

LEG. FINANCE - BILLS 1977 - 1978 924

SB 159 cont., thru SB 163 924

neighborhood location to the comparable sales used. Mr. Simmons and Mr. Ferrara both agreed that the Alaska Industrial Subdivision neighborhood was inferior in price levels to either of the Ship Creek or South Anchorage Industrial area. Testimony was given and agreed by all parties that the Alaska Industrial Subdivision is well located in proximity to the downtown business center of Anchorage, is close to transportation facilities, and has good arterial access. However, testimony was given that the type and intensity of uses, as well as the rate of development within the Alaska Industrial Subdivision are inferior to the Ship Creek and South Anchorage Industrial areas. The Panel agrees with the lessees' appraisers in this regard and finds that the prices of comparable land sales from the Ship Creek and South Anchorage Industrial areas should be adjusted downward before arriving at a comparable market value for subject lots in the Alaska Industrial Subdivision.

(3) Electrical Transmission Line Easement.

Testimony was given and evidence presented concerning an electrical transmission line easement 45 feet in width which crosses diagonally through the Alaska Industrial Subdivision. According to testimony, no permanent structures may be built within the easement right-of-way and no structures may be placed closer than 10 feet vertically and horizontally from the electrical wires or supports. Mr. Burn testified that the transmission line easement was not important and would not result in any loss in value to those lots crossed by the easement.

Mr. Ferrara testified that there is a loss of value in varying degrees caused by the easement, depending upon its location within each affected lot. Although Mr. Ferrara said he did not have time to investigate the effect

on value to a sufficient degree to estimate what loss in value would be involved for specific lots, he said one measure of the loss in value would be the cost of relocating the easement either within the public street right-of-way or along the property boundaries.

Mr. Leon Brown, a lessee in the Alaska Industrial Subdivision since May, 1958, to the present, testified as to the problems encountered in developing four lots which were affected by this transmission line easement. The Panel notes here that Mr. Wilhour said he complained to Peanuts Main on the staff of the Division of Lands with a resultant rent reduction because of the effect of the easement.

The Panel believes that the evidence is conclusive, and common sense dictates, that the electrical transmission line easement has an adverse effect on value. The Panel suggests that the testimony of Mr. Ferrara as to the cost to cure method, that is the cost of relocating the transmission line, is only one way of measuring this loss in value and that other appropriate means of estimating loss of value may be used. Before Mr. Ferrara's method is used, an investigation of the feasibility and likelihood of moving the line should be made. The Panel notes that the transmission line affects in a substantial way four of the reappraised lots. One method might be an actual computation of the value of the lost area.

(4) Rental Rate.

The May 1, 1976, adjustment, in addition to using a higher fair market value as a basis for computing the annual rent, also increases the rental rate from 6% to 8%. This, Mr. Euan testified, was done because his review and analysis of private leases in the community indicated that 8% was the more appropriate rate.

The lessees protested that this increase was unwarranted. They argue that various provisions of the state lease make it less desirable than a private lease and that therefore the rental rate should be lower. The major differences which made the state lease less desirable were asserted as follows:

(a) Lack of subordination. Many private leases allow for subordination of the fee to any encumbrance placed on the property to secure debt financing. The state lease does not provide for this, it only allows the financing agency to step into the shoes of the lessee by way of a "collateral assignment of interest." Mr. Bunn testified that this provision was substantially the same as subordination; thus, no downward adjustment should be made in the rental rates to allow for this. The testimony of Andy Hoge, an attorney heavily involved in lease financing, and John Kamper of Peoples Bank persuade the Panel that Mr. Bunn's perception of subordination is simply wrong. The lack of subordination in the State lease is a very significant factor for which adjustment in rental rate should be made.

(b) Lack of arbitration and rent ceiling. Many private leases provide for arbitration of disputes over rent or rent ceilings or rent payments adjusted in accordance with the cost of living index. The State's lease contains none of these provisions. Mr. Bunn made no attempt to adjust for these provisions. The lessees argue, with considerable merit, that provisions such as rent ceilings, linking adjustments to the consumer price index, and arbitration provisions provide some degree of predictability as to what the rent will be in the future. This predictability is absent in the State leases, which provide for a unilateral adjustment

of rentals by the lessor.

(c) Option to purchase. Many private leases also provide an option to purchase. The State's lease contains no such provision.

(d) Floating easement. The State's lease contains a floating easement giving the lessor the right to grant easements or rights-of way across the leased land with compensation for improvements damaged or destroyed, but does not provide for consequential damage. The private leases do not reserve this kind of easement.

Most private leases contain one or more provisions which make them more advantageous to the lessee than the State's lease. Contrary to testimony of Mr. Munn, the State's lease contains no provisions more advantageous to the lessee. Given the long term of the State lease, the Panel does not believe the right to renew is of significant benefit to the lessee. The evidence is overwhelming on this point. The banker, attorney, and lessee's appraisers all testified to the more noxious State lease. Thus, the Panel believes the increase in rental rate to 8% is unjustified. The general market rate for private leases is no doubt in the 8% range; however, some allowance should be made for the less desirable features of the State lease. For the above reason, the Panel believes a return to the 6% rate would accurately reflect the market rental value for a State lease.

IV

SUMMARY AND FINDINGS OF FACT

In summary, the Panel makes the following findings:

1. The Division incorrectly made no allowance for site preparation to arrive at a fair market value in accord with the lease. The evidence was overwhelming that there was substantial overburden to remove, from one to four feet with some fill required perhaps on most lots.

2. The Division's appraiser incorrectly arrived at a time increment to use for upward adjustment of comparable sales. The Panel finds that the 2% per month time adjustment suggested by the lessees' appraisers to be well founded and the correct one to apply in the appraisal of the subject lots.

3. The Division's appraiser used some 14 sales from the South Anchorage area as comparables in his reappraisal. Only four comparable sales were taken from an area near the subject property. The Panel is cognizant that Mr. Dunn was attempting to find land of the same zoning classification as the subject lots to use as comparables. However, the Panel finds that the rate of development is higher in South Anchorage and that the type and intensity of uses is greater. Some appropriate downward adjustment should be made before arriving at an appraised value of subject lots from these South Anchorage sales. Additionally, the Division's appraiser should consider the comparable sales used by the lessees' appraisers, even though they were of differing zoning classifications.

4. The Division's appraiser should have, but did not, adjust downward the value of the lots which have an electrical transmission line running through them. The Panel finds from the map submitted by the Division that this line has caused a

substantial diminution in the value of at least four of the reappraised lots. Additionally, the Panel finds that the adjustment suggested by Mr. Ferrara to be appropriate only if it were economically feasible to move the line, and likely that such a cure could be consummated.

5. The rental rate of 8% is excessive, considering the private lease market and the disadvantageous provisions in the State lease, including: (a) no subordination of fee, (b) no rent ceilings, (c) unilateral adjustment with no arbitration, (d) floating easements, (e) lack of option to purchase. Specifically, the private leases examined contained one or more of the following advantageous conditions: (a) subordination, (b) an option to purchase, (c) rent ceilings, (d) arbitration; and none contained floating easements provisions.

6. The Panel finds that subordination and collateral assignment are not the same as suggested by the Division's appraiser. The evidence on this point is overwhelming, consisting of the testimony of a disinterested expert, Mr. Koge, that financing of a leasehold interest is typically much more favorable to a lessee when the land lease contains a subordination agreement. Mr. Kamper, Mr. Simmons and Mr. Ferrara agreed with this assertion.

7. The advantages alleged to be present in the State lease are more illusory than real. Any advantages to the right to renew the 55-year State lease and removing improvements is insignificant in relation to the disadvantageous features described in Finding No. 5. This is supported by weight of the testimony of expert witnesses.

8. The lessees had no real opportunity after they had received notice of the reappraisal and before the effective

date of the repeal of the waiver of adjustment to seek such a waiver. It was unrealistic to think they might have reason to seek such a waiver prior to receiving notice of the reappraisal.

9. The effect of the adjusted rentals is to discourage development of the subject area rather than to further the objective of encouraging development, which is the intent of the leasing regulations (11 AAC 58.900).

10. A new reappraisal by the Division should be conducted.

V

CONCLUSIONS OF LAW

The Panel having heard legal argument and read the memoranda submitted makes the following conclusions of law:

1. The lease and regulations read together require that the Division include in its appraisal of subject lots the increment of value generated by offsite improvements, such as installation of roads and utilities into the subdivision, with the provision that any utility hook-up to a main trunk line which was paid for by the lessee or a predecessor not be included, even if it is off the subject property.

2. The terms "such adjustment to be based primarily upon a reappraised annual rental value of land" and "any changes or adjustments shall be based primarily upon the reappraised rental value" found in the State's lease and 11 AAC 58.520 mean that the Division should consider other factors besides a reappraised annual rental value in arriving at an adjusted rental. This is so because of the use of the adverb "primarily" to modify the verb "based." The principles of interpretation dictate it be given meaning; without the presence of this word the Division would be able to consider only the reappraised annual rental value.

3. The reappraisal of May 1, 1976, the subject of this hearing, was not done consistent with the provisions of 11 AAC 58.900, which expresses the intent of the leasing chapter of the Administrative Code.

4. Subordination of the fee and collateral assignment are substantially different as a matter of law. Subordination of the fee means the fee can be encumbered to secure debt financing for the lessee. The holder of a collateral assignment merely steps into the shoes of the lessee.

VI

RECOMMENDATIONS

Implicit in the above discussion and findings is that the Panel finds the Division's reappraisal unacceptably high. Therefore, the Panel recommends that the subject lots in the Alaska Industrial Subdivision be reappraised by the Division in a manner consistent with the above discussion, findings and conclusions.

In addition, the Panel believes further recommendations are appropriate. The present lease and the present leasing policy should be modified. These modifications should be designed to put the State on a competitive footing to the degree possible with private lessors and are as follows:

1. In accord with the provisions of the lease, the lessees should be encouraged to record expenses incurred in site preparation so that the "original condition" can be more adequately ascertained.

2. The lease language should be clarified to remove any possible inconsistencies with 11 AAC 58.520.

3. To insure some predictability, place some control over the size of the rental increase through utilization of a ceiling

on the size of the increase in rental every five years.

4. Provide for arbitration of disputes over the annual rental arrived at after a reappraisal process and overinterpretation of other sections of the lease. This would ameliorate the current unilateral nature of rent adjustments.

5. Eliminate the floating easement. The State could exercise the right of eminent domain to condemn. The condemnation would result probably in greater compensation for damages to the lessee, especially in view of the Supreme Court decision in State v. Hammer, 550 P.2d 820, thus the lease would be more attractive to the leasing market. Additionally, the language in the current lease is ambiguous as to damages compensable. This ambiguity only encourages litigation.

6. These above recommendations, if adopted, would assure the State a competitive position in the lease market, encourage development of the leaseholds consistent with the intent of the leasing regulations, and be equitable to the lessee. The Panel also believes the State should be able to obtain a good return on its land. Accordingly, if the recommendations as to the lease are adopted, the rental rate should be changed to reflect the removal of the undesirable aspects of the State lease.

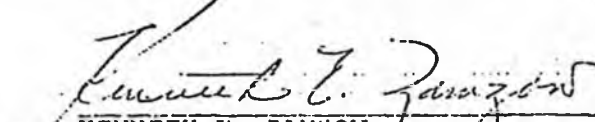
7. Suggest an amendment as to AS 38.05.105 to eliminate the term "primarily" from the statute, and also eliminate this term from the regulation and the lease. This is ambiguous, and assuming it has meaning, it may encourage individual accommodation of lessees by the Division. This, the Panel believes, is not in the State's best interest in that it could encourage political maneuvering to attempt to obtain this accommodation, and may well mean uses other than the highest and best use would be perpetuated. Also, the presence of such an ambiguity

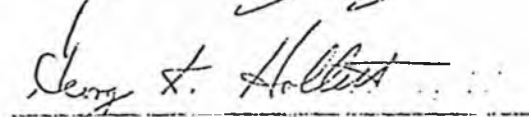
could lead to an excess of administrative discretion.

8. Finally, should some or all of the above general recommendations be ultimately adopted, then legislation should be suggested for enactment providing all present lessees the opportunity to negotiate modifications consistent with the changes adopted.

RESPECTFULLY SUBMITTED at Anchorage, Alaska, this
20th day of January, 1977.


TIMOTHY G. MIDDLETON
Hearing Panel Member


KENNETH E. ZAIZOV
Hearing Panel Member


GEORGE K. HOLLETT
Hearing Panel Member



NATIONAL
Bank of Alaska

Fifth Avenue Office: P. O. Box 3-3559 • Anchorage, Alaska 99501 • 907/274-1621

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February 22, 1977

Mr. R. Ford
Anchorage Camper Center

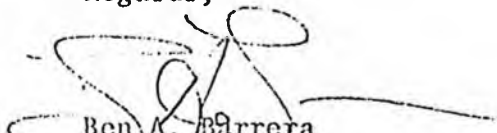
Re: Senate Bill #159

Dear Mr. Ford,

We have reviewed Senate Bill #159, and feel that if inacted it's passage would seriously hamper long term financing for business affected by the Bill. The reason for this comment Mr. Ford, is that lending institutions would be wary of the repayment knowing what the lease expense would be at a further date without the same guarantee from the business's profits.

I hope this memo will answer your question. My reply is general, but I feel sound. Any further questions on the matter you may have I will try to answer.

Regards,


Ben K. Barrera
Vice President

Motor Homes
Truck Campers
Trailers

The Original



Sales
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Anchorage Camper Center

Alaska's Recreation Vehicle Supermarket

• 2756 Commercial Drive Anchorage, Alaska 99501

907-277-0556

907-274-4434

Feb. 22, 1977

Mister Chairman

Ladies & Gentleman

My name is Robert Ford, President of Anchorage Camper Center, Vice President of Boysen Investment Corporation - Alaska Excavating Contrs., and owner of R & M Rentals, a company dealing in leasing in the private market.

I am here today to speak on behalf of Anchorage Camper Center, presently holding ADL Lease 003065-7, Lots 15, 16, 22 and 23 Block 10 Alaska Industrial Subdivision comprising 70,000 square feet. I speak for myself, but I am sure the appreciation for your time and effort in getting our proposed bill in the Legislation is felt by all the leaseholders of Alaska Industrial Subdivision..

In reviewing SB 159, I feel that somewhere along the way we were not able to express our position and also the lending agents position in clear cut terms or you would not have seen fit to change Sec-1 38.05085. Let's explore that change from 25 years level term to ten years.

Ten years is not acceptable to the bank to protect their loan where there is no subordination of the fee. The state will not subordinate so the only way we can obtain a loan for improvements on lease land is to either have a healthy bank account yourself, which very few now days have, or have a lease with a long enough level term lease on the front end to convince the lending people that you will be able to amortize the loan and also stay in business.

I feel safe in stating that any loans for improvements in our sector in the last ten years have been made on the financial statement of the man, not on the lease. Therefore I strongly support the twenty five year fixed base annual rental concept so that we may secure long term money for expansion. That way we can improve and upgrade our leases to the best use of the land.

I would like to comment at this time and submit figures to illustrate that the 50% increase every five years after the level term is not in my estimation a viable solution and this is the breakdown of my lease at the appraised value as of January 1, 1975

ALASKA INDUSTRIAL BLOCK 10, LOTS 15, 16, 22, 23 and 24

APPRAISED LAND VALUE \$61,167.00

<u>TERM</u>	<u>% INC TERM</u>	<u>% ORIG VALUE</u>	<u>NEW APPRAISED VALUE</u>	<u>LEASE PAYMENTS</u>	<u>ACCUMULATED COST TO LEASEE</u>
1-10	0%	100%	\$ 61,167.00	\$ 48,933.00	\$ 48,933.00
10-15	50%	150%	91,750.00	36,700.00	85,633.00
15-20	50%	225%	137,625.00	55,050.00	140,683.00
20-25	50%	337.5%	206,438.00	82,575.20	223,258.20
25-30	50%	506.25%	309,656.00	123,862.40	347,120.60
30-35	50%	759.38%	464,487.00	185,794.80	532,915.40
35-40	50%	1,139.07%	696,731.00	278,692.40	811,607.80
40-45	50%	1,708.61%	1,045,100.00	413,040.00	1,229,647.80
45-50	50%	2,562.92%	1,567,653.00	627,061.20	1,856,709.00
50-55	50%	3,844.38%	2,351,479.00	940,591.60	2,797,300.60

Ladies and Gentleman, I can not comprehend paying the astronomical figure of \$2,797,300.00 for 70,000 square feet of land over the next 55 years. I realize inflation is on the rise but God help us all if we are to be faced with figures like these and more, especially land we can never own.

I thank you for your kind attention.

February 22, 1977

Jay S. Hammond, Governor
Pouch A
Juneau, AK 99811

Dear Governor Hammond:

The Ad Hoc Committee on land policies and procedures has met on a weekly schedule since late October. We have addressed many problems dealing with the administration of the state's land patrimony. Many of these problems need resolution through the legislative process. Accordingly we are submitting these following recommendations as an interim report of the Committee, in the hope that the legislature may act during its current session.

Recommendation #1

The committee recommends that the State adopt a system of level payments in place of declining payments in its sales contracts. The system of level payments is in common use in the business world, and the payment figures are easily set forth in a contract. The disadvantage of the present method is that interest must be recalculated every year and the payments decrease each year. From both the State's and the buyers' viewpoints, the level payment method would be preferred. The State would receive slightly more in interest payments over the contract terms and the buyer would not have to make as high initial payments.

Section 2 & 3 of the attached draft bill would accomplish this.

Recommendation #2

The committee recommends that the State charge a market rate of interest in its sales contracts. The interest rate, at present 6%, is below market levels and may have contributed to inflated prices at state land sales. By setting interest rates at market levels, the State would help prevent inflated land prices and at the same time return more income to the State. To provide for a market rate of interest in sales contracts, no change in AS 38.05.065 would be required. The addition of a statement of market rate in this statute would be desirable, however.

Section 3 of the attached draft bill would accomplish this.

Recommendation #3

The Committee recommends that all sales contracts over \$400.00 per year have the option of paying in quarterly installments instead of annual installments. It is the committee's belief that this would ease the financial strain on the buyer and yet not add significantly to the State's administrative costs.

Section 3 of the attached draft bill would accomplish this.

Recommendation #4

The committee recommends that the Director be given the authority to set the payment period from one to twenty years. This type of flexibility would allow the State and buyers greater market possibilities.

Section 3 of the attached draft bill would accomplish this.

Recommendation #5

The committee believes that the word "primarily" may imply special consideration to some lessees. In order to treat all lessees fairly and equitably the committee recommends that the word primarily be stricken. Deleting "primarily" would clarify the basis for reappraisal. This recommendation is also made by the hearing panel on the Alaska Industrial Subdivision leasing protest.

Section 8 of the attached bill will accomplish this.

Recommendation #6

Since public notice is covered in AS 38.05.345 the change to "appraisal" for AS 38.05.310 is warranted by its present content. The committee recommends that land may be appraised 120 days in advance of a sale or lease. The change from 90 to 120 days would be desirable in that minimum bid information could be given to the public well in advance of the actual sale or lease auction.

Section 10 of the attached draft bill will accomplish this.

Recommendation #7

The committee recommends that land offered over the counter be reviewed at 90 to 120 day intervals to determine if an increase in value has occurred. This review is desired so that parcels are not undervalued by progressive changes in the market.

Section 10 of the attached draft bill would accomplish this.

Recommendation #8

The committee recommends that in Title 38.05 of the statutes the terms "fair market value" be used in place of "fair appraised market value" and "market value." The meaning is meant to be the same in all cases. The committee would like to see one standard term used to avoid confusion and misunderstanding.

Sections 4, 5, 7, & 13 of the attached draft bill would accomplish this.

Recommendation #9

The duration of a lease and the economic life of substantial improvements, such as stores or factories may not coincide. In order to see that state leased land is used in a rational economically productive manner the committee recommends that lessees of long-term leases be given a renewal option for up to fifteen years. This type of option would grant the lessee more flexibility in maximizing

his investment returns, especially during the final years of his lease. It would also increase the lessee's planning possibilities for use of the leased ground. This action would also soften the impact of termination of the lease. Specifically, this would permit a lessee to work substantial repairs to a building when the remaining term of the lease would not otherwise justify it.

Section 6 of the attached draft bill would accomplish this.

Recommendation #10

In order to provide a uniform 55 year limit for all long-term leases the committee recommends deletion of the 99 year provision found in 38.05.070(c) for school lands.

Section 6 of the attached bill would accomplish this.

Recommendation #11

The committee believes that state trust lands (school, mental health, and university) are now and have been managed at a low intensity. These lands may be returning only a fraction of their potential value that could be realized by a small full time management staff. The Division manages, these lands at no charge to the various trust funds and receives no reimbursement for its services. Therefore, it has traditionally placed low priority on management of these lands. This committee recommends that the State Legislature authorize each trust board the authority to freely contract with any agency or private firm for the management of its lands for revenue production in accordance with the state's land act.

Section 1 of the attached draft bill would accomplish this.

Recommendation #12

To provide the lessee insurance against a land boom or unexpected increase the committee recommends that rental increases at the five-year reappraisal periods not exceed 100% of the prior existing annual rental rate. This action would increase the predictability of the lessee's payments. The stability thus created would add significant borrowing power for the lessee to finance improvements on the leased ground. Mr. Mack of this committee does not concur and believes that 100% is too high a ceiling.

Section 8 of the attached draft bill would accomplish this.

Recommendation #13

The Division of Lands has had many protests from private parties over the past few years leading the committee to believe that a board of appeals is highly desirable and needed, at this time. At present there exists no arbitration board or board of appeals to handle appeals allowed by Division of Lands regulations. The creation of a board of appeals would effect a responsive mechanism for solving most problem cases arising out of Division of Lands transactions that affect private parties. The board of appeals would be faster and less costly to private parties than legal recourse, which would still be available. The board is structured to maintain adequate expertise while attempting to eliminate bias in favor of the

Division of Lands. The appeal board would substitute for the Commissioner in the present appeal process.

Section 14 of the attached draft bill would accomplish this.

Recommendation #14

The current procedures for informing the public of state lands transactions are covered in AS 38.05.305 and AS 38.05.345. The two procedures do not mesh in a clear manner. The committee recommends that the procedures be clarified in a manner that will be flexible enough to inform the public fully and yet not require multiple advertising for minor negotiated transactions.

Section 11 of the attached draft will accomplish this.

Recommendation #15

To implement the new lease provisions recommended by this committee new lease forms for various types of leases will be required. It is the committee's recommendation that the Division draft new lease forms to comply with the statutes adopted, and that the new forms be reviewed by this committee.

Recommendation #16

At present many lessees are suffering hardship due to rent increases of several hundred percent. To provide for this relief and as a curative for such future increases the statutory provisions found in section nine are recommended. Provision for optional conversion of present leases to ones that will place a ceiling of 100% on rental increases every five years will largely prevent future hardship cases and resolve satisfactorily the present cases. With a rent ceiling lease rental increases will be more predictable resulting in more financial stability for the lessee. Mr. Mack does not concur with the limitation of 100%.

Section 8 & 9 of the attached draft bill will accomplish the above recommendations.

Recommendation #17

The committee recommends that the Legislature apply the provisions found in Title 33 to those in Title 3 and Title 19. The rationale would be to make land laws uniform between the Division of Aviation, Department of Highways and Division of Lands.

Recommendation #18

To comply with new statutes the committee recommends a major overhaul of Division of Lands regulations. The committee has found many of the regulations now in effect to be outdated and superseded by statutes.

Recommendation #19

The committee recommends that the State be given more flexibility to resolve contract of sale violations. This is necessary to prevent foreclosure as the

only remedy for minor contract violations.

Section 3 of the attached bill will accomplish this.

The committee wishes to note that in the course of public testimony it was apparent that Division of Aviation lessees had significant problems with their current leases. This subject was not within the scope of the committee's deliberations and, therefore, not addressed.

The committee wishes to emphasize that this is an interim report and will be followed by additional recommendations not necessarily involving legislative actions.



THEODORE G. SMITH
Co-chairman

Committee Members:

Hugh Cellert, Co-chairman
William Mack
John Norman
Lidia Salkregg
Janie Love
Carl Marrs
Clark Gruening
Mike Colletta
Herb Lang
David McCabe

IN THE

BY RULES COMMITTEE BY REQUEST
OF THE GOVERNOR

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to state lands and providing for
an effective date."

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

* Section 1. AS 38.05.030 is amended by adding a new subsection to read:

Section 38.05.030 (f). Notwithstanding the provisions of (a) and (e)
above and 38.05.035 (a)(13), the trustees of state trust lands may manage or
contract with any agency, public or private, for the management of trust
lands pursuant to the provisions of this chapter. Costs of such management
shall be borne by the respective trusts.

* Section 2. AS 38.05.055 is amended to read:

Section 38.05.055. SALE PROCEDURES. Except as provided in Section
315(d) of this chapter, the sale shall be made at public auction to the
highest qualified bidder as determined by the director. An aggrieved bidder
may appeal to the commissioner within five days after the sale for a review
of the director's determination. The sale shall be conducted by the director
or his representative, and at the time of sale the successful bidder shall
deposit an amount determined by the director but not less than 5% (EQUAL TO
ONE-TENTH) of the purchase price. The director or his representative shall
immediately issue a receipt containing a description of the land or property
purchased, the price bid, and the terms of sale, which receipt shall be
acknowledged in writing by the bidder. A contract of sale on a form approved
by the attorney general shall be signed by the purchaser and, after approval of
the commissioner, the contract shall also be signed by the director on
behalf of the state.

* Section 3. AS 38.05.065 is amended to read:

Section 38.05.065. TERMS OF CONTRACT OF SALE. The contract of sale
shall require the remainder of the purchase price to be paid over a period

of not more than 20 years, which shall be set for each sale by the director.
Installment payments plus interest will be set on the level payment basis
over the payment period. The interest rate charged on installment payments
shall be the prevailing rate on similar land transactions at the time the contract
is signed, as determined by the director, but in no case shall it be below
5% per year or above the current usury rate as set by AS 45.45.010(b) and (d).
(IN ANNUAL INSTALLMENTS OF NOT LESS THAN 10 PER CENT OF THE PURCHASE PRICE,
WITH INTEREST AT THE RATE OF NOT LESS THAN FIVE PER CENT A YEAR.) The
director, with the consent of the commissioner, may also impose conditions,
limitations, and terms which he considers necessary and proper to protect
the interest of the state. Violations of any provision of this chapter or
the terms of the contract of sale subject the purchaser to appropriate
administrative and legal action, including but not limited to specific
performance, foreclosure, ejectment, or other legal remedies in accordance
with applicable state law. (LEGAL ACTION, INCLUDING A FORECLOSURE ACTION
IN ACCORDANCE WITH APPLICABLE STATE LAW.)

* Section 4. AS 38.05.067(b) is amended to read:

Section 38.05.067(b). The director shall not sell the lands under this
section at less than their fair (APPRAISED) market value. The director shall
make regulations necessary to ensure that lands sold under this section are
for bona fide residential use and not for speculation.

* Section 5. AS 38.05.068(a) is amended to read:

Section 38.05.068(a). FOREST SERVICE PERMITTEES' SALES PREFERENCE.
Before offering to the public any land which is subject to a valid existing
United States Forest Service permit in effect in a state-selected area at
the time the area was patented to the state, or which is subject to a lease
issued under Section 87 of this chapter, the director shall offer the land
for sale to the permittee or his successor in title, if he can be found, at
not less than its fair (APPRAISED) market value before offering to the
general public.

* Section 6. AS 38.05.070(c) is amended to read:

Section 38.05.070(c). A lease may be issued for a period of up to 55
years, if it appears to be in the best interest of the state and if the
commissioner approves. A lease for a period in excess of 25 years shall grant
the lessee an option entitling him to extend the term of the lease for up to
3 consecutive five year periods in addition to the original term. If the Commissioner
determines that the land or a part of it which is the subject of a grazing

lease is not being used for the purpose issued, the lease may be declared void. (HOWEVER, A NONRENEWABLE LEASE FOR SCHOOL LANDS MAY BE ISSUED FOR A PERIOD NOT TO EXCEED 99 YEARS.)

* Section 7. AS 38.05.087(a) is amended to read:

Section 38.05.087(a). FOREST SERVICE PERMITTEES' LEASING PREFERENCE. Before offering to the public any land for lease which is subject to a valid existing United States Forest Service permit in effect in a state-selected area at the time the area was patented to the state, the director shall offer the land for leasing to the permittee at not less than its fair (APPRAISED) market value before offering it to the general public.

* Section 8. AS 38.05.105 is amended to read:

Section 38.05.105. Each lease shall stipulate that the annual rental payment is subject to adjustment at five year intervals and shall be based (PRIMARILY) on a reappraised annual rental value. Any increase due to reappraisal may not exceed 100% of the annual rental for the preceding 5 year period. However, if the director of the division of lands determines that residential development is the best use for the land, the reappraisal period may be lengthened or the readjustment waived in accordance with regulations adopted by the commissioner. Before a waiver of rental readjustment is issued, the land shall have a current reappraisal. A waiver is valid only if residential development actually occurs, and only if it is necessary for obtaining primary long-term financing. The regulations adopted under this section shall ensure that the state receives a fair return from the land.

* Section 9. AS 38.05 is amended by adding a new paragraph to read:

Section 38.05.106. CONVERSION OF LEASES. (a) Any person holding a valid lease as lessee of lands from the State under provisions of AS 38.05.070 - .105, or as an approved assignee of such lessee under the terms of such lease, may, at his option, convert his lease so as to obtain certain benefits, enumerated in subparagraph (b) below, which were not available to him at the date his lease was originally entered, if the lessee at the time of conversion makes all payments due under the conversion rate and is not in violation of any other lease provision.

(b) Those lease benefits which shall be made available to a lessee qualifying under subsection (a) of this section shall be all of those lease provisions authorized or made applicable by this act to new leases entered into by the State after the effective date of such statutes.

(c) The effective annual rental value at conversion shall be based on the most recent reappraisal provided that such reappraisal was within 2 years of the effective date of this act. In all other cases, the conversion shall be based on the next reappraisal.

(d) Any conversion as to trust lands shall be effective only if approved by the appropriate board of trustees.

(e) Applications for conversion must be made within 3 years of the effective date of this act.

* Section 10. AS 38.05.310 is amended to read:

Section 38.05.310 (NOTICE AND) APPRAISAL. (a) No land may be sold or leased, or a renewal lease issued (WITHOUT PUBLIC NOTICE) except in the case of an oil or gas or mineral lease, unless it has been appraised within 120 (90) days before the date of (FIXED FOR THE) sale or lease. (WHEN LAND IS OFFERED AT PUBLIC SALE BUT IS NOT SOLD AND IS AVAILABLE) For over the counter sale (AT THE PRIVATE SALE, NO) an (RE)appraisal is required unless the director finds (CONSIDERS) that a change in value of the lands has not (MAY HAVE) occurred. A grazing lease may be granted to a lessee of federal grazing lands without prior appraisal, if his federal lease was cancelled to allow the state to select the lands under lease. No land may be sold or leased for less than fair (THE APPROVED, APPRAISED) market value, except as provided in .315 and .320 of this chapter and .75 - .85 of this chapter. No land or interest in land may be sold, leased, or otherwise disposed of without public notice.

(b) When land is offered at public sale but is not sold, it may be available for sale over the counter. The director shall review the list

of lands available on a quarterly basis and shall certify that there has been no change in value since the last reappraisal. If an increase in value occurs in any parcel, the director shall withdraw that parcel from sale over the counter.

* Section 11: AS 38.05.345(a) is amended to read:

Section 38.05.345(a). Public notice of an auction sale (LEASE OR OTHER DISPOSAL) of land or interest in it shall be substantially as follows.

* Section 12. AS 38.05.345(e) is amended by adding a new subparagraph to read:

Section 38.05.345(e) Public notice of an action other than as specified in paragraph (a) above shall conform to the requirements of AS 38.05.305 and this paragraph. Such notice shall, when given pursuant to AS 38.05.305(c), be published at least once in a newspaper of general circulation in the vicinity in which the land affected by the proposed activities is located.

* Section 13. AS 38.05.365 is amended by adding a new subparagraph to read:

Section 38.05.365. "Market Value" or "Fair Market Value" means the highest prices, estimated in terms of money, which the property would bring if exposed for a sale for a reasonable time in the open market, with a seller, willing but not forced to sell, and a buyer, willing but not forced to buy, both being fully informed of all the purposes for which the property is best adapted or could be used.

* Section 14. AS 38.05 is amended by adding a new paragraph to read:

Section 38.05.380. STATE BOARD OF LAND APPEALS. (a) The State Board of Land Appeals shall consist of five members, one of whom shall be the Commissioner of Natural Resources or his designated representative. The other members of the board shall be appointed by the governor from the general public, with due regard for the desirability of prior legal, natural resource or real estate training and experience as criteria for selection of public members. All board members are subject to confirmation by a majority of the members of the legislature in joint session.

(b) The director of the division of lands shall provide administrative support for the board.

(c) The governor shall appoint the public members of the board for terms of three years each, except that the initial terms of one of the members first appointed under this chapter shall be for one year and one member for two years. The public members are entitled to compensation

in the amount of \$50.00 per day for each day or portion of a day spent in actual meeting or on authorized official business incident to their duties, and to all other transportation and per diem expenses as provided by law.

(d) Jurisdiction of the board shall extend to all matters arising under the Alaska Land Act (AS 38.05) and the Water Act (AS 46.15) from which an appeal may be taken under statute or regulation to the commissioner from a decision of the director, division of lands. The board in all appeals filed after the effective date of this chapter, shall have the appellate authority formally vested in the commissioner by provisions of the Alaska Land Act. An appeal from a decision of the board, if taken, shall be to the Superior Court.

of a quorum shall be able to render a decision. The board shall adopt regulations governing its procedures, and may adopt other regulations which may be necessary or convenient in carrying out the purposes of this chapter.

Dear Editor:

I am one of the "fortunate" State land leaseholders who just received an 850 per cent increase in rent. Possibly this is a little inflationary as I now have to increase my tenants rent and they in turn will have to raise their prices to the consumer. But that's the way it goes.

I wonder if this will require an impact statement? My lease land could be more valuable than Prudhoe Bay, tho I hope the State doesn't spend the money before I pay it.

The Legislators should get busy and think what they are going to do with all this money. The State should be able to borrow enough to get them through the budget crises for the last session, and they can increase their employees so Alaska will have no more unemployment. Or they can move the Capital. Possibly they can lease all of Alaska and buy the United States - and then lease it! Or we could pay off the National Debt as a friendly gesture. Or maybe the State should change their lease policy?

Can these figures be correct? My calculator ran out of spots.

If the rent policy remains the present rate, I will pay the State a lease rental over the next 40 years $\$32,800.00 \times 40 = \$1,312,000.00$.

However, if the State decides to raise the rent the same 850 per cent every five year period, I will pay the following:

At the end of the first five years	\$	164,000.00
At the end of the second five years		1,394,000.00
At the end of the third five years		11,849,000.00
At the end of the fourth five years		100,716,500.00
At the end of the fifth five years		856,090,250.00
At the end of the sixth five years		7,276,767,125.00
At the end of the seventh five years		61,852,520,560.00
At the end of the eighth five years		525,746,424,760.00

Which totals: $\$595,845,926,195.00$
Five hundred ninety-five billion, eight hundred forty-five million, nine hundred twenty-six thousand, one hundred ninety-five dollars! For less than two acres!

The state owns 640 acres - Section 16 - in the Anchorage area. If all of this were leased at the same rate the State could collect One hundred ninety trillion, six hundred forty-four billion, five hundred thirty-five million, six hundred thirty-nine thousand, forty Dollars. ($\$190,644,535,639,040.00$) And just from Section 16 for the next 40 years.

Anyone want to buy a State lease? Improvements extra, of course.
Joe Wilhour
Box 740 Wasilla Alaska 99687

Joe Wilhour

2350 COMMERCIAL DRIVE ANCHORAGE

TESTIMONY ON SENATE BILL #159

By Joe Wilhour

Ladies and Gentlemen:

First, I would like to thank you for your time and efforts in consideration of our "headache"; and second, I would like to request you "hang in there" -- we're improved, but not cured.

On my lot 7-A, Block 3, Alaska Industrial Subdivision, the proposed lease payments of Bill 159 would total over three million dollars. That's 45 times the 1975 valuation, or approximately 600 times the appraised value when first leased in 1958.

I contend that this is not a fair lease. Not to me, not to future leaseholders, and not to the State of Alaska. It will not encourage development; in all probability it will force the leaseholders to do unto others as the State of Alaska has done unto them; increase our tenants' rent, increase the price of our products and services to the extent they are not competitive, thereby forcing us out of business and to abandon our State leases. Within 10 to 15 years, Section 16 could easily be mistaken for a slum area.

I built a 12,500 foot warehouse for over \$200,000.00, and have it leased to Mammoth Trucking for 35 cents per foot, which is a fair market value for the location. This is a gross annual income of \$52,500.00. With annual expenses as follows:

Bank payments	\$21,000.00
Utilities	4,274.59
Taxes, Insurance	6,311.14
Maintenance, Misc.	5,400.64
Land Lease	3,940.00
Total:	<u>\$40,926.37</u>

This produces a net profit, before taxes, depreciation, inflation, vacancies, etc. of \$11,573.63. Senate Bill #159 would allow me to hold the property for approximately 10 years, which would relieve my present situation and allow the leaseholders time to seek additional corrective legislation, but both my inability to obtain bank financing and my common sense would prohibit improvements or further development. Look at the statistics:

ALASKA INDUSTRIAL SUBDIVISION LEASEHOLDERS ASSOCIATION

EFFECT OF SENATE BILL #159 ON MY PROPERTY LOCATED BLOCK 3, LOT 7A, ALASKA INDUSTRIAL SUBDIVISION. LOT SIZE APPROXIMATELY 64,000 SQ. FT. APPRAISED AT \$65,640.00 TO BE REAPPRAISED 1978.

<u>TERM</u>	<u>% INC TERM</u>	<u>% ORIG VALUE</u>	<u>NEW APPRAISED VALUE</u>	<u>LEASE PAYMENTS</u>	<u>ACCUMULATED COS TO LEASEE</u>
1-10	0%	100%	\$ 65,640.00	\$ 52,512.00	\$ 52,512.00
10-15	50%	150%	98,460.00	39,384.00	91,896.00
15-20	50%	225%	147,690.00	59,076.00	150,972.00
20-25	50%	337.5%	221,535.00	88,614.00	239,586.00
25-30	50%	506.25%	332,302.00	132,920.80	372,506.80
30-35	50%	759.38%	498,454.00	199,381.60	571,888.40
35-40	50%	1,139.07%	747,686.00	299,074.40	870,962.80
40-45	50%	1,708.61%	1,121,531.00	448,612.64	1,319,575.44
45-50	50%	2,562.92%	1,682,301.00	672,920.28	1,992,495.72
50-55	50%	3,844.38%	2,523,451.00	1,009,380.40	3,001,876.12

1. Above is MINIMUM

2. Rates are compounded

3. When lease finished, leasee will have paid 45.73 times value
 (3,001,876 ÷ 65,640)

What amount would I, or anyone, have to invest to make this land support a State lease under SB#159? And where and how could it be financed?

Regardless of the formula used, as I said before, whether it be a percentage of the reappraised value every five years, a comparison to private leases, the number of quills on a porcupine divided by pi, or the number of moose in the Mat-Su Valley times the square root, if the total monetary figure exceeds six times the appraised value of the land at the time of lease, it will not be a fair rental that will enhance development and be acceptable to future leasees.

This is but one example of many, so again I request your cooperation. Put your feet in my boots and walk a mile, and I'm confident we can pass a better law that will be fair to present leaseholders, more desirable to all future leaseholders and non-leaseholders, and beneficial to our State Government both now, and in the future.



THE FIRST NATIONAL BANK OF ANCHORAGE

February 22, 1977

Mrs. Kay Poland
Resource & Finance
Legislature of Alaska
Juneau, Alaska

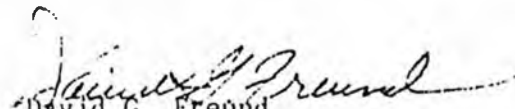
Dear Mrs. Poland:

This concerns our bank's attitude in providing funds for the purpose of financing leasehold improvements on land leased from the State of Alaska.

Our loans on improved real estate are governed by certain regulations made by the Comptroller of the Currency, United States Treasury Department. Any leasehold, against which we are lending money, must have a firm lease extending at least ten (10) years beyond the term of our loan. In calculating the amount of the loan against a leasehold, we must project the expenses incident to the operation of the property. This includes lease payments that are subject to increases of an unknown amount. We are understandably reluctant to make such loans.

Our bank's policy is to loan against leaseholds for a term in which we are assured of a reasonable fixed payment. We will not make loans when we are not able to accurately forecast the lease payments during the term of our loan.

Sincerely,


David G. Freund
Vice President

DGF/er

The following comments, opinions, and recommendations regarding State land leasing are offered to further acquaint you with the bill we are submitting this session.

I first leased property in Section 16 in 1958 in an advertised competitive bid sale. Mr. Chipperfield, Territorial Director of Lands at the time, told the group that we would pay no taxes on the land because we didn't own it. This is not true - the city of Anchorage came up with what they call lease-hold-interest, and we have paid taxes every year. Also, we were told that over the 55 year period we would be paying more than the land could sell for, but not having to pay taxes, it would be very little more. Many of the present leaseholders acquired their land at the original sale and were told that the State wanted to develop a tax base, and develop the land.

I was in my thirties in 1958, so a 55 year lease represented my life span. Either through stupidity or unwarranted faith in the integrity of the State, I have spent most of my, and my wife's, available time and money that was not absolutely necessary for a growing family, on the development of these leases. A lot of this time and money was spent improving the land itself; stripping the trees and top soil, filling a large gully which ran from the road through the property and along the south side and adding gravel. I now lease these improvements back from the State.

Until recently the State has adjusted our rent every five years from approximately 40 to 100 percent, which is high, but workable. Now that the land has been developed and put to good use, forming a tax base by the investment of millions of dollars, and creating employment for over a thousand people, the State has adjusted our rent 850 percent to over 1000 percent.

Are we reverting back to a feudal system? Or State Land Baron vs sharecropper leasees? Or a con-game? One wonders, but with lease payments so high it's the equivalent of the State condemning the land! Through their reappraisal, the State has, in effect, condemned the leases.

Under the current policy the State has turned a 55 year lease into a 5 year lease. This year there has been less development in Section 16 than in any other part of town. It is impossible for the leaseholders to get financing, which has stopped development. See paper from the First National Bank of Anchorage attached. One question whether it is advisable to repair a leaky roof.

My position is impossible. My annual rent increased from \$3,940.00 to \$32,800.00. I cannot increase my investment because the financing has been made impossible. I cannot raise my tenants rent and compete with fee-simple land rents. To raise my rents accordingly will only create vacancies and undermine my chances of making lease payments if and when the State does come up with a fair rental. And I cannot afford to just walk away from my 20 years investment of time and money, with only part of the money repaid to the bank.

At the 1975 rate of \$3940.00 per year, I would pay the State, for my less than 2 acres, a lease rental for my remaining 37 years, \$145,780.00 - nearly 15 times the original appraised value, plus what's already been paid the past 18 years.

At the current rate of \$32,800.00 per year, and with no additional reappraisals but precariously assuming I could hold onto the property, I would pay the State for my less than 2 acres, a lease rental for my remaining 37 years, \$1,213,600.00, plus what's already been paid the past 18 years.

If the State raises my rent the same 850 percent every 5 years, I would pay the State a lease rental for my less than 2 acres, for my remaining 37 years, \$272,151,090,464.00, plus what's already been paid the past 18 years. Fantastic!

I built a 12,500 foot warehouse for over \$200,000.00, and have it leased to Mammoth Trucking for 35 cents per ft. which is a fair market value for the location. This is a gross annual income of \$52,500.00. With expenses as follows: (annually)

Bank payments	\$21,000.00
Utilities	4,274.59
Taxes, Insurance	6,311.14
Maintenance, Misc.	5,400.64
Land Lease	3,940.00
Total	\$40,926.37

This produces a net profit, before taxes, depreciation, inflation, etc. of \$11,573.63. With the land lease raised to \$32,800.00, an increase of \$28,860.00, it will show a loss of \$17,286.37. It appears the State not only wants their land back, but also my warehouse! Who pays the bank? What amount would I have to invest to make it support a State lease? Few, if any of us, would not give up our leases if we could recover our investments.

In comparison to the Fishing land leases, the lease for set-net fishing, not to exceed 10 years, quote, "The Director shall establish a reasonable rental for the lease, equal to the Administration costs involved in processing the leasehold application." These leases, however, may produce large profits for the lessee with small, comparable investment, and cost less than \$50.00 a year.

In comparison of individual tracts of land, Bob Penney and the Teamsters Union are leasing larger tracts, of greater value, for pennies where many are paying dollars. Mr. Penney averages about \$750.00 per acre. The Teamsters Union averages about \$3,500.00 per acre - with no reappraisal. My lease averages over \$19,000.00 per acre. If I, and my banker, had chosen to be dishonest we could have arranged a similar situation, but that is not justification for bias on the States behalf.

In comparison to housing, the State has passed a law of rent control whereby the lessor must justify any housing rent increase. No law exists for State leaseholders and rents may be unjustly raised. No law states we cannot just pass this increase on to our tenants, but there is no way we could still compete with fee-simple land rents so we will only create vacant land and buildings. Because, however,

additional expenses must be commensurate with additional income if we are to survive financially, a large measure, or all, of such additional expense must be passed on to our tenants, or added to the cost of our product or services. The State should not be the leader increasing such inflation, but should take every action possible to hold it down.

In comparison to other land lease policies, the Mat-Su Borough pamphlet of June 26th states the lease amount is not subject to reappraisal. The highest bid establishes the annual rental for the 55 year term of the lease. With the capital move to Willow, how will the State lease land in the Willow area?

Some possible recommendations:

1. level payments, similar to the recent Mat-Su Borough auction, not changed every time the administration is changed. Eliminate the State "open-end" policy. A stable lease enables the lessee to plan ahead and this ridiculous predicament won't happen again in the future.
2. Some arrangement should be made whereby a lease is bankable. A long term lease should be comparable and competitive in price at time of lease, with fee-simple sales.
3. Taxes, if any, on the land itself, should be at a percentage rate, on all state-owned lease land.
4. Consideration and lowering lease rate scale for value of improvements made, due to additional taxes incurred and as incentive to develop industry, and protect human rights.
5. Some method to renew a lease 15 to 20 years prior to its current expiration date, in order to secure financing and continue to develop the property.
6. Maximum return for State leased land should be a fair rental encouraging leasing and development of additional State land, and not exorbitant returns and the eventual forced voidance of the approximately one percent of state land now leased. Forced voidance of the present land leases, and continuance of the existing policy so no one will be dumb enough to lease additional lands, will surely not benefit the State, and just as surely will not benefit her residents.
7. Some formula giving retroactive credit for money already paid into the land lease and credit for development and investments already made. Also, a fair appeal process - fair to both the State and the lessee.
8. The present blanket easement should be eliminated from the leases not only because it is not bankable, but also because, if exercised, it would take all value out of the leasehold interest, and could ruin the lessee business without any compensation.
9. A public hearing would be informative and advisable. I would recommend such public hearing be held in the Anchorage area where the majority of lease holders can attend.

As I see it, the recommendations should result in a lease policy that make leases desirable to you as individuals, and all residents of the State. They shouldn't change every 5 years. They should be bankable and have a value, especially after payments have been made for some 20 years or more. They should, as the Constitution states, "enhance development". The State will get their maximum return by

taxing the development and its income, and by being able to lease their millions of surplus lands. Reappraisal and any adjustment of increased values due to inflation should come at the end of the lease period. If this can't be done, the land should be sold, allowing credits for those who have for a long time paid lease rents, paid to improve the land itself, and paid to develop the property into taxable use.

The State gets three shots at its leaseholders; (a) land lease rental payments, (b) taxes on improvements and (c) income tax. By taking an unfair advantage of the lease rental payments, the State will, or possibly has already, eliminated all three.

On Thursday morning, Dec. 16th, I attended the Governors Advisory Committee meeting where two representatives of F.H.A. testified that the appraisal clause and other parts of the State leases would not be acceptable for F.H.A. commercial or residential loans.

Mr. Paul Troch, (344-4665) a constitutional lawyer and teaching professor testified he has clients who are going to bring suit if that is the only way to get the State to comply with the regulations provided in its charter, which reads the State must provide a way to distribute its lands to the public for development.

Thursday afternoon I saw Mr. Richard Ullrich, Loan Examiner of the State Veterans Affairs. After explaining the terms of our State leases, he said the State Veterans would not, or could not, make a loan under the terms of our leases. Especially the reappraisal clause which the State Division of Lands claims is a fair rental.

Also, Thursday, I visited the Alaska State Bank where I couldn't help but notice the pictures of Anchorage, taken about 1915, on the walls. And compare the Anchorage of today through the windows. I wondered what Anchorage would look like now if the Territory, or Federal Government, had used the present state land policy to develop the area.

There is no way the leaseholders can unreasonably increase the price of their rentals, products, or services, every five years to meet the increased rentals which the State Division of Lands claims are fair. Local competition in the town and the State, as well as State and Federal regulations, such as the trucking industry who must abide by ICC regulations, eliminate the possibility. Other businesses in town, grocery stores, department stores, banks, etc. do not raise the price of their products and services because of the appreciation of the land their businesses are occupying. They must compete too.

It would seem the State is in the same position with their excess lands as the banks are with their money. Both need people to manage it. The banks, thanks to competition and regulations, do not change their interest rates every five years on committed loans. The State should be forced by law to adopt the same policy and not be allowed to take advantage of their monopoly of State land, or the few dumb tenants they have trapped.

I think that six percent annual rental of the original appraised

value of the land for 55 years would be a fair rental which would enhance development. This would net the State over three hundred percent more income than could be derived from the sale of the lands, plus considerable savings in State administration and litigation costs, plus the return of the land to lease again or re-evaluation of the leases at their expiration, which would be acceptable to the citizens of the State, be they present or prospective leaseholders, or non-leaseholders who none-the-less derive benefits from the money collected.

Regardless of the formula used - whether it be a percentage of the reappraised value every five years, a comparison to private leases, the number of quills on a porcupine divided by pi, or the number of moose in the Mat-Su Valley times the square root, if the total monetary figure exceeds 300 percent of the appraised value of the land at the time of lease, it will not be a fair rental that will enhance development and be acceptable to future leasees.

The problem as I see it, is not the few leasees who now hold State leases. They are insignificant. It is restoring the credibility of the State as a monopolistic landlord, and creating a workable policy of developing and utilizing a portion of Alaskas millions of acres of land, whether by leasing or selling. The people of this State cannot afford, and will not allow this, or any other administration, to lock up their 100 million acres of land in a non-productive policy. A percentage of it must be made productive to support the parks, animal habitats, scenic lands, wild rivers, and so forth.

Senator Stevens newsletter is attached, informing us of an amendment signed by President Ford with regard to Federal leasing in Alaska. The law will allow individuals to gain a right to and an interest in federal lands by actively working to develop and use the land productively. I intend to find out what their lease policy is.

Addressing the 30 day default clause of the lease; I, and other leaseholders have paid our lease rentals for about 20 years and have invested millions of dollars in improvements and have borrowed large sums from banks for development of our leases. Surely our credit has been established beyond thirty days! There are many justified occasions for not being able to meet this 30 day default clause in a 55 year lease. Death, mental or physical health difficulties, temporary memory loss, temporary or permanent financial ability, lack of communication, or the States unfair interpretation of the fair rental value, to name a few. I would recommend that the 30 day default be changed to the same rules the banks or the public comply with. Foreclosure through legal procedures, then sale of the lease and improvements with the balance of the money derived from such sales, minus state expenses, reverting to the leasee.

With regard to the adjustment of rents, the State method this time was an April 1 notice of future re-appraisal and a retroactive bill dated June 7th, that I owed \$15,403.00 by August 1st. This not only made it improbable that the leasee could comply, but also locked the State into a figure they will not easily recind. I think the State would be more justified if they gave six months notice and explained why, and the method used, to increase rentals, and accepted input,

and in general considered their leasees ability to comply. Many years ago I anticipated some difficulty in meeting my obligations to the bank, and consulted them on this. I was told not to worry, if necessary I could make interest payments only for a period of time, or make lesser payments over an extended period of time. Fortunately I did not have to do either. But I feel both the leaseholder and the State would benefit from a negotiation clause, similar in principal, written into each lease. The land policy of the State, if not changed or altered, has been and will be, more devastating to the State and its present leasees than the 1964 earthquake. High prices are caused by the scarcity of land, which is caused by the State.

In closing, I would like to state that I have been an Alaskan since 1941 with continual residence except for my years in service from 1943 to 1946. The last 20 years I've worked to improve this leased land and now have several substantial buildings, tho I owe the bank over \$400,000.00 in personal guaranteed loans. I've worked hard. I've provided for increases such as inflation and taxes, but who of us can afford 850 percent increases? We who have paid many times the original value, held it, and improved it, should be entitled to justice. It seems impossible that 20 years of work and investment can be wiped out with one stroke of a pen - in this country! Particularly so, when it does not appear beneficial to the State government, or her resident Alaskans.

Ask yourself if the present land rental is fair and will enhance development. If the answer is yes, I am quite sure all leases in Section 16 are available for a "steal". If the answer is no, will you help us change it?

Thank you.

Joe Wilhour
Box 740
Wasilla, Alaska 99687
Phone 376-5601



THE FIRST NATIONAL BANK OF ANCHORAGE

June 18, 1976

Mr. Joe Wilhour
Anchorage, Alaska

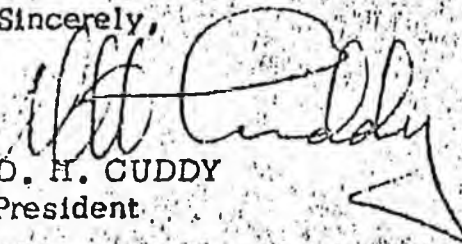
Dear Mr. Wilhour:

We have reviewed your informal request to consider financing a new building on Commercial Row, the loan to be secured by an assignment of the State land lease and the building placed on the lease.

At this time it is impossible for us to give you a commitment for construction until we can confirm what the future rental on the building will be. We have reviewed the other financing that we have done for you on your property and find that the quarterly rent has been raised from \$996.00 to \$8,200.00, an increase of 850%. A further review of the lease indicates that every five years it can be similarly raised.

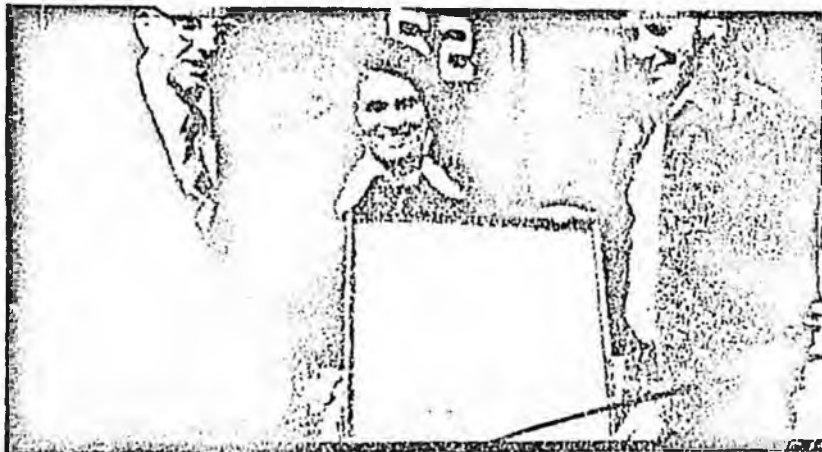
Under these circumstances, it is impossible for us to guess what the future land rentals will be, and therefore, unless you are able to secure a lease of an equal term to the mortgage wherein the tenant agrees to pay the increased land rental, it will be impossible for us to advance the credit requested.

Sincerely,



D. H. CUDDY
President

DHC:mh



SON
Stevens
News
Letter

NATIONAL PARK -- Claudia Louis, a member of the Washington, D.C. staff, presents the ceremonial pen used by President Ford to sign S. 98, the Klondike Park bill, into law to Mayor John Edwards (right) of Skagway and Ward A. Hisman (left), Superintendent of the White Pass & Yukon Route Railway.

BLM Bill

President Ford has signed a bill which will allow Alaskans to continue to use public lands to build homes, farms, or trade or manufacturing concerns, under provisions added to the bill in the Senate by Senator Stevens.

The amendment allows the Secretary of the Interior to grant long term leases for habitation, cultivation, trade or manufacturing on the lands.

The National Resource Lands Management Act, S. 507, also known as the BLM Organic Act, repeals homesteading in 10 years and this amendment was needed to enable individuals to continue to use and develop public lands, despite the repeal of homesteading laws.

The authority of the new law -- designed to provide for the management, protection and development of public domain lands not committed to other uses -- extends to the unreserved federal land in Alaska remaining after Alaska Native Claims Settlement Act and Statehood Act withdrawals are made.

It was pointed out that the passage of this law with this amendment will provide some type of incentive for people to come in and carve a livelihood out of the wilderness. The law will allow individuals to gain a right to and an interest in federal lands by actively working to develop and use the land productively.

The leases could be used to build new communities, farms, small sawmills and small manufacturing plants needed in isolated rural areas.

Mid-Decade Census Law

A bill which could mean substantially increased federal funding for Alaska from programs based on population has been signed into law by President Ford.

The bill, cosponsored by Senator Stevens, authorizes a national census and July 1, 1975, Alaska's population increased by 16.3 percent. An official census every five years would allow this rapid change to be reflected in federal funding and programs.

The Office of Management and Budget estimates that about \$39 billion in federal funds are distributed every year to the states according to formulas based on population.

Wonder what their lease policy is?

IN SUPPORT OF THE LEASEHOLDERS BILL

In support of the 6% annual rental rate, I would like to request you re-read the Hearing Panel Proposed Decision and Recommendations, page 12, ¶4, which quite clearly defines our position.

The total lease rental for the 55 year period proposed in our bill would amount to \$379,411.00. This is 5.78 times the 1975 appraised value, or 75.88 times the 1958 appraised value. Under SB#159, the total lease rental for the 55 yr. period would amount to over three million dollars. This is 45 times the 1975 appraised value, or approximately 600 times the 1958 appraised value.

In my opinion, our bill provides the maximum rental to be beneficial to all concerned; an excellent return to the State, a fair settlement to the existing State leaseholders, a fair opportunity for future leaseholders, as well as the maximum rental allowable to encourage development and bank financing. Whereas SB#159 is not beneficial to all concerned. It is a maximum return to the State from current leaseholders with existing improvements, from 10 to maybe 15 years when they will be forced to give up their leases, it is not a fair settlement to the existing leaseholders, it is not a fair opportunity to future leaseholders, it will not encourage development, and it is not acceptable to the banks for financing.

I would also suggest the elimination of the floating easement be added to SB#159, as recommended by the Hearing Panel on page 19, ¶5 of their report.

Joe Wilhour

ALASKA INDUSTRIAL SUBDIVISION LEASEHOLDERS' ASSOCIATION

EFFECT OF ALASKA LEASEHOLDERS ASSOCIATION PROPOSED BILL ON MY PROPERTY LOCATED BLOCK 3, LOT 7A, ALASKA INDUSTRIAL SUBDIVISION. LOT SIZE APPROXIMATELY 64,000 S. FT. APPRAISED AT \$65,640.00 TO BE REAPPRAISED 1978.

<u>TERM</u>	<u>% INC TERM</u>	<u>% ORIG VALUE</u>	<u>NEW APPRAISED VALUE</u>	<u>LEASE PAYMENTS</u>	<u>ACCUMULATED COST TO LEASEE</u>
1-25	0%	100%	\$ 65,640.00	\$ 19,700.	\$ 98,500.00
25-35	50%	150%	98,660.00	59,196.	157,696.00
35-45	50%	225%	147,990.00	88,794.	246,490.00
45-55	50%	337.5%	221,535.00	132,921.	379,411.00

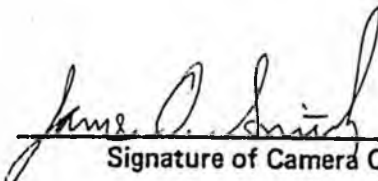
1. Above is MAXIMUM
2. Rates are compounded
3. When lease finished, leasee will have paid 5.78 times value
(379,411 ÷ 65,640)



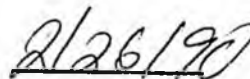
RECORDS CERTIFICATION



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Signature of Camera Operator



Date

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SENATE BILL NO. 161
 Title Spec. Approp. to LAA for operation of legislative information offices
 Requested by Legislative Finance Date 2/25/77

II. FISCAL DETAIL

Agency Affected Legislative Affairs
 Program Category Affected General Government
 Budget Request Unit(s) Affected Legislature

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		113.9	113.9	113.9	113.9	113.9
200 TRAVEL		4.3	4.3	4.3	4.3	4.3
300 CONTRACTUAL		110.8	87.2	87.2	87.2	87.2
400 COMMODITIES		6.3	6.3	6.3	6.3	6.3
500 EQUIPMENT		13.5	.3	.3	.3	.3
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	248.8	212.0	212.0	212.0	212.0

FUNDING (Thousands of Dollars)

GENERAL FUND		248.8	212.0	212.0	212.0	212.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY		9	9	9	9	9

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

SB 161 as introduced would appropriate \$102,800 for operating nine additional legislative information offices. If the amount is fixed, only four locations could be operable. The differences in cost from which the bill was drafted are as follows:

Pers. Serv. Up 58.8 (Pre & Post Session, Area Wage Differential, & Benefits were omitted)
 Travel Same (No change)
 Cont. Serv. Up 86.3 (Computer Term., Xerox, Freight, Data Processing, and leased line cost omitted; Rent adjusted for Pre & Post Session; other factors too low.)
 Commod. Same (No change)
 Equipment Up .9 Rounding difference
TOTAL 146.0 Increase this fiscal note over bill as drafted

If all nine locations are to be operable, \$248,800 would be required. See attachment for detail of items by location.

IV. DATE March 2, 1977 PREPARED BY M. R. Chace
 Original: Legislative Finance AGENCY Legislative Affairs
 cc: Budget and Management PHONE 465-3850
 Prime Sponsor (First Legislator Named)

	Barrow	Nome	Kotzebue	Bethel	Dillingham	Kodiak	Ketchikan	Galena	Fort Yukon
Personal Services									
Session A.A.									
9x\$68x90	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120
Area differential	2,070	1,620	2,070	1,890	1,620	540	-0-	2,070	2,070
Pre & Post Session*	4,095	3,870	4,095	4,005	3,870	3,330	3,060	4,095	4,095
Sub-Total	12,285	11,610	12,285	12,015	11,610	9,990	9,180	12,285	12,285
Benefits @9.5%	1,215	1,190	1,215	1,185	1,190	1,010	920	1,215	1,215
TOTAL	13,500	12,800	13,500	13,200	12,800	11,000	10,100	13,500	13,500
Travel - Orientation	600	500	500	500	500	400	300	500	500
Contractual Services									
Teletype Rental	700	700	700	700	700	700	700	700	700
Local Channel Charges	300	300	300	300	300	300	300	300	300
Special Line Cost	700	-0-	400	-0-	400	-0-	-0-	500	300
Rent	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Postage	300	300	300	300	300	300	300	300	300
Telephone	800	800	800	800	800	800	500	800	800
Freight	800	800	800	800	800	800	600	800	800
Xerox	800	800	800	800	800	800	800	800	800
Computer Terminal and Lines	4,000	4,000	4,000	4,000	4,000	4,000	3,000	4,000	4,000
TOTAL	10,700	10,000	10,400	10,000	10,400	10,000	8,500	10,500	10,300
Commodities-Supplies	700	700	700	700	700	700	700	700	700
Equipment	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TOTALS	27,000	25,500	26,600	25,900	25,900	23,600	21,100	26,700	26,500

Nine Location Total	\$228,800
Plus: Reprogramming costs by Department of Administration Data Processing	<u>20,000</u>
TOTAL FISCAL NOTE	\$248,800

* 45 days

COMMITTEE REPORT

SENATE

2/16/77

Date

Mr. President:

The Committee on FINANCE has had SB 161

spec. appropriation to Legislative Affairs Agency for information offices
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recominends: _____

Chairman

161

Introduced: 2/16/77
Referred: Finance

BY FERGUSON, POLAND, SACKETT,
HOHMAN AND ZIEGLER

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IN THE SENATE

SENATE BILL NO. 161

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Legislative Affairs Agency for the operation of legislative information offices; and providing for an effective date."

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

* Section 1. The sum of \$102,800 is appropriated from the general fund to the Legislative Affairs Agency for the operation of legislative information offices in Barrow, Nome, Kotzebue, Bethel, Dillingham, Kodiak, Ketchikan, Galena, and Fort Yukon during the Second Session of the Tenth Legislature.

* Sec. 2. This Act takes effect July 1, 1977.

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

SENATE BILL NO. 161

By FERGUSON, POLAND, SACKETT,
HORMAN AND ZIEGLER

"An Act relating a special appropriation to the Legislative Affairs Agency for the operation of legislative information offices; and providing for an effective date."

spec. appro./Leg. Affairs Agency

Introduced in the Senate 2/16/77, 1977

HISTORY IN THE SENATE

19 77

Read first time and referred to Committee on

2 16

Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No.

Introduced: 2/16/77
Referred: Finance

BY FERGUSON, POLAND, SACKETT,
HOHMAN AND ZIEGLER

1 IN THE SENATE

2 SENATE BILL NO. 161

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Legis-
7 lative Affairs Agency for the operation of legislative
8 information offices; and providing for an effective
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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13 offices in Barrow, Nome, Kotzebue, Bethel, Dillingham, Kodiak, Ketchikan,
14 Galena, and Fort Yukon during the Second Session of the Tenth Legislature.

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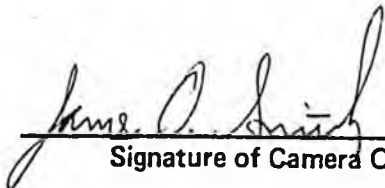
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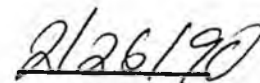


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

Introduced: 2/16/77
Referred: Health, Education &
Social Services and Finance

1 IN THE SENATE

BY KERTTULA

2 SENATE BILL NO. 162

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Administration for the purpose of making a
8 three-year, no-interest loan to the University of
9 Alaska; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$10,000,000 is appropriated from the general fund
12 to the Department of Administration for the purpose of making a \$10,000,000,
13 three-year, no-interest loan to the University of Alaska.

14 * Sec. 2. The \$10,000,000 loan provided for in sec. 1 of this Act shall
15 be used only for administration and operation of the university and shall be
16 repaid by the university to the general fund within three years after the
17 date of the making of the loan.

18 * Sec. 3. The unexpended and unobligated portion of this appropriation
19 lapses into the general fund June 30, 1977.

20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

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COMMITTEE REPORT

3/14/77

SENATE

_____ Date

Mr. President:

The Committee on FINANCE has had SB 162
spec. appropriation to Dept. of Administration for loan to U of A
under consideration. A majority of the members of the Committee

recommends it do pass

recommends it do not pass

recommends it do pass with attached amendment(s)

recommends it be replaced with CS for _____ and that
CS for _____ do pass

(and) recommends it be referred to the _____
committee

reports it back without recommendation

AND attaches a report of its intent

(other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____
_____ recommends: _____
_____ recommends: _____

Chairman

COMMITTEE REPORT

****Finance**

2/16/77

SENATE

Mr. President:

Date _____

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had SB 162 spec. appropriation to Dept. of Administration for loan to U of A under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

- () "and" recommends it BE REFERRED TO THE _____ COMMITTEE

- () reports it back *WITH INDIVIDUAL REC.* WITHOUT RECOMMENDATION
- () "other" *AND ATTACHED LETTER OF INTENT,*

Members signing the Majority report:

2	<u>Patricia Roney</u>	<u>NO REC.</u>	_____
1	<u>Ed Willis</u>	<u>Do Pass</u>	_____
2	<u>W. A. Bradley</u>	<u>No Rec</u>	_____
7	<u>Steen Haskins</u>	<u>DO PASS</u>	_____

Members NOT concurring in the Majority report:

- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:

1 Steen Haskins *do pass*
Chairman



Alaska State Legislature ~ Senate

HEALTH, EDUCATION and SOCIAL SERVICES

Glenn Hackney, Chairman
Bill Sumner, Vice Chairman
W. E. "Brad" Bradley
Edward C. Willis
Patrick Rodey

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3787

LETTER OF INTENT TO SB 162

The Senate Health, Education and Social Services Committee had SB 162 under consideration on Friday, March 11, 1977.

The Committee affirms the need to assist the University of Alaska in getting its financial house in order so that there will be no hardship worked upon the students or teaching staff.

However, this is not an endorsement of the figure of \$10,000,000 as any magic number. It is only an endorsement of the approach embodied in SB 162 of making available to the University, under strict monitoring by the Department of Administration, a loan of state funds as determined necessary from the audit of University accounts now underway.

A handwritten signature in cursive script that reads "Glenn Hackney".

Glenn Hackney
Chairman
Senate Health, Education
and Social Services

-162

Introduced: 2/16/77
Referred: Health, Education &
Social Services and Finance

1 IN THE SENATE

BY KERTTULA

2 SENATE BILL NO. 162

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Administration for the purpose of making a
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20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

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COMMITTEE COPY

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

SENATE BILL NO. 162

By KERTTULA

"An Act making a special appropriation to the Department of Administration for the purpose of making a three-year, no-interest loan to the University of Alaska; and providing for an effective date."

spec. approp./U of A

Introduced in the Senate 2/16/1977

HISTORY IN THE SENATE

19 77	Read first time and referred to Committee on												
2 16	Health, Education & Social Services and Finance												
3 14	Reported back with HESS recommendation that <i>File pass 2 no rec to Fin. letter intent</i>												
	Read second time and												
	Read third time and												
	<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	<table border="0"> <tr><td colspan="2">Reconsideration</td></tr> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration													
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Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed Signed by President Sent to House												

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
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PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed Signed by Speaker Returned to Senate												

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Received from House
	Reported correctly enrolled
	Sent to Governor
 By Governor
	Filed with Lt. Governor
	Chapter No.

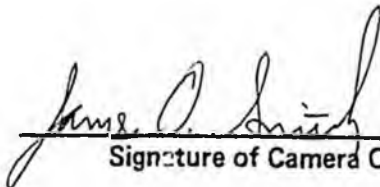
Chapter No.



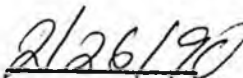
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Signature of Camera Operator



Date

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/12/78
Referred: Finance

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR SENATE BILL NO. 163

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to public school facilities construc-
tion; and providing for an effective date."

7

8

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

9

* Section 1. AS 43.18.100(g) is repealed and re-enacted to read:

10

(g) The provisions of this section apply only to payments made
with respect to public school facilities construction projects for which
construction commenced before July 1, 1978 or for which bonding, notes,
or other indebtedness was incurred before July 1, 1978.

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14

* Sec. 2. AS 43.18 is amended by adding new sections to read:

15

Sec. 43.18.110. PUBLIC SCHOOL FACILITIES CONSTRUCTION ACCOUNT.

16

The public school facilities construction account is established. The
account consists of appropriations for distribution under secs. 110 -
17 190 of this chapter to boroughs and cities which are school districts to
18 assist in paying the basic costs of public school facilities projects
19 for which construction is commenced after June 30, 1978 and for which no
20 bonding, notes, or other indebtedness was incurred before July 1, 1978.

21

22

Sec. 43.18.120. ELIGIBILITY. (a) Eligibility of a proposed
23 construction project for funding assistance under secs. 110 - 190 of
24 this chapter shall be determined by the department based on standards
25 and criteria adopted by it. Relevant standards and criteria to be
26 considered in determining eligibility include, but are not limited to,
27 the following:

28

(1) emergency requirements;

29

(2) number of unhoused students;

- 1 (3) new elementary or secondary programs;
2 (4) existing community and school facilities and their con-
3 dition; and
4 (5) economic and social stability of the community.

5 Sec. 43.18.130. STATE AID. (a) The amount of state aid which may
6 be paid to a borough or city which is a school district for the cost of
7 facilities construction is calculated by multiplying the computed basic
8 cost of construction (the product of the approved square footage for the
9 facility, determined in the manner provided in (b) of this section, and
10 the estimated local construction cost per square foot, as determined by
11 the department) by the equalized percentage of state support determined
12 under (c) of this section. However, in no case may state aid exceed the
13 amount of the actual cost of construction times the equalized percen-
14 tage.

15 (b) The department shall determine the approved number of square
16 feet for which an eligible construction project qualifies for state aid
17 under secs. 110 - 190 of this chapter. The determination shall be made
18 by taking into account the various factors which have an effect on the
19 space required for a school construction project including, but not
20 necessarily limited to, the number of students to be accommodated; type
21 of educational program; type, age, condition, and use of existing
22 facilities; and availability of academic classrooms, library, indoor
23 physical education spaces, vocational education spaces, food service
24 spaces, administration spaces; and storage, mechanical, electrical and
25 related spaces.

26 (c) The percentage of state support for each borough or city which
27 is a school district is computed according to the formula $P_i = 1 - (1-K)$
28 V_i/V_m in which

29 (1) P_i (equalized percentage) = per cent to be provided by

1 the state;

2 (2) K (median level of state support) = 80 per cent;

3 (3) Vi (valuation per pupil in average daily membership in
4 the district) = full and true value of taxable real and personal pro-
5 perty within the district, as determined under AS 14.17.140, divided by
6 the average daily membership of the district;

7 (4) Vm (median valuation per pupil in average daily member-
8 ship in all city and borough school districts) = the Vi of that district
9 which has the 50th percentile of the total number of pupils in all city
10 and borough school districts after being ranked in order of Vi.

11 (d) State aid as computed under this section constitutes at least
12 50 per cent of the basic cost of construction computed under (a) of this
13 section or 50 per cent of the actual cost of construction, whichever is
14 less.

15 Sec. 43.18.140. REQUIRED LOCAL EFFORT. (a) Payment of state aid
16 to a school district under secs. 110 - 190 of this chapter is contingent
17 upon the district's providing a local effort in a ratio of required
18 local effort to state contribution of $(1-P_i)/P_i$ where P_i = equalized
19 percentage as defined in sec. 130(c) of this chapter.

20 (b) Funds received under AS 43.50.140 (cigarette tax) may not be
21 used to satisfy any portion of the required local effort.

22 Sec. 43.18.150. APPLICATION FOR AID. (a) The commissioner shall
23 prescribe the necessary forms and procedures to be used in applying for
24 construction cost assistance under secs. 110 - 190 of this chapter.

25 (b) A borough or city which is a school district seeking con-
26 struction cost aid must apply to the department by September 15 of the
27 prior fiscal year.

28 (c) Based on his review of applications and his determination of
29 project eligibility and priority, the commissioner shall select those

1 construction projects which he considers justified and necessary and
2 recommend to the governor an appropriation of funds for state aid for
3 those projects under secs. 110 - 190 of this chapter.

4 Sec. 43.18.160. CONDITIONS OF STATE AID. (a) Funds distributed
5 to a borough or city which is a school district during a school year
6 under secs. 110 - 190 of this chapter must be received, held, and ex-
7 pended by the district in accordance with the applicable provisions of
8 law and of regulations adopted by the department. Funds provided under
9 secs. 110 - 190 of this chapter, which are not required for the project
10 for which they were granted or which are in excess of that borough's, or
11 city which is a district's, entitlement for aid under sec. 130(c) of
12 this chapter must be returned to the department and deposited in the
13 general fund.

14 (b) Each borough or city which is a school district shall maintain
15 financial records of the receipt and disbursement of state funds re-
16 ceived under secs. 110 - 190 of this chapter and money provided toward
17 local effort. The records must be in the form prescribed by the depart-
18 ment and are subject to audit by it at any time.

19 (c) As they are developed, all plans for new schools, additions,
20 and major rehabilitation must be submitted to the commissioner for
21 approval. The commissioner's approval of final contract documents must
22 be obtained before bids may be invited. The commissioner's approval of
23 a plan is effective for two years unless a contract is awarded within
24 that time.

25 (d) Upon completion of the construction project, the chief school
26 administrator of the district shall report the total cost of the project
27 and means of financing it to the commissioner.

28 (e) Boroughs and cities that are school districts shall secure and
29 maintain in full force and effect adequate property loss insurance for

1 the replacement cost of the facility for all facilities constructed
2 under secs. 110 - 190 of this chapter.

3 Sec. 43.18.170. CONSTRUCTION AND IMPLEMENTATION. (a) Sections
4 110 - 190 of this chapter may not be construed so as to create a debt of
5 the state.

6 (b) Funds to carry out the provisions of secs. 110 - 190 of this
7 chapter may be appropriated annually by the legislature into the public
8 school facilities construction account. If amounts in the account are
9 insufficient to meet the allocations authorized by the commissioner
10 under secs. 110 - 190 of this chapter, such funds as are available shall
11 be distributed pro rata among each borough and city which is a school
12 district based upon its computed entitlement.

13 Sec. 43.18.180. REGULATIONS. The department shall adopt regula-
14 tions necessary to carry out the provisions of secs. 110 - 190 of this
15 chapter.

16 Sec. 43.18.190. DEFINITIONS. (a) In secs. 100 - 190 of this
17 chapter, unless the context requires otherwise,

18 (1) "commissioner" means the commissioner of education;

19 (2) "costs of facilities construction" means the cost of
20 acquiring, constructing, enlarging, remodeling, equipping or furnishing
21 of public elementary and secondary school buildings and includes but is
22 not limited to the cost of acquisition of sites, legal, engineering,
23 fiscal, architectural and other fees of specialists or consultants,
24 costs of labor, materials, equipment and furnishings, costs of autho-
25 rization, issuance and sale of bonds, notes, or other evidence of debt,
26 but is limited to projects having a minimum total cost of \$10,000;

27 (3) "department" means the Department of Education.

28 (b) As used in AS 43.18.160(c), "plan" is comprised of three
29 stages: (A) educational specifications; (B) schematic designs; and

1 (C) final contract documents, including the working drawings and speci-
2 fications as appropriate. Information provided at each stage must
3 include, as a minimum, cost estimates, proposed means of financing,
4 proposed construction contract type, and estimated advertisement and
5 completion dates.

6 * Sec. 3. AS 43.50.140 is repealed.

7 * Sec. 4. This Act takes effect July 1, 1979.
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Introduced: 2/17/77
Referred: Health, Education &
Social Services and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 163

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public school facilities construc-
7 tion; and providing for an effective date."

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

9 * Section 1. AS 43.18.100(g) is repealed and re-enacted to read:

10 (g) The provisions of this section apply only to payments made
11 with respect to public school facilities construction projects for
12 which construction commenced before July 1, 1978 or for which bonding,
13 notes, or other indebtedness was incurred before July 1, 1978.

14 * Sec. 2. AS 43.18 is amended by adding new sections to read:

15 Sec. 43.18.110. PUBLIC SCHOOL FACILITIES CONSTRUCTION ACCOUNT.
16 The public school facilities construction account is established. The
17 account consists of appropriations for distribution under secs. 110 -
18 190 of this chapter to boroughs and cities which are school districts
19 to assist in paying the basic costs of public school facilities pro-
20 jects for which construction is commenced after June 30, 1978 and for
21 which no bonding, notes, or other indebtedness was incurred before
22 July 1, 1978.

23 Sec. 43.18.120. ELIGIBILITY. (a) Eligibility of a proposed
24 construction project for funding assistance under secs. 110 - 190 of
25 this chapter shall be determined by the department based on standards
26 and criteria adopted by it. Relevant standards and criteria to be
27 considered in determining eligibility include, but are not limited to,
28 the following:

29 (1) emergency requirements;

- 1 (2) number of unhoused students;
2 (3) new elementary or secondary programs;
3 (4) existing community and school facilities and their
4 condition; and
5 (5) economic and social stability of the community.

6 Sec. 43.18.130. STATE AID. (a) The amount of state aid which
7 may be paid to a borough or city which is a school district for the
8 cost of facilities construction is calculated by multiplying the
9 computed basic cost of construction (the product of the approved
10 square footage for the facility, determined in the manner provided in
11 (b) of this section, and the estimated local construction cost per
12 square foot, as determined by the department) by the equalized percent-
13 age of state support determined under (c) of this section. However,
14 in no case may state aid exceed the amount of the actual cost of
15 construction times the equalized percentage.

16 (b) The department shall determine the approved number of square
17 feet for which an eligible construction project qualifies for state
18 aid under secs. 110 - 190 of this chapter. The determination shall be
19 made by taking into account the various factors which have an effect
20 on the space required for a school construction project including, but
21 not necessarily limited to, the number of students to be accommodated;
22 type of educational program; type, age, condition, and use of existing
23 facilities; and availability of academic classrooms, library, indoor
24 physical education spaces, vocational education spaces, food service
25 spaces, administration spaces; and storage, mechanical, electrical and
26 related spaces.

27 (c) The percentage of state support for each borough or city
28 which is a school district is computed according to the formula $P_i =$
29 $1 - (1-K) V_i/V_s$ in which

1 (1) P_i (equalized percentage) = per cent to be provided by
2 the state;

3 (2) K (minimum level of state support) = 50 per cent;

4 (3) V_i (valuation per pupil in average daily membership in
5 the district) = full and true value of taxable real and personal
6 property within the district, as determined under AS 14.17.140, divided
7 by the average daily membership of the district;

8 (4) V_s (valuation per pupil in average daily membership in
9 the state) = average of the full and true valuation for taxable real
10 and personal property within the state, as determined under AS 14.17.-
11 140, divided by the average daily membership for all the boroughs and
12 cities which are school districts of the state.

13 (d) State aid as computed under this section constitutes at
14 least 50 per cent of the basic cost of construction computed under (a)
15 of this section or 50 per cent of the actual cost of construction,
16 whichever is less.

17 Sec. 43.18.140. REQUIRED LOCAL EFFORT. (a) Payment of state
18 aid to a school district under secs. 110 - 190 of this chapter is
19 contingent upon the district's providing a local effort in a ratio of
20 required local effort to state contribution of $(1-P_i)/P_i$ where P_i =
21 equalized percentage as defined in sec. 130(c) of this chapter.

22 (b) Funds received under AS 43.50.140 (cigarette tax) may not be
23 used to satisfy any portion of the required local effort.

24 Sec. 43.18.150. APPLICATION FOR AID. (a) The commissioner
25 shall prescribe the necessary forms and procedures to be used in
26 applying for construction cost assistance under secs. 110 - 190 of
27 this chapter.

28 (b) A borough or city which is a school district seeking con-
29 struction cost aid must apply to the department by September 15 of the

1 prior fiscal year.

2 (c) Based on his review of applications and his determination of
3 project eligibility and priority, the commissioner shall select those
4 construction projects which he considers justified and necessary and
5 recommend to the governor an appropriation of funds for state aid for
6 those projects under secs. 110 - 190 of this chapter.

7 Sec. 43.18.160. CONDITIONS OF STATE AID. (a) Funds distributed
8 to a borough or city which is a school district during a school year
9 under secs. 110 - 190 of this chapter must be received, held, and
10 expended by the district in accordance with the applicable provisions
11 of law and of regulations adopted by the department. Funds provided
12 under secs 110 - 190 of this chapter, but which are not required for
13 the project for which they were granted or which are in excess of that
14 borough's or city which is a district's entitlement for aid under sec.
15 130(c) of this chapter must be returned to the department and deposited
16 in the general fund.

17 (b) Each borough or city which is a school district shall main-
18 tain financial records of the receipt and disbursement of state funds
19 received under secs. 110 - 190 of this chapter and money provided
20 toward local effort. The records must be in the form prescribed by
21 the department and are subject to audit by it at any time.

22 (c) As they are developed, all plans for new schools, additions,
23 and major rehabilitation must be submitted to the commissioner for
24 approval. The commissioner's approval of final contract documents
25 must be obtained before bids may be invited. The commissioner's
26 approval of a plan is effective for two years unless a contract is
27 awarded within that time.

28 (d) Upon completion of the construction project, the chief
29 school administrator of the district shall report the total cost of

1 the project and means of financing it to the commissioner.

2 (e) Boroughs and cities that are school districts shall secure
3 and maintain in full force and effect adequate property loss insurance
4 for the replacement cost of the facility for all facilities constructed
5 under secs. 110 - 190 of this chapter.

6 Sec. 43.18.170. CONSTRUCTION AND IMPLEMENTATION. (a) Secs.
7 110 - 190 of this chapter may not be construed so as to create a debt
8 of the state.

9 (b) Funds to carry out the provisions of secs. 110 - 190 of this
10 chapter may be appropriated annually by the legislature into the
11 public school facilities construction account. If amounts in the
12 account are insufficient to meet the allocations authorized by the
13 commissioner under secs. 110 - 190 of this chapter, such funds as are
14 available shall be distributed pro rata among each borough and city
15 which is a school district based upon its computed entitlement.

16 Sec. 43.18.180. REGULATIONS. The department shall adopt regula-
17 tions necessary to carry out the provisions of secs. 110 - 190 of this
18 chapter.

19 Sec. 43.18.190. DEFINITIONS. (a) In secs. 100 - 190 of this
20 chapter, unless the context requires otherwise:

- 21 (1) "commissioner" means the commissioner of education;
22 (2) "costs of facilities construction" means the cost of
23 acquiring, constructing, enlarging, remodeling, equipping or furnishing
24 of public elementary and secondary school buildings and includes but
25 is not limited to the cost of acquisition of sites, legal, engineering,
26 fiscal, architectural and other fees of specialists or consultants,
27 costs of labor, materials, equipment and furnishings, costs of autho-
28 rization, issuance and sale of bonds, notes, or other evidence of
29 debt, but is limited to projects having a maximum total cost of \$10,000;

1 (3) "department" means the Department of Education.

2 (b) As used in AS 43.18.160(c), "plan" is comprised of three
3 stages: (A) educational specifications;(B) schematic designs; and
4 (C) final contract documents, including the working drawings and
5 specifications as appropriate. Information provided at each stage
6 must include, as a minimum, cost estimates, proposed means of financing,
7 proposed construction contract type, and estimated advertisement and
8 completion dates.

9 * Sec. 3. AS 43.50.140 is repealed.

10 * Sec. 4. This Act takes effect July 1, 1977.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSSB 163
 Title An Act Relating to Public School Construction
 Requested by The Rules Committee at request of Governor Date 2-17-78

II. FISCAL DETAIL

Agency Affected Education
 Program Category Affected Elementary and Secondary Education
 Budget Request Unit(s) Affected Financial Support Programs

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES				20,000.0	22,000.0	24,200.0
700 GRANTS, CLAIMS, ETC.						
TOTAL				20,000.0	22,000.0	24,200.0

FUNDING (Thousands of Dollars)

GENERAL FUND				20,000.0	22,000.0	24,200.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME				-0-	-0-	-0-
PART TIME				-0-	-0-	-0-
TEMPORARY				-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

We anticipate city and boroughs which are school districts to expend approximately \$70 million per year for the purpose of school construction for the next three to four years. However, the eligibility requirements of this legislation focuses on the most critical needs of districts. Information we presently have indicates that the most pressing school district facility needs can be accomodated with an annual appropriation of \$20,000,000 over several years.

Inflation at 10% for construction.

IV. DATE April 27, 1978 PREPARED BY Nathaniel Cole, Deputy Commissioner
 AGENCY Education
 PHONE 465-2800
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

REVISED

I. REQUEST
 Bill/Resolution No. HB 853 CS 5B 163
 Title An Act relating to public school construction
 Requested by The Rules Committee at request of Governor Date 2-17-78

II. FISCAL DETAIL
 Agency Affected Education
 Program Category Affected Elementary and Secondary Education
 Budget Request Unit(s) Affected Financial Support Programs

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES			20,000.0	22,000.0	24,200.0	26,620.0
700 GRANTS, CLAIMS, ETC.						
TOTAL			20,000.0	22,000.0	24,200.0	26,620.0

FUNDING (Thousands of Dollars)

GENERAL FUND			20,000.0	22,000.0	24,200.0	26,620.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			-0-	-0-	-0-	-0-
PART TIME			-0-	-0-	-0-	-0-
TEMPORARY			-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

We anticipate city and boroughs which are school districts to expend approximately \$70 million per year for the purpose of school construction for the next three to four years. However, the eligibility requirements of this legislation focuses on the most critical needs of districts. Information we presently have indicates that the most pressing school district facility needs can be accommodated with an annual appropriation of \$20,000,000 over several years.

Inflation at 10% for construction.

IV. DATE February 21, 1978 PREPARED BY Nathaniel Cole, Deputy Commissioner
 AGENCY Department of Education
 Original: Legislative Finance PHONE 465-2800
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 113
 Title An Act Relating to the Municipal School Construction Account
 Requested by Governor Date _____

II. FISCAL DETAIL
 Agency Affected Education
 Program Category Affected Pre, Elementary and Secondary
 Budget Request Unit(s) Affected Financial Support Programs

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES			14,760.5	14,760.6	14,760.6	14,760.6
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND			14,760.6	14,760.6	14,760.6	14,760.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			- 0 -	- 0 -	- 0 -	- 0 -
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Assume value of approved school construction projects (sec. 3) is 80% of the average annual value of schools constructed in the past three fiscal years (see attached) or \$100,640,303 $3 \times 80\% = \$26,837.4$
2. Assume average V_1 is 10% lower than V_5
3. Formula (sec. 3) $P_i = 1 - (1 - K) V_1 / V_5$ or $\$26,837.4 - (\$26,837.4 - 50\%) 40/50 = \$14,760.6$

IV. DATE Jan. 18, 1977 PREPARED BY William D. Thompson
 AGENCY Department of Education
 PHONE 465-2803
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

COMMITTEE REPORT

SENATE

**Finance

2/17/77

4-10-78 Date

Mr. President:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had SB 163

public school facilities construction under consideration. A MAJORITY of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for SB 163 and that ~~CS for~~ (same title)
- (and) recommends it be referred to the _____ committee
- reports it back with ^{INDIV.} ~~out~~ recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

as follows

- 1 Patrick Rooney No REC
- 2 Smith " "

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

- _____ recommends: _____
- _____ recommends: _____
- _____ recommends: _____

Steve Haskin
Chairman
1 DO PASS

February 17, 1977

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060 (b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to public school facilities construction. The bill would amend AS 43.18 by adding new sections establishing a significantly different program for state aid to school districts for construction of school facilities than that currently in operation under AS 43.18.100. Rather than continue to reimburse school districts annually for a portion of their costs for retiring debt which they incurred in order to fund a school construction project, the program proposed by this bill would provide to a school district one-time, "front-end" assistance from the state to pay a portion of the construction costs of the project.

The amount of state aid under this program would be determined as a percentage, computed on a formula basis similar to that applied to the Public School Foundation Program (AS 14.17), of the "basic cost" of construction of the project. This "basic cost" figure would be determined by the Department of Education by computing the number of square feet necessary to accomplish the objectives of the project (based on such factors as number of students to be accommodated, type of educational program to be provided, type, age and condition of existing facilities, and current availability of various kinds of spaces) and multiplying that square footage figure by the estimated local construction cost per square foot. A district would not be limited to this "basic cost" figure in deciding how much it will spend on a facility; however this figure would form the basis for computing state aid for the project. The amount of state support for the project would range between 50 per cent and 100 per cent of the "basic cost", depending upon the ratio between the district's

property valuation per student and the state-wide property value per student. However, if the actual cost of a project proves to be less than the computed "basic cost", then the amount of state aid will be figured as the computed percentage of aid times that actual cost.

Under the bill, funding through this new state aid program would apply to school construction commenced after June 30, 1978 unless a district had incurred indebtedness for the construction before that date. Construction commenced before July 1, 1978 or for which indebtedness had been incurred before that date, even though construction did not begin until after it, would continue to be covered under the present system of reimbursement for retirement of debt, or for cash payment for school construction AS 43.18.100.

The bill would also repeal AS 43.50.140 which currently provides for disposition of tobacco tax proceeds (AS 43.50.101 - 43.50.100) exclusively to rehabilitate, construct and repair the state's school facilities and for costs of insurance on those facilities. This section no longer provides any real benefit to the school district since, under the state's present system of reimbursement for retirement of debt or for cash payments for school construction, AS 43.18.100, at subsection (b), a school district's entitlement to state reimbursement is reduced by the amount of tobacco tax proceeds received by it in the second preceding fiscal year. In other words, although the tax is given to the districts in one year, it is essentially taken away from them again two years later. This "give-take" mechanism does little other than generate additional paperwork for the state and the district.

In two years, AS 43.18.100(b) should be amended to delete the references to AS 43.50.140. By June 30, 1979, the two-year offset of tobacco tax funds against the state reimbursement under AS 43.18.100 will have caught up with the present repeal of AS 43.50.140.

Sincerely,

Jay S. Hammond
Governor

ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT

P. O. Box 808

Douglas, Alaska 99824

SB 163

TOPIC: Newsletter on Legislation

FROM: John E. Coffee, President *JEC*
Alaska Association of School Administrators

DATE: March 24, 1977

The Alaska Association of School Administrators took the following positions regarding pending legislation during the recent meetings with legislators in Juneau.

1. A.A.S.A. supports the Governor's school construction legislation. This is embodied in Senate Bill 163. Under the bill, each district would be assured of 50% of the funding needed for needed school facilities with a sliding scale that would go upward from 50% based upon the individual community's ability to pay. This would be based upon assessed evaluations. The funding would be on the front end which would eliminate interest expenses on bonds which most municipalities currently have. Two other bills which would provide 80% and 90% funding for facilities also appear to have great merit but the Association is concerned about the State's ability to fund at these levels.

2. The A.A.S.A. supports the Governor's foundation support bill which is Senate Bill 225. The Association is committed to the forward funding idea of knowing one year in advance what the amount of foundation support per instructional unit will be. Such knowledge is vital for successful school district planning.

This bill calls for a \$27,500 instructional unit level for the 1977-78 school year. The bill also includes district differential based on a recent study of costs in various parts of the State. While the membership feels there probably are inequities and this needs further study it supports the general idea of differential updates.

The Governor's transmittal letter concerns us in that the figure of \$29,000 per instructional unit is suggested for the 1978-79 school year and that only if revenues are increased to meet the additional costs. We do not feel this will be adequate and would recommend the figure of \$33,000 for 1978-79. At the very least, a 10% increase will be mandatory for that year to enable most districts to maintain a status quo program.

March 24, 1977

Page 2

We feel very strongly that districts need to know one year in advance what the foundation funding will be. However, should it become possible that the foundation support for 1977-78 to be higher than the \$27,500 included in the Governor's bill, we certainly would not oppose such an increase.

SB 44
3/24/77
3. Senate Bill 44 - A.A.S.A. favors this bill. It would have the effect of broadening the Professional Teaching Practices Commission by adding two lay members to the Commission. These members would be appointed by the Governor. The Commission would then have eleven members. We support the bill because of the broadening feature. The current Commission is made up of a preponderance of teacher representatives. We feel this should change. The A.A.S.A. further urges that a legislative review of this agency be made. We simply do not feel it is accomplishing what it was originally created to do.

4. House Bill 109 - This bill clarifies the relationship between school boards and borough assemblies. The wording of the bill is as follows:

The borough assembly has only those powers with respect to education or to borough school boards that are granted by statute.

This would clearly delineate which body has the authority regarding various topics. A.A.S.A. favors this bill.

5. A.A.S.A. opposes House Bill 228. This bill would mandate that school boards grant administrative leave and pay travel costs of teacher union negotiators. We feel this would be an incentive to extend negotiations even longer than they are extended in most districts now. Many districts already grant, as part of their negotiated agreements, leaves of various types for teachers to attend association and union meetings and often negotiations skills are learned at such meetings. We do not feel the taxpayers should also subsidize the activities this bill would cover.

4055
6. A.A.S.A. supports the full funding of community education as called for in the community education law. Therefore, we support House Bill 179 and Senate Bill 178. The community education concept and program are tremendous ideas for Alaska in our view. The better utilization of facilities by those who own them needs to be encouraged as strongly as possible.

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HPSS
7. We strongly oppose Senate Bill 229. This bill would mandate coordinated bargaining by all R.E.A.A.'s. Every R.E.A.A. has opted out of such a possibility when given the option to do so last fall. Individual school boards now have the responsibility for local education in R.E.A.A.'s. This bill would require them to collectively bargain with one large teachers' group. It is our view that individual boards can best look out for their constituents' welfare by not being required to have mandated coordinated bargaining. The passage of legislation would weaken R.E.A.A. boards.

HPSS
8. A.A.S.A. opposes Senate Bill 246. This bill would eliminate the section 26 Board. The Commissioner of Education would be appointed by the Governor and have an advisory School Board. We favor the current structure because we feel it helps keep the Commissioner's position less political than it would be if no Section 26 Board existed. The current setup is much healthier for Alaskan education, in our view, than would be the situation created should this bill become law.

HPSS
9. We favor Senate Bill 211. Should this bill pass, school boards would not be required to negotiate with their supervisory personnel such as building principals, assistant principals, etc. We feel school boards should have an option on the local level. Negotiations with middle management often have the effect of weakening the district's management team. A.A.S.A. does recognize the need to develop legislation which will clearly define the management team including principals. Our organization will suggest legislation on this topic during the next legislative session.

HPSS
10. Our Association opposes Senate Bill 155. We do not feel it is needed. This bill allows for shortening the school year because of:

fire, natural disaster, or strike

The Commissioner of Education can currently make decisions regarding the first two items. We oppose the wording or strike because it is the position of A.A.S.A. that teacher strikes are not legal in Alaska under the State Law. We feel any wording in State Law regarding strikes would tend to legitimize their use.

HPSS
11. The Association opposes House Bill 16 and Senate Bill 85. These bills are often referred to as the basic skills bills. Our opposition is due to the position of generally opposing categorical funding. Our membership is concerned about

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the precedent of categorical funding this might set. We would prefer to receive the additional funding through the regular foundation program so that use of the funding would be determined by local school boards.

12. We favor House Bill 28. This bill would give more local control to districts regarding the centralized correspondence program.

13. We favor House Bill 301. This bill would raise the legal financial limits of parental responsibility for student vandalism from \$2,000 to \$5,000.

14. We support Senate Bill 226 which would add one more year to the terms of R.E.A.A. school board members who were elected to 2 and 3 year terms. We feel this would add stability where it is needed at this time.



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
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Buckley
Endrey

SB 163

DON GILMAN
MAYOR

April 7, 1977

SB 163 -

Honorable John Sackett
Alaska State Senate
Pouch V
Juneau, Alaska 99801

Dear Senator Sackett

In reviewing the numerous bills that have been introduced in order to distribute the expected large oil revenues and to alleviate the tax burdens of the residents of the state, our assembly committee has noted some disturbing similarities.

While removing from the municipalities the burden of taxing residents and property taxpayers these bills also remove from the local governments, borough and municipality, the burden of deciding on the use of the revenues which will replace the present taxes.

We find this inconsistent with the intent of the Constitution of the state, with the Governor's "grass-roots" level of involvement, and extremely detrimental to the local governments. We cannot believe that it is in the best interest of the state or the people to dictate to them and to their locally elected and responsible government units what uses they should ultimately make of such revenues.

For example, ^{SB 163} ~~HB 163~~, which we adamantly oppose, would place the Commissioner of Education in charge of designing, assigning priorities and approving local school construction. In our borough we have 16 assemblymembers and 7 school board members who are directly elected by the residents of the Kenai Peninsula and we feel that they are more aware of the problems, needs and priorities of the Peninsula than any state agency, and if they prove not to be, the voters will amend their thinking.

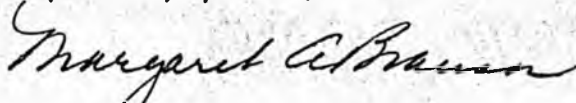
Senator Sackett
April 7, 1977
Page 2

There is an additional problem with the bills now before the Legislature; true they relieve the tax burdens now, but since this is a non-renewable resource, there is likelihood that this would be a temporary situation (i.e., the state having vast amounts of money in its treasury) and in the not too distant future taxes would again have to be imposed for necessary governmental services, all of which will have increased dramatically. By this time the local governments will be in total disarray having served for many years as a pass-through agency for super state powers.

We would like to suggest that a payments-in-lieu of taxes bill similar in concept to HR 9719 would meet the needs of both state government and its constituency in a more efficient and productive manner.

On behalf of the committee I thank you for your time and consideration of this matter.

Very truly yours,



(Mrs) Margaret Branson, Chairperson
Legislative Overview Committee
Kenai Peninsula Borough Assembly

encl: PL 94-565 (HR 9719)

COMMITTEE REPORT
SENATE

FURTHER: _____

4/12/78

Date: _____

Mr. President:

The Committee on FINANCE has had SB 163
public school facilities construction

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass recommends it do not pass
 recommends it do pass with attached amendment(s)
 recommends it be replaced with CS for _____

- and _____ new title same title
 AND attaches a Letter of Intent New Fiscal Note
 reports it back without recommendation
 and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman