,935,024**

Scott Johnson, AIA
Director
Department of Public Works
Fairbanks North Star Borough
907-459-1355