

LEG. FINANCE - BILLS 1985 - 1986 2241

CSSB 349 cont. - CSSB 355 2241

1 Delta Project if the commissioner determines that renegotiation is neces-
2 sary to minimize financial losses to the state and that it is in the best
3 interest of the state.

4 * Sec. 2. This Act is repealed July 1, 1988.

Introduced: 1/20/86
Referred: Resources and
Finance

1 IN THE SENATE

BY COGHILL AND KERTTULA

2

SENATE BILL NO. 349

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the reorganization of private
7 debt at the Delta Project."

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

9 * Section 1. The commissioner of natural resources shall, at the re-
10 quest of an individual who purchased land from the state in the Delta
11 Project,

12 (1) accept the relinquishment of the land purchased from the
13 state;

14 (2) appraise the relinquished land at fair market value;

15 (3) credit the value of the land to the total agricultural debt
16 owed to the state on a per acre basis;

17 (4) renegotiate a loan with that individual for the purchase of
18 fee simple title to not more than five acres of the land on which residen-
19 tial and farm improvements exist;

20 (5) enter into an agreement with the individual for the lease
21 for agricultural purposes only of a portion of or all of the land relin-
22 quished at the fair market value of the land;

23 (6) grant the individual a 20-year lease with a preference right
24 to repurchase after the lease expires.

25 * Sec. 2. This Act is repealed July 1, 1988.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 1/21/86

REQUEST

Bill/Resolution No: SB 339
Title: An Act Relating to Mercury Classics

Sponsor: Senator Bennett
Requestor: Finance
Date of Request: January 15, 1986

FISCAL DETAIL

Agency Affected: Revenue
BRU: Public Services

Components: Public Services Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

<u>OPERATING</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LAND & STRUCTURES	-	-	-	-	-	-
GRANTS/CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-

<u>CAPITAL</u>	-	-	-	-	-	-
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<u>REVENUE</u>	-	-	-	-	-	-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared by: Sally Smith, Director
Division: Public Services

Phone: 465-2392
Date: January 21, 1986

Approved by: Henry A. Hudale
Commissioner: _____
Agency: Revenue

Date: January 23, 1986

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management & Budget
- Impacted Agency(ies)

Introduced: 1/13/86
Referred: Finance

THE FINANCE COMMITTEE
BY BENNETT BY REQUEST

1 IN THE SENATE

2

CS SENATE BILL NO. 339 (Fin)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to mercury classics."

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

8 * Section 1. AS 05.15.100(a) is amended to read:

9 (a) The commissioner of revenue may issue a permit to a municipi-
10 pality or qualified organization. The permit gives the municipality
11 or organization the privilege of conducting bingo, raffles and lotter-
12 ies, ice classics, rain classics, mercury classics, dog mushers'
13 contests, fish derbies, and contests of skill.

14 * Sec. 2. AS 05.15.180(b) is amended to read:

15 (b) With the exception of raffles, lotteries, rain classics,
16 mercury classics, and other activities authorized under AS 05.15.-
17 100(b), an activity may not be licensed under this chapter unless it
18 existed in the state in substantially the same form and was conducted
19 in substantially the same manner before January 1, 1959.

20 * Sec. 3. AS 05.15.210 is amended by adding a paragraph to read:

21 (24) "mercury classic" means a game of chance where a prize
22 of money is awarded for the closest guess of the time the temperature
23 reaches a certain degree. ~~and is limited to the mercury classic~~
24 ~~operated and administered by the Greater Fairbanks Chamber of~~
25 ~~Commerce.~~

AMENDMENT ADOPTED BY SFC 3/25/86

Line 23

After "degree" INSERT "o" and DELETE remainder of sentence

ANALYSIS FOR SENATE BILL 339

An Act relating to mercury classics

This bill would add a new type of game, "mercury classic" to the statutes relating to games of chance and contests of skill. It would be a game of chance where a monetary prize is awarded for the closest guess to the date and time when the temperature in Fairbanks first reaches -40 degrees.

There is no fiscal impact.

Alaska State Legislature


P O BOX 2801
FAIRBANKS, ALASKA 99707



P O BOX V - STATE CAPITOL
JUNEAU, ALASKA 99811

Senate Office of the President,

To: Senator John Sackett, Co-Chair
Senator Jan Faiks, Co-Chair
Senate Finance Committee

From: Senator Don Bennett 

Date: March 18, 1986

Re: SB 339, "An Act relating to mercury classics."

Senate Bill 339 was introduced at the request of the Greater Fairbanks Chamber of Commerce, a non-profit civic organization which has been operating since 1952. The Chamber's purpose is to promote commercial, industrial and professional activity in the community, and to make living in Fairbanks a source of pride.

As envisioned by the Chamber, the Mercury Classic would be an event similar to the Nenana Ice Classic. Instead of guessing when the ice goes out, however, participants would guess the time at which the temperature in Fairbanks first reaches -40° . Chances would be sold for \$2.00 through a local distribution system from March to October of each year.

The Chamber intends to use the revenues generated by the sale of Mercury Classic tickets to promote the annual Fairbanks Ice Festival, particularly to promote national and international tourism and participation in this event. The festival is a winter carnival held in March.

Please feel free to contact me if you have any questions.

SENATE FINANCE COMMITTEE

M E M O R A N D U M

DATE: March 25, 1986

TO: Lynn Barnes
Legal Services

FROM: Vicki (4935)
Cap Bldg Rm 413

RE: CS for SB 339 (Finance)

Please prepare a Finance Committee Substitute for SB 339 reflecting the amendment adopted by the Senate Finance Committee.

CS SB 339 (Fin) was reported out at the Committee meeting this morning and read across at the 11:00 a.m. Senate floor session.

Please return to me asap.

THANX!

COMMITTEE REPORT
SENATE

FURTHER:

2/13/86

Date _____

Mr. President

The Committee on FINANCE considered SB 310

providing for an advisory vote as to whether the permanent fund dividend program should be continued.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
LO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

1/20/86

Date Feb 13, 1986

Mr. President

The Committee on STATE AFFAIRS considered SB 350

providing for an advisory vote as to whether the permanent fund dividend program should be continued.

and ~~(a majority of the committee)~~ (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Edna De Vito

Bill Ray

MEMBERS HAVING
OTHER RECOMMENDATIONS

1 Tim Kelly - No Rec

W. D. [Signature]
Chairman

1 No Rec
Chairman recommendation

Introduced: 1/20/86
Referred: State Affairs
and Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 350

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an advisory vote as to whether
7 the permanent fund dividend program should be con-
8 tinued."

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

10 * Section 1. The lieutenant governor shall place before the qualified
11 voters of the state at the next general election the following question,
12 advisory to the legislature. The question shall appear on the ballot in
13 substantially the following form:

14 Q U E S T I O N

15 A substantial portion of the income of the Alaska
16 permanent fund has been used each year for payment of
17 permanent fund dividends to residents of the state.
18 Should the permanent fund dividend program be continued
19 and should a portion of the income from the Alaska
20 permanent fund continue to be paid as dividends to
21 residents?

22 Yes [] No []

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30
S COMMITTEE COPY

ALASKA STATE LEGISLATURE

.14th.. Legislature .2nd... Session

SENATE BILL NO. 350...

By RAY

"An Act providing for an advisory vote as to whether the permanent fund dividend program should be continued."

Introduced in the Senate ..1/20.., 19..86

HISTORY IN THE SENATE

1986	Read first time and referred to Committee on										
1 20	State Affairs & Finance										
2 13	Reported back with <i>St. Aff.</i> recommendation that <i>2 do pass</i> <i>2. no rec. to Finance</i> <i>FILE</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										
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	<p>Reconsideration</p> <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										
	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										
	<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										
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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
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Introduced: 1/20/86
Referred: State Affairs
and Finance

1 IN THE SENATE

BY RAY

2

SENATE BILL NO. 350

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing for an advisory vote as to whether
7 the permanent fund dividend program should be con-
8 tinued."

9

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

10

* Section 1. The lieutenant governor shall place before the qualified
11 voters of the state at the next general election the following question,
12 advisory to the legislature. The question shall appear on the ballot in
13 substantially the following form:

14

Q U E S T I O N

15

A substantial portion of the income of the Alaska

16

permanent fund has been used each year for payment of

17

permanent fund dividends to residents of the state.

18

Should the permanent fund dividend program be continued

19

and should a portion of the income from the Alaska

20

permanent fund continue to be paid as dividends to

21

residents?

22

Yes []

No []

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

1/20/86

Date

Feb 13, 1986

Mr. President

The Committee on STATE AFFAIRS considered SB 350

providing for an advisory vote as to whether the permanent fund dividend program should be continued.

and ((a majority of the committee)) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

✓ Edna De Vries

1 Tim Kelly - No Rec

✓ Bill Ray

Chairman

Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER:

2/7/86

Date 2/26/86

Mr. President

The Committee on FINANCE considered SB 351
relating to retirement of school construction debt; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 351 (Fin)
- new title
- same title and recommends "DO PASS"
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
to SFC
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
Paul Frick
[Signature]
John Smith
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Co-Chairman
do pass
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CSSB 351 (Fin)
 Title : Retirement of school
 construction debt
 Sponsor : Sen. P. Fischer
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : All Departments
 BRU : _____
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

Prepared by : _____
 Division : Senator Jan Faiks, Co-Chairman
Senate Finance Committee

Phone : 465-4523
 Date : 2/25/86

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Steve Hole
DOE

Adopted by SFC
2/26/86

2/26/86

Original sponsor: P. Fischer

IN THE SENATE

CS FOR SENATE BILL NO. 351 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to retirement of
school construction debt; and
providing for an effective date."

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

* Section 1. AS 14.11.100 is amended by adding a new
subsection to read:

(1) An allocation under (a)(5) of this
section may be reduced by the amount expended by a
municipality under (k) of this section if the
allocation is based upon bonds authorized by the
voters of the municipality after July 1, 1986.

* Section 2. This Act takes effect immediately in
accordance with AS 01.10.070(c).

2/26/86

ANALYSIS FOR SENATE BILL 351

An Act relating to retirement of school construction debt and providing for an effective date

Section 1

Would nullify any regulation adopted by the Department of Education which required that any interest earned from the sale of school construction bonds be deducted from the state's debt reimbursement.

Section 2

Immediate effective date.

Original sponsor: P.Fischer

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 351 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to retirement of school construction
7 debt; and providing for an effective date."

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

9 * Section 1. The Board of Education may not adopt regulations under
10 AS 14.11.100(k) unless the regulations only apply to bonds authorized by
11 the qualified voters of a municipality after July 1, 1986.

12 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

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Senate Finance Committee

Senator Jan Falks. Co-Chairman Senator John Sackett. Co-Chairman

DATE: February 26, 1986

TO: Lynn Barnes
Legal Services

FROM: Vicki Wilson (4935)
Cap Bldg, Rm 413

RE: CS SB 351 (Fin)

Please prepare a Senate Finance Committee Substitute for SB 351, per attached, and return to me asap, as the bill was reported out of Committee and read across the floor this morning.

THANX!

2/25/86



Alaska State Legislature

Senate

Official Business

SENATOR PAUL FISCHER

Pouch V
State Capitol
Juneau, Alaska 99811

To: All Senate Finance Committee Members

From: Senator Paul Fischer *PF*

Date: February 24, 1986

Subject: SB 351, retirement of school construction debt.

I have introduced this legislation to clarify legislative intent regarding Senate Bill 51 (CCSSB51) which became law last year.

From my conversations with officials of the Kenai Peninsula Borough, there is a deep concern that the regulations do not carry out the intent of Senate Bill 51.

A section of SB 51, AS 14.11.100(k), requires interest earned on bond proceeds be used for projects for which the bonds were sold.

The regulations which are now in effect do not reflect AS 14.11.100(k), but are the Department of Education's own interpretation. I believe the department should propose new legislation rather than writing it through regulations.

Included is a letter from the Kenai Peninsula Borough that helps state the problems inherent in the regulations. Also enclosed is a copy of AS 14.11.100(k) and the 4 AAC 31.058.

To my knowledge, the Anchorage, Matanuska-Susitna, North Star, and Kenai Peninsula Boroughs are adversely affected by this regulation.

I encourage your support of this legislation.

attachments:



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

STAN THOMPSON
MAYOR

January 24, 1986

The Honorable Paul Fischer
Pouch V
Juneau, AK 99811

Dear Senator Fischer:

Enclosed is a detailed summary of our problem with the D.O.E. regulations.

In essence, the D.O.E. regulations would not allow the Borough to retain interest earnings on the investment of bond proceeds. This would result in an estimated loss of \$6 million (2 mills) this year alone.

Remember, too, that this is changing the rules in the middle of the game - after the bonds were voted on and sold.

We feel this is not only totally unfair, but illegal in that it is contrary to the statute.

Sincerely,

Stan Thompson
Borough Mayor

ST:lc
Enclosure
cc: All legislators



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

STAN THOMPSON
MAYOR

January 24, 1986

Senator Paul Fischer
Pouch V
Juneau, AK 99811

Re: Department of Education's regulations on school debt
reimbursement.

Dear Senator Fischer:

In our last discussions with you regarding the school construction debt reimbursement regulations, you requested that we prepare information regarding our position and views on these regulations. This letter is in response to that and addresses our particular concerns with 4AAC 31.058. That section deals with interest earnings on bond proceeds. It deals with these in two ways. The first is to specify the limitations on the use of these proceeds. These interest earnings may only be used for certain specified items listed in the regulation. The second aspect of this regulation is that any interest earnings reduce eligibility for reimbursement. We are mandated to use the interest earnings for certain purposes and then the regulation contains a Catch-22 that causes us to essentially forfeit those interest earnings. Our analysis of this regulation leads us to three conclusions:

1. The regulations reducing eligibility for debt reimbursement by the amount of interest earnings on the bonds are in direct conflict with the statutory plan of school construction debt reimbursement set forth in AS 14.11.100.
2. These regulations reducing eligibility for debt reimbursement are not authorized by statute and those provisions are therefore beyond the authority of the Department of Education to adopt.
3. That the regulations reducing the debt reimbursement eligibility work an undue hardship and unfairness on local government. This hardship is an unfairness due to the fact that the State passed a plan of debt

reimbursement and required municipalities to submit the estimates under that plan to the voters showing an estimated 80% reimbursement from the State. These regulations if implemented, would in fact substantially reduce the State's share without prior warning to the local governments. These unauthorized regulations increase the cost by introducing a new scheme to be applied to bond issues approved prior to the regulations being adopted.

These additional restrictions and conditions are not set forth in the statute, and as stated above, are directly contrary to the program established by the State legislature. Even were the Legislature to choose to amend the statute to impose additional restrictions regarding the disposition of interest earnings on bond proceeds, it would be most unfair to apply them to bond issues that were passed prior to those changes. We will attempt to set forth in this letter a more detailed analysis regarding the validity of these regulations and the effect of their application to our existing bond issues.

Subsection (a) of 4AAC 31.058 contains language similar to that set out in AS 14.11.100(k). There is a minor variation in the language between the statute and the proposed regulation. The statute, AS 14.11.100(k) reads:

An amount equal to the interest earned on the investment of the proceeds of the bonds issued for school construction projects shall be used by the municipality to 1) cost of the project; 2) pay accrued interest on the bond issue; 3) redeem all or part of the bonds; or 4) pay the cost of issuing the bonds. (Emphasis added.)

The regulations change the emphasis somewhat. They read that the interest on proceeds "may only be used" for the four items listed in the regulations. The statute specifically says they shall be used. In examining AS 14.11.100, of which subsection (k) is a part, it becomes clear that the approval of eligible amounts and the debt reimbursement program are fixed by that statute. The statute provides for project approval which is a maximum amount upon which reimbursement can be given. For example, if the project is approved for \$1 million, only the million dollars together with interest is eligible for the 80% reimbursement. Without adjustment of this amount, no additional amounts in excess of 80% of the million dollar basis could be reimbursed. This statute provides a scheme whereby the project is given approval at a specific amount. Subsection (k) provides that municipalities are not free to use the interest earnings except for the specified purposes. They limit us in our use but do not provide that we lose the interest when we utilize the

interest earnings for the specified purposes. Any attempt by regulation to "forfeit" those interest earnings exceeds the statutory framework which merely requires us to use those earnings for specific purposes.

Subsections (b) and (c) of 4AAC 31.058, by their very wording, cause the local government to forfeit those interest earnings when we utilize them for the purposes that are required under the statute. Under subsection (b), the amount eligible for reimbursement is reduced if we utilize the funds to pay the cost of the project. Subsection (c) causes us to lose eligibility for reimbursement if we utilize them for cost of the bond sale interest payments on the bonds or redemption of the bonds. This is effectively a "Catch-22." The statute through which the regulations are purportedly authorized, requires us to utilize the money for specified purposes. When we utilize the money for those purposes, it reduces our eligibility for reimbursement, without regard to the amount of monies appropriated by the Legislature for the reimbursement program which is now currently set at up to 80%. The statute provides that if the money is appropriated we are entitled to 80%, yet these regulations provide something totally different. They effectively reduce the rate of reimbursement by the State even if the monies have been appropriated and are available.

Some examples may be helpful to illustrate this.

1. The first example will show the effect of utilizing interest earnings to pay the cost of the project. In this example, we will use a \$1 million bond issue. The project has approval for reimbursement as a million dollar project. The bonds are sold and the interest earnings are \$100,000. In the early stages of construction unexpected site conditions are discovered which require a \$100,000 change order to deal with the problems. This increases the cost of the project to \$1.1 million. Under the regulations, the project approval amount could not increase, thus only 80% of \$1 million is reimbursable yet the project is now \$1.1 million. If the interest earnings are applied to this project, as allowed, and mandated by statute to cover the unexpected site problems, this effectively reduces the State's share because the \$100,000 will be deducted from the reimbursement program.

Alternatively, these regulations could be read as reducing the approved project amount which has an even more serious effect. In that case, the million dollar approval would be reduced to \$900,000, thereby obligating the State only to reimburse 80% of \$900,000 of bonds rather than the originally approved million. Either one of these approaches is contrary to the statutory program that says that if the money is appropriated for the 80% level, then it shall be paid at that level.

2. The second example regards the use of the interest to pay bond sale costs, redeem the bonds, or payment of interest on the bonds. We will use the same \$1 million bond sale with \$100,000 interest earnings. The first annual payment is \$200,000. Under the statute, the State would reimburse the Borough 80% of the \$200,000 payment with the Borough paying \$40,000. Under the regulation, the \$100,000 interest would have to be deducted from the \$160,000 share of the State leaving the State's share at \$60,000. The Borough's share would still be 20% plus the \$100,000 interest earning. Under this, the Borough would pay \$140,000 or 70% of that payment with the State only paying 30%.

The regulations as pointed out in the previous example, state that the amount allowed upon amount for which debt retirement is allowed would be reduced by that amount. Once again, the regulation could be interpreted as reducing the approved project amount by the amount of interest earnings. If this were to occur, under our example, only \$900,000 would be eligible for reimbursement. The State would pay 80% of that reduced payment and the Borough 20% plus the full burden of the debt service on ineligible \$100,000. The payment would still be \$200,000 but only approximately \$180,000 would be subject to reimbursement. That would be split with the State to paying \$144,000 and the Borough paying \$36,000 on that eligible portion. This would result in the State paying 72% instead of 80%. This would of course fix that rate for the life of the bonds by reducing the project amount. If there were further interest earnings, then the State's share would lessen in succeeding years until there were no further interest earnings on the bond proceeds.

It is unclear as to which interpretation is to be given to these regulations. It is also very clear that either interpretation is contrary to the direct statutory intent that the program is to be on an 80/20 split so long as it is in effect and any regulations that try to alter this by counting the interest earnings against reimbursement eligibility would be contrary to the statute. Subsection (k) specifically stated that we could not use the funds on other items but must use them on the projects, yet the regulations seek to penalize and reduce the State's share in a manner not allowed under the statute. These regulations very clearly exceed the scope of statutory authority.

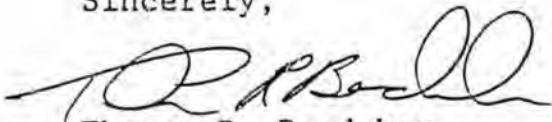
There are certain other provisions to the proposed regulations that concern us very greatly. In particular, these pertain to the criteria for project approval. 4AAC 31.011(b) provides that the cost of planning, design and construction of a facility will be approved for debt retirement when, among other things, the situation cannot be reasonably relieved by adjusting the boundaries of the attendance areas or transporting the children to nearby schools. We have concern over this because there are no standards as to what is meant by "reasonably relieved" by

Senator Paul Fischer
January 24, 1986
Page 5 of 5 Pages

adjusting the boundaries or transporting students. This regulation could give rise to denial of project approval because there is a school that has some additional capacity 12 to 15 miles distant to which students can be transported. An example would be, denial of project approval for an elementary school in the Homer/Anchor Point area because there is some classroom space at the McNeil Canyon School 12 miles east of Homer. The Department could apply this regulation as it is written in a rather arbitrary manner. The result would be to increase transportation costs while at the same time the Department of Education is reducing allowances for bus transport. In a district such as the Kenai Peninsula Borough School District, this could be applied to require transport of students as much as 40 or 50 miles if there are seats available in one facility and not in another. It could be applied to defeat the addition of classrooms which could be the most cost effective method for handling extra enrollment in an area.

I believe that this letter sets forth the items that you wanted me to address, and if there are any further questions we may answer regarding this, please do not hesitate to contact me. Once again, we feel that the proposed regulations impose additional requirements not contained in the statutes and those additional requirements effectively increase the local share of school construction contrary to the statutory language. The addition of the language requiring the municipalities to use the interest earnings on bond proceeds for only specified purposes does not authorize regulations which cause us to forfeit all use or benefit from those interest earnings when used for the specified purposes.

Sincerely,



Thomas R. Boedeker
Borough Attorney

TRB:bl

(3) payments may not be made for costs that are incurred under a contract after the contract has been released.

(j) The state may not allocate money to a municipality for a school construction project under (a)(5) of this section unless the municipality complies with the requirements of (1) — (4) of this subsection and the project is approved by the commissioner before the local vote on the bond issue for the project. In approving a project under this subsection, the commissioner shall require

(1) the municipality to include on the ballot for the bond issue the estimated total cost of each project including estimated annual operation and maintenance costs and the estimated amounts that will be paid by the state and by the municipality;

(2) that the bonds may not be refunded unless the annual debt service on the refunding issue is not greater than the annual debt service on the original issue;

(3) that the bonds must be repaid in approximately equal annual principal payments or approximate equal debt service payments over a period of at least 10 years;

(4) the municipality to demonstrate need for the project by establishing that the school district has

(A) projected long-term student enrollment that indicates the district has inadequate facilities to meet present or projected enrollment; or

(B) facilities that require repair or replacement in order to meet health and safety laws or regulations or building codes.

(k) An amount equal to the interest earned on the investment of the proceeds of bonds issued for a school construction project shall be used by the municipality to

(1) pay the costs of the project;

(2) pay accrued interest on the bond issue;

(3) redeem all or part of the bonds; or

(4) pay the costs of issuing the bonds. (§ 1 ch 249 SLA 1970; am § 1 ch 93 SLA 1971; am § 2 ch 137 SLA 1972; am § 1 ch 28 SLA 1973; am § 47 ch 127 SLA 1974; am §§ 1 — 3 ch 120 SLA 1977; am §§ 12, 17 ch 147 SLA 1978; am § 25 ch 168 SLA 1978; am §§ 8 — 10 ch 92 SLA 1982; am §§ 1 — 3 ch 82 SLA 1983; am § 47 ch 6 SLA 1984; am § 1-5 ch 78 SLA 1985)

Revisor's notes. — Enacted as AS 43.18.100. Renumbered in 1983.

Cross references. — For present provisions of former subsection (g) of this section, see AS 14.11.135(3).

Effect of amendments. — The 1982 amendment, substituted "a municipality

that" for "an organized borough or a city which" in the introductory language of subsection (a), substituted "the municipality" for "the borough or city" in paragraphs (1), (2)(A) and (B), and (3)(A) and (B), substituted "90 percent" for "80 percent" in the introductory language of

Register ,

EDUCATION

4 AAC 31.058

4 AAC 31.090

(d) In the event that the department denies or limits reimbursement of costs, the district may appeal the decision in accordance with the provisions of 4 AAC 40.020 through 4 AAC 40.050. (Eff. / / / Reg.)

Authority: AS 14.07.060
14.11.100

4 AAC 31.058. USE OF INTEREST EARNED ON BOND PROCEEDS. (a)
Interest on proceeds of bonds for which debt retirement under AS 14.11.100 is sought may only be used to:

- (1) pay the costs of the project;
- (2) pay accrued interest on the bond issue;
- (3) redeem all or part of the bonds; or
- (4) pay the costs of the bond sale.

(b) If the money earned as interest on the proceeds of bonds is devoted to the costs of the project, then the amount for which debt retirement is allowed will be reduced by that amount.

(c) If the money earned as interest on the proceeds of bonds is used to pay accrued interest, redeem all or part of the bonds, or pay the costs of the bond sale; then the amount for which debt retirement is allowed will be reduced by that amount.

(d) The accounts in which the proceeds of bonds are placed are subject to audit under the provisions of 4 AAC 31.057 and the district shall report, on forms prescribed by the department, the use to which the money is put. (Eff. / / , Reg.)

Authority: AS 14.07.060
AS 14.11.100

4 AAC 31.090(10) is proposed for adoption as follows:

4 AAC 31.090. DEFINITIONS.

(10) 'facility' means for the purposes of debt retirement mean

(A) the buildings and grounds need to house and support the educational program; or

SENATE H.E.S.S. COMMITTEE, FEBRUARY 6, 1986

TO: Bettye
FROM: tyndra

SB 351 RELATING TO RETIREMENT OF SCHOOL CONSTRUCTION DEBT. (P. FISCHER)

WOULD PROHIBIT THE STATE BOARD OF EDUCATION FROM ADOPTING A SPECIFIC REGULATION REGARDING USE OF INTEREST EARNED ON SCHOOL CONSTRUCTION BONDS (REQUIRING THAT THE AMOUNT OF REIMBURSEMENT FROM THE STATE BE REDUCED BY THE AMOUNT OF INTEREST EARNED). WE OPPOSED PUTTING THIS PROVISION IN STATUTE LAST YEAR AND SUBMITTED FORMAL COMMENTS OPPOSING THE REGULATION TO THE GOVERNOR THIS FALL.

ISSUES:

- NONCOMPLIANCE WITH LEGISLATIVE INTENT
- ECONOMICS. EXAMPLE: \$300 MILLION IN BONDS AT 10% INTEREST EARNS \$30 MILLION. UNDER THE REGULATION, THE STATE WOULD GET \$24 MILLION OF THIS (80%) THAT WOULD OTHERWISE REMAIN IN THE MUNICIPALITIES.

NOTE:

THE DEPT. ADMINISTRATION IS IN THE PROCESS OF DEVELOPING REGULATIONS TO REQUIRE THAT INTEREST EARNED ON ANY STATE GRANT MONIES BE RETURNED TO THE STATE OR, WITH THE ADMINISTRATION'S O.K., SPENT ON PROJECT COSTS. HB 520, INTRODUCED BY THE GOVERNOR LAST WEEK, WOULD PUT DEPT. EDUCATION'S REGULATORY LANGUAGE IN STATUTE.

SEPARATION OF POWERS:

ART PETERSON, ATTORNEY GENERAL'S OFFICE, SAYS LANGUAGE IN SB 351 WOULD LIKELY WITHSTAND A COURT CHALLENGE. HOWEVER, HE RECOMMENDS THAT RATHER THAN SAYING THE DEPT. CAN'T DO SOMETHING, WE AMEND THE SCHOOL CONSTRUCTION STATUTE TO BE MORE CLEAR ON THE USE OF INTEREST.

REGS - see p. 4

Register

EDUCATION

4 AAC 31.011

4 AAC 31.011(b), (c), (d) and (e) are proposed for adoption as follows:

(b) The cost of planning, design and construction of a facility will be approved for debt retirement when:

(1) it can be verified by the department that the enrollment of a district or an attendance area within a district will reach design capacity within two years;

(2) the situation cannot be reasonably relieved by adjusting the boundaries of the attendance areas and transporting the children to nearby schools; and

(3) it can be demonstrated by commonly accepted demographic techniques, logically applied, that the new facility will reach and sustain design-enrollment within five years of the anticipated occupancy date.

(c) Requests for new facilities under AS 14.11.010 or debt retirement under AS 14.11.100 must contain documented evidence, acceptable to the department, supporting the following:

(1) enrollment projections based upon the average survival method or an equivalent methodology offering equal validity;

(2) other demographic information prepared by the district, municipality, the Department of Community and Regional Affairs, the Department of Transportation and Public Facilities, the Department of Labor, the Department of Revenue, or other state or federal agencies which have prepared demographic information on the attendance area; or

(3) any additional information supporting the enrollment projection, including, but not limited to economic and social conditions effecting local growth patterns, school and preschool census, and business or industrial forecasts indicating increased population growth.

(d) Notwithstanding the provisions of subsections (b) and (c) of this section, the cost of planning, design and construction for a new facility or the repair, rehabilitation or remodeling of an existing facility will be approved for debt retirement under the provisions of AS 14.11.100 when:

(1) a condition exists which is in violation of one or more of the nationally recognized building codes, fire codes,

health or safety codes; or state or federal statutes or regulations;

(2) the condition is verified by a means acceptable to the department;

(3) a condition exists which, if unabated, may require that the facility cease being used to provide the educational program or in support of the educational program; and

(4) the means selected by the district to cure the violation is the most cost effective method.

(e) Notwithstanding the other provisions of this section the department may in its discretion approve the planning, design and construction of a facility, as defined in 4 AAC 31.090(10)(B), for debt retirement when the project is in the best interests of the state and the school district. (Eff. 12/2/83, Reg. 88; am / / , Reg.)

Authority: AS 14.07.060
AS 14.11.010
AS 14.11.020
AS 14.11.100
AS 14.11.102

4 AAC 31.055 is proposed for adoption as follows:

4 AAC 31.055. CRITERIA FOR AMOUNTS ALLOWED FOR DEBT RETIREMENT. (a) A facility will be approved for debt retirement under AS 14.11.100 for planning, design and construction provided the project meets the requirements established in 4 AAC 31.011 and the requirements of this section.

(b) A facility to house and support the education program must meet the following criteria:

(1) the guidelines established in 4 AAC 31.020;

(2) non assignable space may not exceed 25 percent of the total space, though the department may in its discretion grant a variance of up to 35 percent of total space in small schools in remote areas where it can be demonstrated that the variance is in the best interest of the state and the district; and

(3) assignable space must be used for educational purposes at least 75 percent of the scheduled school day.

(c) The department may in its discretion either deny a request for debt retirement under the provisions of AS 14.11.100 or limit its approval to the costs for a facility which complies with the provisions of this section.

(d) The costs of planning, design, or construction of an otherwise approved facility are not eligible for debt retirement if they are incurred for or arise out of:

(1) ~~costs of change orders~~, contract amendments, contractor's claims, or other modifications which enlarge the scope of the project or increase the total cost of its budget over the lesser of the amount approved by the voters at the bond election, the amount approved by the department, or the contract amount, except for unavoidable or unforeseeable circumstances under prudent management; or

(2) the cost of repairing or replacing items not essential to operation of the physical plant or normally scheduled for routine maintenance or replacement.
(Eff. / / / , Reg.)

Authority: AS 14.07.060
AS 14.11.100

4 AAC 31.057 is proposed for adoption as follows:

4 AAC 31.057. APPROVALS, ALLOCATIONS, DISALLOWANCE OF COSTS, AUDITS, AND APPEALS. (a) A project approved for debt retirement for planning, design, and construction is subject to review and approval for site selection and acquisition under the provisions of 4 AAC 31.025, and the construction plans are subject to review and approval under the provisions of 4 AAC 31.030 and 040.

(b) A school district may until October 15 of each year submit to the department a request for an allocation of money for bond payments eligible for debt retirement under AS 14.11.100 for the following fiscal year as provided under 4 AAC 31.060(e). Failure to submit a request for an allocation by October 15, shall result in the denial of an allocation of money for otherwise eligible bond payments notwithstanding that allocations had been made for previous years.

(c) The department in its discretion may deny, or limit the reimbursement for costs associated with a facility's construction, when the facility fails to meet the requirements of 4

AAC 31.020 or 4 AAC 31.055 or when upon audit the costs are excessive.

(d) All projects approved for debt retirement which exceed \$300,000 are subject to audit. These audits will be performed by the district's auditor and submitted on forms prescribed by the department. Nothing in this subsection precludes the department in its discretion from auditing a project at any time.

(e) In the event that the department denies or limits reimbursement of costs, the district may appeal the decision in accordance with the provisions of 4 AAC 40.020 through 4 AAC 40.050. (Eff. / / / Reg.)

Authority: AS 14.07.060
AS 14.11.100

4 AAC 31.058. USE OF INTEREST EARNED ON BOND PROCEEDS. (a) Interest on proceeds of bonds approved by municipal voters before July 1, 1985 and sold after January 1, 1986 and all bonds approved by municipal voters after July 1, 1985 for which debt retirement under AS 14.11.100 is sought may only be used to:

- (1) pay the costs of the project;
- (2) pay accrued interest on the bond issue;
- (3) redeem all or part of the bonds; or
- (4) pay the cost of the bond sale.

(b) If the money earned as interest on the proceeds of bonds is used to pay the costs of the project, then the amount for which debt retirement is allowed will be reduced by that amount.

(c) If the money earned as interest on the proceeds of bonds is used to pay accrued interest, redeem all or part of the bonds, or pay the costs of the bond sale; then the amount for which debt retirement is allowed will be reduced by that amount.

(d) The accounts in which the proceeds of bonds are placed are subject to audit under the provisions of 4 AAC 31.057 and the district shall report, on forms prescribed by the department, the use to which the money is put. (Eff. / / , Reg.)

Authority: AS 14.07.060
AS 14.11.100

- wasn't a part of emergency regs. adopted in October permanent Regs. adopted Nov. 85.

Register ,

EDUCATION

4 AAC 31.060

4 AAC 31.090

4 AAC 31.060(e) is proposed for amendment as follows:

(e) A request for an allocation for debt retirement under AS 14.11.100 must be submitted on a form prescribed by the commissioner, and must be received by the department not later than ~~October 15~~ of the fiscal year preceding the fiscal year in which reimbursement will be sought. A school district's claim must contain at least the following:

- (1) bond sale date or proposed bond sale date;
- (2) bond redemption schedule;
- (3) education facility portion of the bond;
- (4) department's project approval number;
- (5) debt payment schedule or estimated debt service schedule; and

(6) certification as to accuracy of claim by a bonded official of the municipality. (Eff. 3/1/78, Reg. 65; am 2/24/83, Reg. 85; am 12/2/83, Reg. 88; am / / / , Reg.)

Authority: AS 14.07.020(10) and (11)
AS 14.07.060
AS 14.11.010
AS 14.11.100

4 AAC 31.090(10) is proposed for adoption as follows:

4 AAC 31.090. DEFINITIONS.

(10) "~~facility~~" means for the purposes of debt retirement mean

(A) the buildings and grounds need to house and support the educational program; or

Register

EDUCATION

4 AAC 31.090

(B) the buildings and grounds needed to provide a centralized support service which is required to affect an efficient and cost effective operation of the district's education program.

(Eff. 3/1/78, Reg. 65; am 6/9/83, Reg. 86; am 12/2/83, Reg. 88)

Authority: AS 14.07.020
AS 14.07.060
AS 14.11.010
AS 14.11.020
AS 14.11.100

... may not be made for costs that are incurred under a contract after the contract has been released.

The state may not allocate money to a municipality for a school construction project under (a)(5) of this section unless the municipality complies with the requirements of (1) — (4) of this subsection and the project is approved by the commissioner before the local vote on the bond issue for the project. In approving a project under this subsection, the commissioner shall require

(1) the municipality to include on the ballot for the bond issue the estimated total cost of each project including estimated annual operation and maintenance costs and the estimated amounts that will be paid by the state and by the municipality;

(2) that the bonds may not be refunded unless the annual debt service on the refunding issue is not greater than the annual debt service on the original issue;

(3) that the bonds must be repaid in approximately equal annual principal payments or approximate equal debt service payments over a period of at least 10 years;

(4) the municipality to demonstrate need for the project by establishing that the school district has

(A) projected long-term student enrollment that indicates the district has inadequate facilities to meet present or projected enrollment; or

(B) facilities that require repair or replacement in order to meet health and safety laws or regulations or building codes.

(k) An amount equal to the interest earned on the investment of the proceeds of bonds issued for a school construction project shall be used by the municipality to

(1) pay the costs of the project;

(2) pay accrued interest on the bond issue;

(3) redeem all or part of the bonds; or

(4) pay the costs of issuing the bonds. (§ 1 ch 249 SLA 1970; am § 1 ch 93 SLA 1971; am § 2 ch 137 SLA 1972; am § 1 ch 28 SLA 1973; am § 47 ch 127 SLA 1974; am §§ 1 — 3 ch 120 SLA 1977; am §§ 12, 17 ch 147 SLA 1978; am § 25 ch 168 SLA 1978; am §§ 8 — 10 ch 92 SLA 1982; am §§ 1 — 3 ch 82 SLA 1983; am § 47 ch 6 SLA 1984; am § 1-5 ch 78 SLA 1985)

Revisor's notes. — Enacted as AS 43.13.100. Renumbered in 1983.

Cross references. — For present provisions of former subsection (g) of this section, see AS 14.11.135(G).

Effect of amendments. — The 1982 amendment, substituted "a municipality

that" for "an organized borough or a city which" in the introductory language of subsection (a), substituted "the municipality" for "the borough or city" in paragraphs (1), (2)(A) and (B), and (3)(A) and (B), substituted "90 percent" for "80 percent" in the introductory language of

SB 51
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Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

POUCH
STATE CAPITAL
JUNEAU, ALASKA 99801
(907) 465-1100
(907) 465-1152



Senate Committee on Health, Education and Social Services

October 7, 1985

The Honorable William Sheffield
Governor, State of Alaska
Pouch A
Juneau, Alaska 99811

Dear Governor Sheffield:

As you are aware, last session the Senate Committee on Health, Education and Social Services developed SB 51, which proposed to revise the State's current system of financing public school construction. The basic intent of the legislation was twofold: to provide an increased level of State support to municipalities for school construction and to control the State's expenditure for schools by limiting the number and type of projects in which the State would participate. The HESS Committee Substitute was developed by working with your office and the Office of Management and Budget, and incorporated many of your recommendations for cost containment. However, as you are also aware, the bill that reached final passage and was signed into law (Chapter 78, SLA 85) differed substantially from the HESS proposal; in short, many of the cost containment provisions were rejected by the Legislature.

The State Board of Education recently adopted emergency regulations to implement Chapter 78; proposed permanent regulations are now out for public comment. I would like to call your attention to the proposed provision governing the use of interest earned on bond proceeds.

Proposed 4 AAC 31.058(a) limits the use of interest to paying the costs of the project, paying accrued interest on the bond issue, redeeming all or part of the bonds, or paying the costs of issuing the bonds, as outlined in Chapter 78. However, 31.058(b)-(c) proposes a reduction in the amount of state reimbursement to municipalities based on the amount of interest earned. This concept was considered by the Legislature and expressly rejected; including the provision in the

Governor Sheffield
October 7, 1985
Page 2

permanent regulations is clearly counter to legislative intent. It is therefore my recommendation that proposed 4 AAC 31.058(b)-(c) be dropped.

I appreciate your attention to this matter.

Sincerely,



Bettye Fahrenkamp
Chairman

cc: Commissioner Reynolds, Department of Education
Dotty Sparks, Office of Management and Budget
Ernestine Griffin, President, State Board of Education

BF/ss

Alaska State Legislature

WALTER FAHRENKAMP, Chairman
ALAN STURGULEWSKI, Vice Chairman
JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3762

Senate Committee on Health, Education and Social Services

TO: Members, Senate Committee on Health, Education and
Social Services

FROM: Committee Staff

RE: SB 351

DATE: February 22, 1977

As you will recall, at our committee hearing on SB 351, regarding
regulations adopted by the State Board of Education re the use
of interest earned on school construction bonds, the Department's
representative testified that the attorney general had reviewed
the legislative history and found the regulation to be consistent
with existing law. Pursuant to that testimony, we did receive
information from the attorney on his determination. That infor-
mation is attached.

FEB 21 1986 SB 351

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

P.O. Box K
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600
465-3603

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 20, 1986

The Honorable Bettye Fahrenkamp
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Re: SB 351
AS 14.11.100(k)

Dear Senator Fahrenkamp:

Please excuse my delay in responding to your letter of February 8, 1986. I did not receive it until February 18.

You have inquired regarding the interpretation given to AS 14.11.100(k) which results in the reduction of the amount reimbursed for debt retirement by the amount of interest earned on bond proceeds which is applied to the costs of the project, the payment of accrued interest, bond redemption, or the costs of the bond sale, except in the case of cost overruns which are unforeseeable or unavoidable under prudent management. This interpretation has been placed in regulations found at 4 AAC 31.058.

These regulations are the result of construing the provisions of AS 14.11.100(k) as well as other provisions of AS 14.11.100.

AS 14.11.100(k) requires municipalities to spend the interest earned on proceeds of bond sales for specific items of expense relating to the construction of a school facility. The repayment of all or a portion of these items of expense has the practical effect of reducing the amount of money owed on the debt obligations.

AS 14.11.100(a)5)(A) provides that the state will reimburse up to 80 percent of the costs of school construction for projects approved by the Department of Education. Under AS 14.11.100(k) interest money may only be spent in ways which reduce the outstanding debt obligations arising from the costs of

Honorable Bettye Fahrenkamp
Alaska State Senate

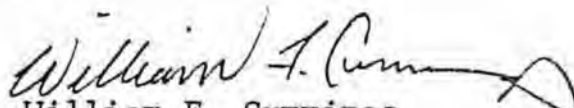
February 20, 1986
Page 2

school construction, obligations which will be reimbursed by the state.

In our interpretation of the provisions of AS 14.11.100, if there is no reduction of the amount the state will reimburse by the amount of the interest earned on bond proceeds, the state will pay more than 80 percent of the outstanding debt obligations. This result is not intended by the statute as evidenced by its language.

Sincerely yours,

HAROLD M. BROWN
ATTORNEY GENERAL

By: 
William F. Cummings
Assistant Attorney General

WFC:prm

Introduced: 1/20/86
Referred: Health, Education and
Social Services and
Finance

1 IN THE SENATE

BY P.FISCHER

2

SENATE BILL NO. 351

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to retirement of school construction

7

debt; and providing for an effective date."

8

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

9 * Section 1. AS 14.11.100 is amended by adding a new subsection to
10 read:

11 (1) The board may not adopt a regulation requiring that the
12 amount allowed for school construction debt retirement under this
13 section be reduced by an amount equal to the amount expended by a
14 municipality under (k) of this section.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).

REFINANCING EXAMPLE

Loan #1

Original Figures

Original Closing Date	9/23/82
Original Interest Rate	12.375%
Original Sales Price	\$ 96,000
Original Loan Amount	91,200
Original Loan-to-value	95%
Original Principal & Interest Payment	\$ 1,013

Refinanced Loan Figures

Current Principal Balance	\$ 89,975
Closing Costs (see below)	2,390
New Loan Amount*	92,365
New Interest Rate	10%
New Principal & Interest Payment	\$ 817

Closing Costs**

Appraisal	\$ 350
Title Policy	640
Credit Report	50
Bank Fees	900
PMI-1st Year	450
TOTAL	\$2,390
% of Loan	2.7%

Monthly Payment

	<u>Old</u>	<u>New</u>
P & I	\$1,013.15	\$ 817.00
PMI	20.00	22.32
	<u>\$1,033.15</u>	<u>\$ 839.32</u>

Difference = \$193.83

Notes

*Assumes adequate loan-to-value so that closing costs can be included in new loan amount.

**Assumes AHFC commitment fee is waived.

REFINANCING EXAMPLE

Loan #2

Original Figures

Original Closing Date	7/25/84
Original Interest Rate	13.125%
Original Sales Price	= 154,500
Original Loan Amount	146,750
Original Loan-to-value	95%
Original Principal & Interest Payment	\$ 1,638

Refinanced Loan Figures

Current Principal Balance	\$ 146,100
Closing Costs (see below)	3,500
New Loan Amount*	149,600
New Interest Rate	10.25%
New Principal & Interest Payment	= 1,341

Closing Costs**

Appraisal	\$ 350
Title Policy	850
Credit Report	50
Bank Fees	1500
PMI-1st Year	750
TOTAL	<u>\$3,300</u>
% of Loan	2.4%

Monthly Payment

	<u>Old</u>	<u>New</u>
P & I	\$1,637.73	\$1,340.57
PMI	45.00	16.00
	<u>\$1,682.73</u>	<u>\$1,356.57</u>

Difference = \$306.16

Notes

*Assumes adequate loan-to-value so that closing costs can be included in new loan amount.

**Assumes ANFC commitment fee is waived.

REFINANCING EXAMPLE

Loan #3

Original Figures

Original Closing Date	8/25/81
Original Interest Rate	11.525%
Original Sales Price	\$ 155,000
Original Loan Amount	124,500
Original Loan-to-value	80%
Original Principal & Interest Payment	\$ 1,240

Refinanced Loan Figures

Current Principal Balance	\$ 121,500
Closing Costs (see below)	2,370
New Loan Amount*	123,720
New Interest Rate	10-1/8%
New Principal & Interest Payment	\$ 1,097

Closing Costs**

Appraisal	\$ 350
Title Policy	770
Credit Report	50
Bank Fees	1200
PMI-1st Year	-0-
TOTAL	<u>\$2,370</u>
% of Loan	1.9%

Monthly Payment

	<u>Old</u>	<u>New</u>
P & I	\$1,239.75	\$1,097.00
PMI	<u>-0-</u>	<u>-0-</u>
	\$1,239.75	\$1,097.00

Difference = \$142.75

Notes

*Assumes adequate loan-to-value so that closing costs can be included in new loan amount.

**Assumes AHFC commitment fee is waived.

Loan #1

12.375%

9/23/82

LTV

Original Sales Price	\$ 96,000.00	95%
Note Amount	91,200.00	
Original Principal & Interest		\$1,013.15

Current Principal Balance	\$ 89,974.90
New Interest Rate	10%
New Loan Amount	92,350.00

Closing Costs:

Appraisal	\$ 350	
Title Policy	640	
Credit Report	50	
Bank Fees	900	1%
PMI-1st Year	450	1-1/2%
	\$2,390	<u>2.7%</u>

Monthly Payment:

	<u>Old</u>	<u>New</u>	
P & I	\$1,013.15	\$ 817.00	
PMI	20.00	32.32	
	<u>\$1,033.15</u>	<u>\$ 849.32</u>	Diff = \$194.15

Loan #2 13.125% 7/25/84

LTV

Original Sales Price \$154,500
 Note Amount 146,750
 Principal & Interest \$1,637.73
 95%

Current Principal Balance \$146,143
 New Interest Rate 10.25
 New Loan Amount \$149,600

Closing Costs:

Appraisal	\$ 350	
Title Policy	850	
Credit Report	50	
Bank Fees	1500	1%
PMI-1st Year	750	1/2%
	<u>\$3,500</u>	<u>2.4%</u>

Monthly Payment:

	<u>Old</u>	<u>New</u>	
P & I	\$1,637.73	\$1340.57	
PMI	45.00	36.00	
	<u>\$1,692.73</u>	<u>\$1376.57</u>	Diff = \$306.16

Loan #3

11.625%

8/25/81

LTV

Original Sales Price
Note Amount
Principal & Interest

\$155,000.00
124,000.00

\$1,239.75

80%

Current Principal Balance
New Interest Rate
New Loan Amount

\$121,349.61
10-1/8
\$123,700.00

Closing Costs:

Appraisal	\$ 350
Title Policy	770
Credit Report	50
Bank Fees	1200
PMI-1st Year	-0-
	<u>\$2,370</u>

7.8%

Monthly Payment:

	<u>Old</u>
P & I	\$1,239.75
PMI	-0-
	<u>\$1,239.75</u>

	<u>New</u>
	\$1097.00
	-0-
	<u>\$1097.00</u>

DIFF = \$143

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

1/20/86

Date

2-10-86

Mr. President

The Committee on HESS considered SB 351
relating to retirement of school construction debt; efd.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Paul Gruber
Paul Josephson
Arline Jurgens
Edw de Vries

Debbie Takemura Do Pass
Chairman

Chairman recommendation

HOUSE
COMMITTEE REPORT

(11)

Date referred: 5/10/86

FURTHER REFERRALS:

DATE: 5-11-86

The FINANCE Committee has considered CSSB 355(Fin)

"An Act relating to a court facility in Fairbanks; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with HCS CSSB 355 (Jud) same title
- new title

and recommends DO PASS

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note SAME 4-2-86

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
[Signature]
[Signature]

[Signature]
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST

HCSSB 355 (TUD)

Bill/Resolution No. : HCSSB 355
 Title : AN ACT MAKING A SPECIAL
APPROPRIATION FOR THE CONSTRUCTION
OF A NEW COURT FACILITY IN FAIRBANKS.
 Sponsor : _____
 Requestor : _____
 Date of Request : _____

Revision Date : _____

FISCAL DETAIL

Agency Affected : ALASKA COURT SYSTEM
 BRU : TRIAL COURTS
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						3,701.0
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	3,701.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						3,701.0
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	3,701.0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

SEE ATTACHED SUMMARY

Prepared by : ROBERT G. FISHER
 Division : ALASKA COURT SYSTEM

Phone : 264-8215
 Date : 4/2/86

Approved by Commissioner : _____
 Agency : ALASKA COURT SYSTEM

Date : 4/2/86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

172

Offered: 5/10/86
Referred: Finance

Original sponsor: Bennett

1 IN THE SENATE BY THE JUDICIARY COMMITTEE
2 HOUSE CS FOR CS FOR SENATE BILL NO. 355 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a court facility in Fairbanks;
7 and providing for an effective date."

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

9 * Section 1. The legislature finds that a need exists for a new court
10 facility in Fairbanks and that the needed facility must be acquired in as
11 economical manner as possible. In acquiring the necessary court facility
12 the supreme court should

13 (1) investigate the feasibility of using state land in the
14 Fairbanks area as a site for a court facility;

15 (2) investigate the feasibility of contracting with the Alaska
16 State Housing Authority or with a local government utilizing municipal
17 revenue bonds to provide the space necessary for a Fairbanks court facili-
18 ty; and

19 (3) coordinate space acquisition in Fairbanks with other state
20 agencies.

21 * Sec. 2. The supreme court may enter into a lease-purchase agreement
22 not to exceed a cost of \$29,900,000 for construction and all other related
23 costs of a court facility in Fairbanks, if

24 (1) a day-care facility for the use of employees, jurors, wit-
25 nesses and other appropriate persons is included in the project; and

26 (2) 15 percent of parking spaces for the court facility are
27 reserved for the public.

28 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).

ALASKA COURT SYSTEM
NEW FAIRBANKS COURT FACILITY
CAPITAL BUDGET REQUEST

ASSUMPTIONS: Project planning and design work to commence 7/1/86 and to finish 6/30/88. Building construction and remodeling of existing facility to commence 7/1/88 and to finish 6/30/91.

PROJECT COSTS:

Site acquisition and development, architectural and engineering fees. Remodeling of existing facility. Miscellaneous costs, permits, and fees. Building and parking construction. Construction management, furniture, fixtures and equipment, and other project costs. \$27,465,000

PROJECT FINANCING:

Bond issue (8%, 25 year) \$28,610,000
Underwriter costs (\$40 per \$1,000) 1,145,000

Net proceeds \$27,465,000
=====

Total debt service (see attached debt service schedule) \$62,535,000

Operating and maintenance costs are responsibility of Department of Transportation.

01

ALASKA COURT SYSTEM
 NEW FAIRBANKS COURT FACILITY
 DEBT SERVICE SCHEDULE

DATE	OUTSTANDING	CONSTRUCTION PERIOD NET INTEREST	INTEREST	SINKING FUND PAYMENT	TOTAL DEBT SERVICE
Jul-86	\$28,610,000	\$0	\$0	\$0	\$0
Jan-87	28,610,000	84,286	0	0	84,286
Jul-87	28,610,000	122,773	0	0	122,773
Jan-88	28,610,000	161,259	0	0	161,259
Jul-88	28,610,000	199,746	0	0	199,746
Jan-89	28,610,000	367,685	0	0	367,685
Jul-89	28,610,000	497,137	0	0	497,137
Jan-90	28,610,000	626,590	0	0	626,590
Jul-90	28,610,000	756,042	0	0	756,042
Jan-91	28,610,000	885,495	0	0	885,495
Jul-91	28,610,000	1,014,947	0	0	1,014,947
Jan-92	28,610,000	0	1,144,400	301,077	1,445,477
Jul-92	28,610,000	0	1,144,400	301,077	1,445,477
Jan-93	28,610,000	0	1,144,400	301,077	1,445,477
Jul-93	28,610,000	0	1,144,400	301,077	1,445,477
Jan-94	28,610,000	0	1,144,400	301,077	1,445,477
Jul-94	28,610,000	0	1,144,400	301,077	1,445,477
Jan-95	28,610,000	0	1,144,400	301,077	1,445,477
Jul-95	28,610,000	0	1,144,400	301,077	1,445,477
Jan-96	28,610,000	0	1,144,400	301,077	1,445,477
Jul-96	28,610,000	0	1,144,400	301,077	1,445,477
Jan-97	28,610,000	0	1,144,400	301,077	1,445,477
Jul-97	28,610,000	0	1,144,400	301,077	1,445,477
Jan-98	28,610,000	0	1,144,400	301,077	1,445,477
Jul-98	28,610,000	0	1,144,400	301,077	1,445,477
Jan-99	28,610,000	0	1,144,400	301,077	1,445,477
Jul-99	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2000	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2000	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2001	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2001	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2002	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2002	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2003	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2003	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2004	28,610,000	0	1,144,400	301,077	1,445,477
Jun-2004	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2005	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2005	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2006	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2006	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2007	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2007	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2008	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2008	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2009	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2009	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2010	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2010	28,610,000	0	1,144,400	301,077	1,445,477
Jan-2011	28,610,000	0	1,144,400	301,077	1,445,477
Jul-2011	28,610,000	0	1,144,400	301,077	1,445,477
TOTAL		\$4,715,960	\$45,776,000	\$12,043,080	\$62,535,040

ALASKA COURT SYSTEM
 NEW FAIRBANKS COURT FACILITY
 SURPLUS FUNDS INVESTMENT SCHEDULE

DATE	SITE & PLANNING DRAWS	CONSTRUCT- ION DRAWS	TOTAL DRAWS	BALANCE	INTEREST INCOME
Jul-86	ORIGINAL ISSUE	\$0	\$0	\$27,465,000	\$0
Jul-86	962,160	0	962,160	26,502,840	0
Jan-87	962,160	0	962,160	25,540,680	1,060,114
Jul-87	962,160	0	962,160	24,578,520	1,021,627
Jan-88	962,160	0	962,160	23,616,360	983,141
Jul-88	962,160	3,236,314	4,198,474	19,417,866	944,654
Jan-89	0	3,236,314	3,236,314	16,181,572	776,715
Jul-89	0	3,236,314	3,236,314	12,945,258	647,263
Jan-90	0	3,236,314	3,236,314	9,708,944	517,810
Jul-90	0	3,236,314	3,236,314	6,472,630	388,358
Jan-91	0	3,236,314	3,236,314	3,236,316	258,905
Jul-91	0	3,236,314	3,236,314	2	129,453
	\$4,810,800	\$22,654,198	\$27,464,998		\$6,728,040

Werner

Original sponsor: Bennett

1 IN THE SENATE BY THE JUDICIARY COMMITTEE
 2 HOUSE CS FOR CS FOR SENATE BILL NO. 355 (Judiciary)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FOURTEENTH LEGISLATURE - SECOND SESSION

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19 (3) coordinate space acquisition in Fairbanks with other state
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 23 costs of a court facility in Fairbanks, if

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 25 nesses and other appropriate persons is included in the project; and

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 27 reserved for the public.

28 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
 29 10.070(c).

1

Offered: 5/1/86
Referred: Rules

Original sponsor: Bennett

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 355 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
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22 not to exceed a cost of \$29,900,000 for construction and all other related
23 costs of a court facility in Fairbanks.
24 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

Introduced: 1/22/86
Referred: Finance

1 IN THE SENATE

BY BENNETT

2

SENATE BILL NO. 355

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to a court facility in Fairbanks;

7

and providing for an effective date."

8

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

9

* Section 1. The supreme court may enter into a lease-purchase agree-
10 ment for construction of a court facility in Fairbanks.

11

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-
12 10.070(c).