

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 874

MUNICIPALITY OF ANCHORAGE  
1992 LEGISLATIVE PROGRAM  
POSITION PAPER

**Bill:** CS for SB 231

**Title:** An Act authorizing the commissioner of natural resources to convey land within the Chugach State Park to the Municipality of Anchorage.

**Analysis:** This act provides for a three-way land exchange, with the homeowners receiving approximately .6 acres of state land and approximately 1.5 acres of Municipal land on which their homes were mistakenly built in the Bird Creek area. In return, the Municipality of Anchorage will receive approximately 4.8 acres of valuable public fishing and recreational access along Bird Creek. This exchange was approved by the voters of the Municipality of Anchorage in 1987.

The Department of Cultural and Recreational Services recommends support for the legislation which adds acreage to Bird Creek Park. We have a management agreement with the State of Alaska providing for their management of this park for the Municipality.

**Contact:** Connie Jones, Director, Cultural and Recreational Services, Municipality of Anchorage.

**Phone:** 343-4365

**SB 231**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 21, 1992

FURTHER REFERRALS:

Date of Committee Action: 4/30/92

The FINANCE Committee considered:

CSSB 231(CRA)

CS FOR SENATE BILL NO. 231 (CRA)

CONVEYANCE OF LAND: CHUGACH STATE PARK

"An Act authorizing the commissioner of natural resources to convey land within the Chugach State Park to the Municipality of Anchorage."

**RECOMMENDATIONS:**

be replaced with CS SB 231 (CRA)  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) DNR 2/5/92

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>E P Maclean</u> Maclean	X	<u>Jenna Baeres</u> Baeres		X	
<u>Mike Navarre</u> Navarre	✓	<u>Phillips</u> Phillips		✓	
<u>Boyer</u> Boyer	X	<u>Sharp</u> Sharp		✓	
<u>Tan Brown</u> BROWN	✓	<u>Winn</u> Winn		X	
<u>Koonen</u> Koonen	✓				
<u>Larsen</u> Larsen	X				

Mike Navarre E P Maclean  
 CO CHAIRMAN'S SIGNATURE  
 Navarre Maclean

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSSB 231 (CRA)

Revision Date: 27-Jan-92 Department Affected: Natural Resources  
 Title: Conveyance of Land BRU: Land Management  
Chugach State Park Components: Land Management  
 Sponsor: Senator Menard  
 Requestor: Senate Finance COMPONENT SERIAL NO. 431

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
Funding Source:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
Funding Source:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Ron Swanson Phone: 762-2692  
 Division: Land Management Date: 27-Jan-92

Approved by Commissioner: MB Harold C. Heinze Date: 27-Jan-92  
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB, & Imp. Med Agency(ies).

CS FOR SENATE BILL NO. 231 (CRA)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 5/3/91  
 Referred: Resources, Finance

Sponsor(s): SENATOR MENARD

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of natural resources to convey land within the  
 2 Chugach State Park to the Municipality of Anchorage."

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

4 \* Section 1. PURPOSE. The purpose of this Act is to authorize the commissioner of natural  
 5 resources to convey certain state-owned land located within the Chugach State Park to the Municipality  
 6 of Anchorage to enable the municipality to enter into the land exchange with the owners of U.S. Survey  
 7 1069 that was authorized by Anchorage Ordinance 87-94. The legislature finds that the conveyance of  
 8 land authorized by this Act and the exchange authorized by Anchorage Ordinance 87-94 will improve  
 9 public access to Bird Creek, resolve pending litigation between the owners of U.S. Survey 1069, the  
 10 state, and the municipality, and ensure that tidelands in the vicinity of Bird Creek will be managed in  
 11 perpetuity as public trust land.

12 \* Sec. 2. Notwithstanding AS 41.21.121, the commissioner of natural resources may convey to the  
 13 Municipality of Anchorage not more than two acres from within ILMT 37208, Section 9, Township 10  
 14 North, Range 1 West, Seward Meridian, if the commissioner determines, after consultation with the

1 commissioner of transportation and public facilities, that the conveyance will not unreasonably interfere  
2 with the operation of the Department of Transportation and Public Facilities and that the Municipality  
3 of Anchorage has agreed in writing to accept title to the land under this Act for the sole purpose of  
4 implementing the land exchange authorized by Anchorage Ordinance 87-94.

5 \* Sec. 3. The commissioner of natural resources may convey to the Municipality of Anchorage the  
6 state interest in tidelands within the land authorized to be conveyed under sec. 2 of this Act only if the  
7 Municipality of Anchorage agrees to convey to the state the tidelands on the parcel the Municipality of  
8 Anchorage will receive.

9 \* Sec. 4. If the commissioner conveys land to the Municipality of Anchorage under sec. 2 of this Act,  
10 the commissioner shall, within 30 days of the conveyance, certify to the revisor of statutes the revision  
11 of AS 41.21.121 that is necessary to reflect the conveyance made under this Act. The revisor of statutes  
12 shall incorporate the revision into the next revisor's bill prepared under AS 01.05.036.



# Alaska State Legislature

## SENATE


Official Business

SENATOR CURT MENARD

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

### MEMORANDUM

TO: Representative Mike Navarre, Co-Chairman  
Representative Eileen MacLean, Co-Chairman  
House Finance Committee

FROM: Senator Curt Menard 

DATE: April 15, 1992

RE: Request for hearing on CS SB 231 (CRA)

I would like to request a hearing before the House Finance Committee on CS SB 231 (CRA) at your earliest convenience.

CS SB 231 will resolve the longstanding property title problem of a number of private landowners who inadvertently built homes outside of their property lines on state and Municipality of Anchorage land in the vicinity of Bird Creek.

The bill is supported by the Municipality of Anchorage, the Department of Natural Resources and all the impacted landowners.

Please find attached a sponsor statement and additional backup from the Department of Natural Resources and the Municipality of Anchorage.

Thank you for your consideration and attention to this request. If you have any questions or need additional information, please contact Johanna Munson on my staff.



# Alaska State Legislature

*Senator Curt Menard*



*While in  
Session:*  
P.O. Box V  
Juneau, Alaska  
99811  
(907)465-2679

*Interim:*  
165 E. Parks  
Highway  
Wasilla, Alaska  
99687  
(907)373-2878

*Senate  
District  
E*

## SPONSOR STATEMENT

SB 231 will resolve the longstanding property title problem of a number of private landowners who inadvertently built homes outside of their property lines on state and Municipality of Anchorage land in the vicinity of Bird Creek.

The three way land exchange described in SB 231 will result in the homeowners receiving approximately .6 acres of state land and approximately 1.5 acres of municipal land on which their homes were mistakenly built. In return the Municipality of Anchorage will receive approximately 4.8 acres of valuable public fishing and recreational access along Bird Creek.

Additionally, an amendment was adopted in the Community and Regional Affairs Committee which will remedy a surveying error which occurred when the land was originally conveyed from the Federal Government. Tidelands, normally reserved to the state in the original conveyances, were not identified along Bird Creek, and consequently were not identified in the State's later conveyance of the Bird Creek Regional Park land to the MOA. The C&RA committee substitute provides for the conveyance of approximately 1.0 - 2.5 acres of tidelands to the state.

Thank you for your consideration of SB 231. I would appreciate your support.

## PROPOSED BIRD CREEK LAND EXCHANGE SB 231

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The Municipality of Anchorage (MOA), the Alaska Department of Natural Resources (DNR) and a group of homeowners who own land along Bird Creek are proposing a land exchange. Bird Creek is located in Bird Creek Valley which is along Turnagain Arm southwest of Anchorage. The lands involved in the proposed land exchange are owned by the homeowners, the Municipality of Anchorage and the State.

The land exchange, as shown on the attached map, would give the public an additional 4.8 acres of land along Bird Creek. This land is heavily used by persons sport fishing for salmon in mid to late summer. This land also possess important fish and wildlife habitat values as a portion of it is a saltwater influenced wetland. This land along Bird Creek is proposed to be conveyed to the MOA and will be added to the Bird Creek Regional Park under municipal ordinance. Tidelands within this parcel, to be conveyed to the MOA will be reconveyed by the MOA to the state. The nearby municipal Bird Creek Regional Park is managed through a cooperative agreement with DNR as part of Chugach State Park. In exchange for this land, the homeowners will receive three pieces of public land totalling 2.05 acres which adjoin the parcel they presently own. The homeowners are interested in these tracts because they mistakenly placed some of their homes just off of the property that they own and on public land owned by the state and municipality.

Until recently, the homeowners thought that they only had to trade land with the MOA. In 1987, voters in the Municipality of Anchorage approved the land exchange in a municipal election. However, a closer review of the land ownership in the area revealed that a portion of one of the three tracts to be conveyed to the homeowners, by the MOA, included an Alaska Department of Transportation and Public Facilities's (DOTPF) material site that is within Chugach State Park. This portion of land is estimated to be 0.6 acres in size. The actual size of the tracts will not be confirmed until the land is surveyed. The material site was established before the land became part of Chugach State Park. DOTPF has agreed to give up their interest in the tract to be conveyed to the homeowners if it is surveyed before it is conveyed. However, because the land is part of Chugach State Park the Alaska State Legislature must authorize the removal of this land from the park.

SB 231, if enacted into law, will authorize the Commissioner of DNR to remove the land from the park and convey it to the MOA if: 1) it is determined that it will not interfere with DOTPF's use of the material site, and 2) MOA will only use the land for the purposes of the proposed land exchange. The land conveyed to the MOA, estimated to be 0.6 acres, will be in addition to the lands it has received from the State under its municipal land entitlement. The acreage of the tidelands that the MOA will reconvey to the State is not know, but is estimated at 1.0 to 2.5 acres.

by DNR/Parks 4/24/91 (revised 5/9/91, 4/7/92)

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

400 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400  
FACSIMILE: (907) 586-2754

February 27, 1992

The Honorable Jerry Mackie, Chair  
House Community and Regional Affairs Committee  
State Capitol  
Juneau, AK 99811-1182

Dear Representative Mackie:

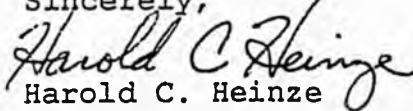
Subject: CSSB 231 (CRA), which authorizes the conveyance of up to two acres of state land within Chugach State Park to the Municipality of Anchorage.

Position: The Department of Natural Resources supports this bill because it will correct the problems of private land holders who inadvertently built homes outside of their property lines, on state and municipal land, and will allow the Municipality of Anchorage to acquire valuable public fishing and recreational access along Bird Creek.

Background: The Municipality of Anchorage, the Department of Natural Resources and a group of Bird Creek area homeowners would like to complete a three way land exchange that has been discussed for many years. As a result of the exchange, the homeowners would receive approximately .6 acres of state land and approximately 1.5 acres of municipal land on which their homes were mistakenly built. In return, the public would receive approximately 4.8 acres of sport fishing land along Bird Creek. The exact amount of acreage to be exchanged will not be known until a survey is completed.

This bill authorizes the Department of Natural Resources to convey up to two acres of public land to the Municipality of Anchorage. The area to be conveyed contains a gravel pit managed by the Department of Transportation and Public Facilities and will only be transferred if it does not interfere with DOT/PF use of the site. After receiving the land from the state, the municipality will convey it to the Bird Creek homeowners. In return, the homeowners will convey about 4.8 acres of land along Bird Creek to the municipality to include in the nearby municipal park. The park is managed under a cooperative agreement with the state as part of Chugach State Park. Municipality of Anchorage voters approved the exchange in a 1987 municipal election.

Sincerely,

  
Harold C. Heinze  
Commissioner

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

## PROPOSED BIRD CREEK LAND EXCHANGE SB 231

The Municipality of Anchorage (MOA), the Alaska Department of Natural Resources (DNR) and a group of homeowners who own land along Bird Creek are proposing a land exchange. Bird Creek is located in Bird Creek Valley which is along Turnagain Arm southwest of Anchorage. The lands involved in the proposed land exchange are owned by the homeowners, the Municipality of Anchorage and the State.

The land exchange, as shown on the attached map, would give the public an additional 4.8 acres of land along Bird Creek. This land is heavily used by persons sport fishing for salmon in mid to late summer. This land also possess important fish and wildlife habitat values as a portion of it is a saltwater influenced wetland. This land along Bird Creek is proposed to be conveyed to the MOA and will be added to the Bird Creek Regional Park under municipal ordinance. Tidelands within this parcel, to be conveyed to the MOA will be reconveyed by the MOA to the state. The nearby municipal Bird Creek Regional Park is managed through a cooperative agreement with DNR as part of Chugach State Park. In exchange for this land, the homeowners will receive three pieces of public land totalling 2.05 acres which adjoin the parcel they presently own. The homeowners are interested in these tracts because they mistakenly placed some of their homes just off of the property that they own and on public land owned by the state and municipality.

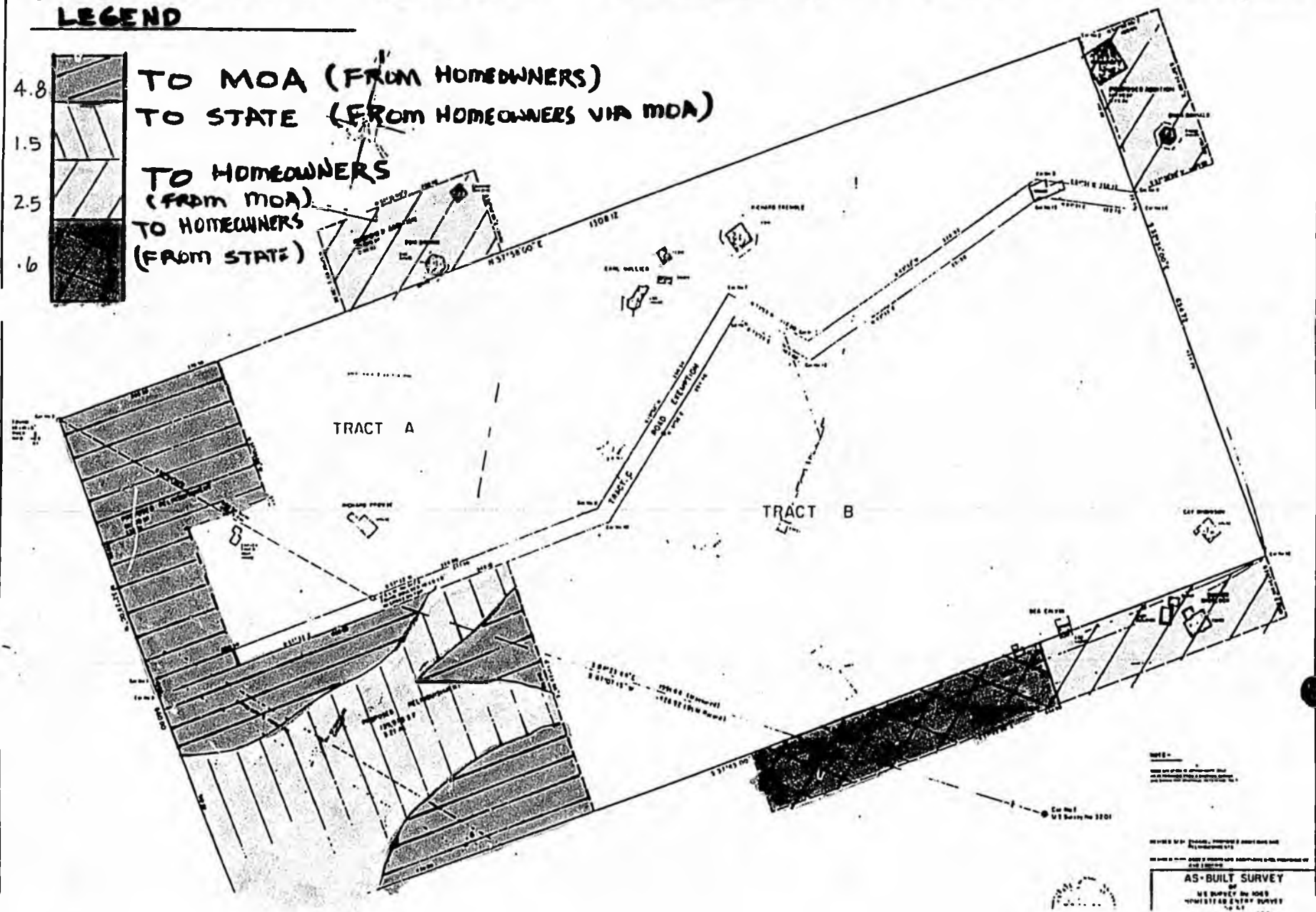
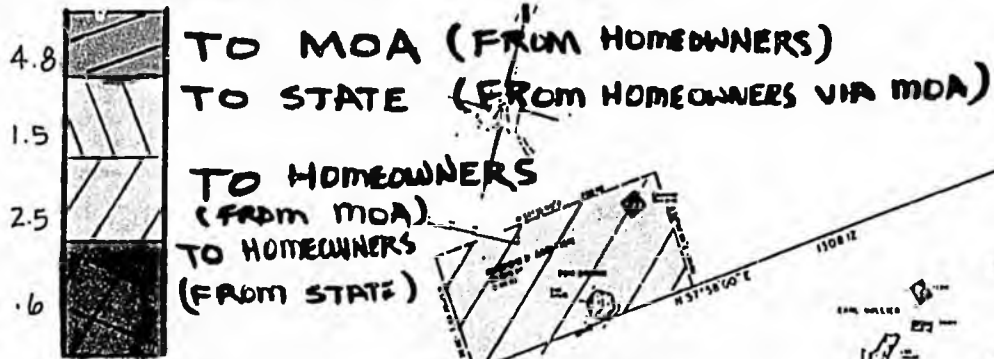
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by DNR/Parks 4/24/91 (revised 5/9/91, 4/7/92)

# PROPOSED BIRD CREEK LAND EXCHANGE

## LEGEND



NOTE -  
 THIS SURVEY IS FOR INFORMATION ONLY  
 AND IS NOT TO BE USED FOR ANY OTHER PURPOSES  
 WITHOUT THE WRITTEN CONSENT OF THE SURVEYOR

AS-BUILT SURVEY  
 OF  
 THE SURVEY BY 1965  
 REGISTERED SURVEYOR  
 J. L. ...

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

400 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400  
FACSIMILE: (907) 586-2754

February 27, 1992

The Honorable Jerry Mackie, Chair  
House Community and Regional Affairs Committee  
State Capitol  
Juneau, AK 99811-1182

Dear Representative Mackie:


Subject: CSSB 231 (CRA), which authorizes the conveyance of up to two acres of state land within Chugach State Park to the Municipality of Anchorage.

Position: The Department of Natural Resources supports this bill because it will correct the problems of private land holders who inadvertently built homes outside of their property lines, on state and municipal land, and will allow the Municipality of Anchorage to acquire valuable public fishing and recreational access along Bird Creek.

Background: The Municipality of Anchorage, the Department of Natural Resources and a group of Bird Creek area homeowners would like to complete a three way land exchange that has been discussed for many years. As a result of the exchange, the homeowners would receive approximately .6 acres of state land and approximately 1.5 acres of municipal land on which their homes were mistakenly built. In return, the public would receive approximately 4.8 acres of sport fishing land along Bird Creek. The exact amount of acreage to be exchanged will not be known until a survey is completed.

This bill authorizes the Department of Natural Resources to convey up to two acres of public land to the Municipality of Anchorage. The area to be conveyed contains a gravel pit managed by the Department of Transportation and Public Facilities and will only be transferred if it does not interfere with DOT/PF use of the site. After receiving the land from the state, the municipality will convey it to the Bird Creek homeowners. In return, the homeowners will convey about 4.8 acres of land along Bird Creek to the municipality to include in the nearby municipal park. The park is managed under a cooperative agreement with the state as part of Chugach State Park. Municipality of Anchorage voters approved the exchange in a 1987 municipal election.

Sincerely,

  
Harold C. Heinze  
Commissioner

cc: Senator Menard  
Paul Fuhs, Legislative Liaison, Office of the Governor  
Frank Turpin, Commissioner, Department of Transportation and  
Public Facilities  
Neil Johannsen, Director, Division of Parks and Outdoor  
Recreation

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSSB 231 (CRA)

Revision Date: 27-Jan-92 Department Affected: Natural Resources  
 Title: Conveance of Land BRU: Land Management  
Chugach State Park Components: Land Management  
 Sponsor: Senator Menard  
 Requestor: Senate Finance COMPONENT SERIAL NO. 431

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS.CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
Funding Source:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
Funding Source:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Ron Swanson Phone: 762-2692  
 Division: Land Management Date: 27-Jan-92

Approved by Commissioner: MB Harold C. Heinze Date: 27-Jan-92  
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB,  
& Impacted Agency(ies).

**MUNICIPALITY OF ANCHORAGE  
1992 LEGISLATIVE PROGRAM  
POSITION PAPER**

**Bill:** CS for SB 231

**Title:** An Act authorizing the commissioner of natural resources to convey land within the Chugach State Park to the Municipality of Anchorage.

**Analysis:** This act provides for a three-way land exchange, with the homeowners receiving approximately .6 acres of state land and approximately 1.5 acres of Municipal land on which their homes were mistakenly built in the Bird Creek area. In return, the Municipality of Anchorage will receive approximately 4.8 acres of valuable public fishing and recreational access along Bird Creek. This exchange was approved by the voters of the Municipality of Anchorage in 1987.

The Department of Cultural and Recreational Services recommends support for the legislation which adds acreage to Bird Creek Park. We have a management agreement with the State of Alaska providing for their management of this park for the Municipality.

**Contact:** Connie Jones, Director, Cultural and Recreational Services, Municipality of Anchorage.  
**Phone:** 343-4365

SB 232

WAIVED FROM HFC  
5-14-91

7-LS1055\D

CS FOR SENATE BILL NO. 232 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 4/12/91  
Referred: Finance

Sponsor(s): SENATOR FRANK

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to revenue bonds issued by the University of Alaska; and providing for  
2 an effective date."

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

4 \* Section 1. AS 14.40 is amended by adding a new section to read:

5 Sec. 14.40.254. UNIVERSITY REVENUE BONDS. (a) Subject to AS 14.40.253, the board  
6 may issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility that  
7 the board determines is necessary.

8 (b) The board may enter into an agreement with a trustee or bond owner for the purpose  
9 of securing payment of revenue bonds issued by the University of Alaska to acquire, construct,  
10 or equip a facility that the board determines is necessary. The agreement may include the fixing  
11 and collection of fees, charges, or rentals pledged to secure payment of the revenue bonds and  
12 agreement regarding the use of the proceeds of the revenue bonds.

13 (c) The state pledges not to limit or alter rights vested under this section in the University  
14 of Alaska to fulfill the terms of a contract with revenue bond owners.

374 most DELETED

1 (d) The board may pledge revenue received by the University of Alaska as fees, charges,  
2 or rentals in order to secure payment of the revenue bonds. Pledges of revenue received by the  
3 University of Alaska is considered a perfected security interest and is valid and binding from the  
4 time the pledge is made. The pledge creates an immediate lien against property pledged without  
5 physical delivery or other act.

6 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

**S B** R R

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/12/91

FURTHER:

DATE TURNED INTO OFFICE: 4-30-91

The Finance Committee considered SENATE BILL NO. 232

"An Act relating to revenue bonds issued by the University of Alaska and approving the issuance of revenue bonds for construction of a student recreation center at the University of Alaska Fairbanks; and providing for an effective date."

and recommended:

- replace with \_\_\_\_\_ CS \_\_\_\_\_
  - or adopt \_\_\_\_\_ CS SR 232 (HES)
  - attached amendment(s)
  - \_\_\_\_\_ letter of intent adopted
- same title
  - new title
  - technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

**ATTACHES NEW FISCAL NOTE(S):**

fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

**APPROVES PREVIOUS:**

fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  
U of A 4/11/91

**SIGNING DO PASS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

1. Pat Lauch

2. \_\_\_\_\_

Co-Chairs: Signatures and Recommendations

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

R/SFC 4-30-91 No. 1

Bill Version: SB 232

(S) Publish Date: 4/12/91

Revision Date: \_\_\_\_\_ Department Affiliation: \_\_\_\_\_  
 Title: University of Alaska BRU: University of Alaska Fairbanks  
Revenue Bonds Component: UAF/Fairbanks Campus  
 Sponsor: Senator Steven Frank  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 

0	7	4	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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-
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REVENUE						
---------	--	--	--	--	--	--

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						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS SB 232 (YES)  
 have no fiscal impact. This  
 fiscal note is appropriate.

12 APR 91 date MSJ Comte Aide (initial)

Prepared By: Jim Lynch, Controller *Jim Lynch* Phone: 907-474-7711  
 Division: University of Alaska Date: 04/11/91  
 Approved by Commissioner: Jim Lynch for Brian Rogers  
 Agency: University of Alaska Date: 04/11/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

## CS FOR SENATE BILL NO. 232 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 4/12/91  
Referred: Finance

Sponsor(s): SENATOR FRANK

## A BILL

## FOR AN ACT ENTITLED

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5 Sec. 14.40.254. UNIVERSITY REVENUE BONDS. (a) Subject to AS 14.40.253, the board  
6 may issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility that  
7 the board determines is necessary.

8 (b) The board may enter into an agreement with a trustee or bond owner for the purpose  
9 of securing payment of revenue bonds issued by the University of Alaska to acquire, construct,  
10 or equip a facility that the board determines is necessary. The agreement may include the fixing  
11 and collection of fees, charges, or rentals pledged to secure payment of the revenue bonds and  
12 agreement regarding the use of the proceeds of the revenue bonds.

13 (c) The state pledges not to limit or alter rights vested under this section in the University  
14 of Alaska to fulfill the terms of a contract with revenue bond owners.

i (d) The board may pledge revenue received by the University of Alaska as fees, charges,  
2 or rentals in order to secure payment of the revenue bonds. A pledge of revenue received by the  
3 University of Alaska is considered a perfected security interest and is valid and binding from the  
4 time the pledge is made. The pledge creates an immediate lien against property pledged without  
5 physical delivery or other act.

6 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).




# Alaska State Legislature

SENATE

Official Business

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

TO: Senator Pat Pourchot, Co Chair  
Senator Jay Kerttula, Co Chair  
Senate Finance Committee

FROM:  Senator Steve Frank

RE: SB 232(HESS) - Univ. of Alaska Revenue Bonds

DATE: April 30, 1991

---

SB 232 would complete the legislative authority given last year to the University to issue debt by allowing them to pledge University revenues for the repayment of revenue bonds.

The Senate HESS Committee removed section 2. from the original bill which gave specific authority to the University to issue revenue bonds for the planned student activity center at UAF. Since student center is also authorized under section 1. of the bill (the general revenue bond authority) the committee felt that section 2. was not necessary.

Additionally, the committee inserted language suggested by the Attorney General's Office and the Department of Revenue, Division of the Treasury that reads "under this section" in section 1.(c) to make it clear that no broader rights were being implied or given than that necessary for this bill's purposes.

Thank you for your consideration.

James F. Lynch  
Controller and Associate Vice  
President for Finance



813 Gruening Building  
Fairbanks, Alaska 99775-5300  
(907) 474-7711  
(907) 474-6167 (FAX)

University of Alaska  
Statewide System of Higher Education

April 8, 1991

Mr. Rick Solie, Legislative Aid  
Office of Senator Steve Frank  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

Re: Senate Bill 232, University of Alaska Student Recreation  
Center Revenue Bond Authorization

Dear Rick:

This letter is in response to your request for information regarding the student recreation center debt authorization request.

In its narrowest sense, the bill provides authorization to issue revenue bonds for a specific project, the Fairbanks campus student recreation center; and in a broader sense it provides the university with the ability to pledge university receipts to secure that debt or any debt issued under ~~AS 4440253~~.

A student referendum was held in October 1990 at which the Fairbanks studentbody approved a proposal for assessment of a separate activity fee of \$75 per semester for payment of debt service to construct an indoor recreation center on campus. Based on that statement of student commitment for the project, the Board of Regents approved seeking legislative authorization to issue revenue bonds for the recreation center. The university administration is supportive of the project because of the personal commitment by the students to pay for the facility and its improvement in the quality of student life on campus. However, although the student commitment on a per student basis is quite large, the revenue base is relatively small for a project this size. Depending on design and construction costs, the project may have to be scaled down, or other revenue sources pledged, in order to make the financing feasible and attractive to underwriters, bond insurers and investors. Details of the project are enclosed.

The bill also gives the university a broader base of revenue to pledge as support for debt transactions. Historically, specific revenues have been pledged to finance specific projects such as housing fees for student housing, student fees for the Anchorage recreation center, and power plant rent for plant construction. Although specific pledging of project revenues keeps the issue neat and tidy from an accounting perspective, it provides

considerably less security from the perspective of investors, bond insurers and rating agencies. It results in higher interest rates, higher bond issuance costs and restrictive covenants such as debt service and renovation reserves, property and liability insurance requirements, and environmental hazard indemnification.

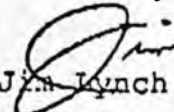
~~In principle, a broader revenue base for support of a specified debt provides a more attractive debt instrument for investors. This provision will put the university in a better position to obtain more favorable rates, terms and conditions than merely being forced to accept the dictates of bond insurers, rating agencies and underwriters.~~ For example, in structuring a debt issue for a specialized service facility, such as the student recreation center, the project fees may be adequate to pay the actual debt service, but bond insurers, rating agencies or the market may require pledged fees to be 125 percent or 140 percent of the estimated annual debt service. The minimal revenue pledge may also require alternative terms and conditions to provide comfort to the investor such as higher interest rates, large debt service and renovation reserves, and a host of restrictions on construction and operation of the facilities.

A broader revenue base will allow the university to put together more sensible, flexible and saleable financing packages. For instance, ~~it may be able to pay the actual debt service with project fees, but provide a critical margin of security to investors by an additional pledge of other student fees; it may be able to structure the debt over a shorter term if considered necessary for market or debt policy reasons; it may be able to structure level debt service payments or subsidize the student contribution in early years, so as to take advantage of higher student contributions resulting from a larger student population and fee inflation in later years.~~

The university has issued very little long-term debt. Its total FY91 debt service, including principal and interest payments, for long-term debt is \$2.7 million (approximately 1.3 percent of unrestricted current fund revenues, which is extremely low) and levels off at approximately \$2 million in FY94. The Board of Regents is currently working on debt policy which will place constraints on further debt issuances. Enclosed for your information is a draft copy of the Regents' debt policy relating to facilities and real property improvements, a copy of a university long-term debt service schedule and a copy of a schedule of revenue bond debt comparison for several other states which I received from Dan Kaplan of John Nuveen & Co. several months ago.

If you have any questions or if I can be of any assistance, please let me know.

Sincerely,

  
J. M. Lynch

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

PETER ARGETSINGER  
JULIUS J. BRECHT  
CYNTHIA L. CARTLEDGE  
ROBERT M. JOHNSON  
BARBARA E. KISSNER  
THOMAS F. KLINKNER  
ANDREW M. LEO  
BRADLEY E. MEYEN  
JAMES A. SARAFIN  
KENNETH E. VASSAR  
ERIC E. WOHLFORTH

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

900 WEST 5TH AVENUE, SUITE 600

ANCHORAGE, ALASKA 99501

TELEPHONE (907) 278-6401  
TELECOPY (907) 278-5093

OF COUNSEL  
ROGER G. CONNOR

April 4, 1991

Mr. Rick Solie  
Office of Senator Steve Frank  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

RE: University of Alaska Legislative Bill  
Our File Number 3120.0004

Dear Mr. Solie:

You have asked me to explain the technical reason for the Bill relating to Bonds issued by the University of Alaska and approving the issuance of Revenue Bonds for Construction of a Student Recreation Center at the University in Fairbanks.

The bill is a necessary addition to the legislation passed last year allowing the University to issue debt. The bill provides that the University may enter into agreements securing bonds and that those agreements may provide for the fixing and collecting of fees, rentals, or charges of the University to secure bonds. The bill also gives the Board of Regents power to pledge revenues to secure bonds.

The power to pledge revenues to secure bonds is an essential element of the permission to issue revenue bonds. Revenue bonds are by nature bonds secured only by the revenues of particular facilities. The existing permission of the University to issue debt lacked the essential feature of the ability to pledge revenues of the University to secure that debt. The proposed bill remedies that omission.

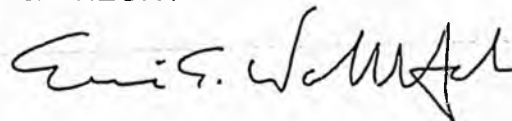
Mr. Rick Solie  
April 4, 1991  
Page 2

In addition, the bill contains a specific authorization for indebtedness in respect of the student recreation center in Fairbanks.

If you desire further information, please contact me.

Very truly yours,

WOHLFORTH, ARGETSINGER, JOHNSON  
& BRECHT



Eric E. Wohlforth

:gt

cc: Mr. James Lynch  
University of Alaska, Fairbanks

University of Alaska  
Total Debt Service Schedule  
December 31, 1990

	<u>Notes</u>	<u>Revenue Bonds</u>	<u>Leasehold Obligations</u>	<u>Certificates of Participation</u>	<u>Total</u>
FY91	\$ 992,276.08	\$ 530,067.90	\$ 1,144,607.50	\$ 53,889.53	\$ 2,720,841.01
FY92	993,176.08	524,511.65	1,139,720.00	162,313.76	2,657,407.73
FY93	2,072,215.02	528,749.16	1,137,820.00	180,638.76	3,738,784.18
FY94	475,285.80	527,430.41	940,170.00	187,791.26	1,942,886.21
FY95	475,435.80	539,736.65	1,178,505.00	194,273.76	2,193,677.45
FY96	191,935.80	527,167.91	1,171,002.50	205,086.26	1,890,106.21
FY97	191,935.80	529,567.91	1,170,077.50	209,726.26	1,891,581.21
FY98	191,935.80	531,442.90	1,160,510.00	218,603.76	1,883,888.70
FY99	191,935.80	527,736.65	1,162,027.50	221,326.26	1,881,699.95
FY00	191,935.80	522,884.16	1,159,075.00	223,338.76	1,873,894.96
FY01	191,935.80	470,233.06	1,156,365.00	229,641.26	1,818,533.86
FY02	191,935.80	439,617.43	658,535.00	229,878.76	1,290,088.23
FY03	191,935.80	289,732.31	656,858.75	229,303.13	1,138,526.86
FY04	191,935.80	230,551.03	657,450.00	237,503.13	1,079,936.83
FY05	191,935.80	132,410.25	654,957.50	244,228.13	979,303.55
FY06	191,935.80	128,810.25	654,005.00	239,662.50	974,751.05
FY07	191,935.80	130,210.25	654,115.00	233,806.26	976,261.05
FY08	191,935.80	50,135.25	650,312.50	103,687.50	892,383.55
FY09	191,935.80				191,935.80
FY10	191,935.80				191,935.80
FY11	191,935.80				191,935.80
FY12	159,932.12				159,932.12
	<u>\$ 8,239,293.70</u>	<u>\$ 7,160,995.13</u>	<u>\$ 17,106,113.75</u>	<u>\$ 3,604,699.04</u>	<u>\$ 36,111,101.62</u>

**Comparison of State General  
Obligation and University Debt  
(dollars in thousands)**

	<u>Alaska</u>	<u>Delaware</u>	<u>Montana</u>	<u>North Dakota</u>	<u>Oklahoma</u>	<u>Vermont</u>	<u>Wyoming</u>
Population	534,000	633,000	819,000	679,000	3,305,000	541,000	507,000
General Obligation Debt	\$490,000	\$456,530	\$83,390	\$138,095	\$80,376	\$271,810	\$ -0-
G.O. Ratings	Aa/AA-	AA/AA+	Aa/AA-	Aa/AA-	Aa/AA	Aa/AA	NR/NR
University Revenue Debt (1)	\$9,390	\$45,515	\$123,828	\$26,375	\$66,040	\$63,530	\$46,265
Ratings (2)	NR/NR	NR/AA+	Aaa/AAA	A1/A	A/A	A/AA	Aaa/AAA

(1) Student fee, general receipts or auxiliary enterprise fund debt.

(2) Triple A ratings are for insured issues.

Note: All but three state university systems (Hawaii, Mississippi and Oregon) have received legislative authorization for some type of university revenue bond financing.

Source: Moody's Bond Record  
S & P Municipal Bond Bank

John Vosmek Architect

16 January 1991

## UAF ATHLETIC FACILITY DESIGN RECEIVES STUDENT APPROVAL AND SUPPORT

John Vosmek Architect has recently completed preliminary plans and a model of a student recreation center for the campus of the University of Alaska - Fairbanks. The design and model were used as informational materials in a successful campaign to win student approval of a fee assessment to service approximately \$5,000,000 in bonds to support the project. Snow on the ground from October to May and temperatures commonly dropping to -40F make indoor recreation space particularly important to the quality of life and recruitment and retention on this campus.

The student recreation center will house the first increment of an indoor running course and a multi-purpose space (to support three basketball, tennis or volleyball courts or, with a roll-out synthetic turf, a multi-purpose indoor field). Space for free weights and conditioning equipment, a dance and aerobics area and support facilities for cross country skiing are included with recreational lockers and changing rooms. The design also defines additions to accommodate an extended indoor running course and needed circulation and handicapped access improvements, which would be accomplished with complementary state funds.

This step toward the funding of the facilities improvements is part of a multi-year effort to find funding alternatives during the economic downturn which started in 1985-1986 in the state of Alaska.

Revisions updating an athletic facilities master plan for the campus, originally drafted in 1986, are currently being completed.

### PROJECT SUMMARY

Project:	Student Recreation Center (Fieldhouse) University of Alaska - Fairbanks
Client:	University of Alaska Facilities Planning and Constr.
Constr. Budget:	approx. \$4,000,000 ( <del>\$6,600,000 incl. site/access</del> )
Area:	55,700 sf ( <del>77,700 sf</del> )
Completion:	Fall 1992 (earliest)

University of Alaska

Student Recreation Center on Fairbanks Campus

### Background

A self evaluation study in 1985 determined that the Physical Education intramural, recreation and athletic program on the University of Alaska Fairbanks campus has major constraints because of facility inadequacies. Nationally recommended standards for recreational facilities show UAF currently at a deficit of 30,000 square feet and project a deficit of 60,000 square feet by the year 2000.

A comprehensive master plan to aid the orderly implementation of both the immediate and long term facilities for athletic and recreation needs was developed in 1986. Last Fall, the master plan was revised to prioritize the enhancement of student recreation and intramural facilities in the most cost-effective manner.

The proposed recreation center will be primarily for student use. A committee of student representatives will ensure the new facility is responsive to the recreational needs and interests of students.

### Project Scope

It is the recommendation of the Department of Athletics and Campus Recreation that a new all-weather multipurpose facility (est. 40,000 square feet) be built adjacent to the hockey arena that would include an elevated indoor jogging track (8 laps to a mile) and a synthetic playing surface which would consist of three (3) basketball courts. Any one of the courts could accommodate the following activities: volleyball, badminton, tennis, soccer, dance, or free play. A portable mesh netting would separate each court. With the three courts covered with artificial turf, it would be used for soccer, softball, and flag

football. On the second floor, along with a jogging track, will be a weight and conditioning area. In the future, a connection of the Student Recreation Center to the existing Patten Center will be built to complete the project.

### **Funding**

A student petition, with over four hundred signatures, was presented to the UAF Administration in December of 1989, asking for a referendum on the proposed project. The petition proposed that funding for design and construction of the Student Recreation Center come from the sale of revenue bonds to be amortized over the twenty years by an increase in student activity fees. The referendum was approved by student vote on October 25, 1990.

At its meeting on February 21-22, 1991, the Board of Regents approved the funding concept for the facility on the Fairbanks Campus and authorized the University Administration to request the legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificate of participation, or other financing instruments for the construction of the facility. Further, the Board of Regents motion included the authorization to initiate action to secure interim and permanent financing and construction of the facility at a cost of approximately \$5.9 million, inclusive of cost of debt issuance and financing reserves.

DRAFT

January 21, 1991

FINANCIAL STATEMENT FOR  
UAF STUDENT RECREATION CENTER

Construction Estimate 1/16/91	\$4,076,863
Total Project Cost Estimate	\$5,435,817
Rounded	\$5.5 Million

UAF Enrollment Figures:

A \$75/semester additional activity fee would be charged to students carrying eight (8) or more credits.

Spring 1990 - 3,437 students  
 Fall 1991 - 3,763 students (before drop/add)

For estimating purposes, we used 3,600 students with 8 or more credit hours:

3,600 students X \$150/year = \$540,000/year fee income.

OPTION 1

Use student fees to pay off debt over twenty years

Annual debt service (20 yrs) for 5,500,000 @ 7.5% interest = \$539,511/per yr.

OPTION 2

*Not Approved by BOR*

Request state financing assistance for \$2.5 million and reduce the debt to ten (10) years.

\$3,000,000	Student Financed Debt
\$2,500,000	State Appropriation
<u>5,500,000</u>	Total Project Cost

Annual debt service (10 yrs) for \$3,000,000 @ 7.5% interest = \$437,058/per yr.

(This could produce approximately \$100,000/yr cushion against declining enrollments or unfunded operating costs or early debt retirement).

NOTE: This option requires amending the FY92 Capital Request.

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topography and digital data bases related to surveying and land records, natural resource inventories, and related data;

(9) prepare and publish on a regular basis research findings and periodicals relating to the center's activities;

(10) assist state agencies and municipalities in the development of policies, procedures, and capabilities for public access to automated geographic information;

(11) recommend, in consultation with the Telecommunications Information Council and affected state and local agencies and advisory boards, model standards and strategies relating to the implementation, indexing, documentation, mapping, data exchange, and other aspects of land records management and geographic information system development.

(c) The university shall include in its annual report to the legislature a summary of the center's revenue and expenditures during the preceding two years. (§ 3 ch 74 SLA 1990)

Cross references. — For legislative findings and purpose, see §§ 1 and 2, ch. 74, SLA 1990 in the Temporary and Special Acts; for progress report required by February 15, 1991, see § 4, ch. 74, SLA

1990 in the Temporary and Special Acts. Effective dates. — Section 3, ch. 74, SLA 1990, which enacted this section, took effect on September 2, 1990.

### Article 2. Board of Regents and President of the University of Alaska.

#### Section

- 253. Financing notice and approval
- 255. Investment of surplus money

Sec. 14.40.253. Financing notice and approval. If the University of Alaska intends to enter into an obligation, except for refinancing obligations, under AS 14.40.040(5) with an annual payment by the university anticipated to exceed \$1,000,000, the university shall provide notice to the legislature. The notice must include the anticipated annual payment amount, the anticipated financing, and the total construction, acquisition, or other costs of the project. ~~The university may not enter into an obligation requiring a financing notice under this section, other than a refinancing obligation, unless the project has been approved by the legislature by law.~~ An appropriation for the project does not constitute approval of the project for the purpose of this section. (§ 2 ch 181 SLA 1990)

Effective dates. — Section 14, ch. 181, SLA 1990 makes this section effective July 1, 1990.

SLA 1990 provides that this section does not apply to projects authorized by law before July 1, 1990.

Editor's notes. — Section 12, ch. 181,

### Chapter 40. The University of Alaska and the Community Colleges.

#### Article

- 1. Establishment and Organization of the University of Alaska (§§ 14.40.040, 14.40.088, 14.40.095)
- 2. Board of Regents and President of the University of Alaska (§§ 14.40.253, 14.40.255)
- 3. Property and Funds of the University of Alaska (§§ 14.40.325, 14.40.400, 14.40.453)
- 5. Optional University Retirement Board (§§ 14.40.661 — 14.40.799)
- 6. Alaska Education Trust Fund (§§ 14.40.803 — 14.40.817)

#### Article 1. Establishment and Organization of the University of Alaska.

##### Section

- 40. General powers of the university
- 88. Establishment of Institute for Circumpolar Health Studies

##### Section

- 95. Establishment of a center for information technology at University of Alaska Anchorage

**Sec. 14.40.040. General powers of the university.** There is created and established a corporation to be called the University of Alaska. It may in that name

- (1) sue and be sued;
- (2) receive and hold real and personal property;
- (3) contract and be contracted with;
- (4) adopt, use, and alter a corporate seal;
- (5) borrow money, issue debt, or enter into long-term obligations, for the purchase of facilities, goods, or services; the obligations may secure, in whole or in part, debt issued by another party;

(6) do and have done all matters necessary for the purpose of any function set out in this chapter. (§ 37-10-2 ACLA 1949; am § 1 ch 181 SLA 1990)

*Effect of amendments.* — The 1990 amendment, effective July 1, 1990, added paragraph (5), redesignated former paragraph (5) as paragraph (6), and made a minor stylistic change.

**Sec. 14.40.088. Establishment of Institute for Circumpolar Health Studies.** (a) The University of Alaska shall establish an Institute for Circumpolar Health Studies in an appropriate unit of the university at its Anchorage campus. The institute shall consist of a research and instruction branch and an administration and information branch.

(b) The institute shall

- (1) encourage international cooperation, especially among circumpolar nations, with regard to research, studies, information, and instruction relating to circumpolar health issues;

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Part V

Finance and Business Management

Chapter I

Debt and Credit

A. Scope:

This policy applies to all external debt transactions of the University.

B. Purpose:

The purpose of this policy is:

1. To maintain the creditworthiness of the University and the state of Alaska;
2. To minimize the cost of capital for acquisition and construction and/or leasing of facilities;
3. To provide guidelines for debt financing the acquisition or construction of essential facilities and other real property improvements; and
4. To provide guidelines for equipment financing and other credit transactions.

C. Facilities and Real Property Improvements:

1. All facilities and other real property debt issuances must be approved by the Board of Regents.
2. The University's annual debt service, including any proposed issue, shall not exceed 5% of the University's unrestricted revenues.
3. Refunding or refinancing debt shall be issued only if it results in a net present value savings, eliminates restrictive covenants or provides other benefits which can be clearly demonstrated.
4. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.
5. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75% of the useful life of the facility purchased or constructed with the proceeds.

Regents' Policy 05.01.09  
Debt and Credit Policy

6. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refunded.
7. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the Board shall be used to defease or redeem the related debt at the earliest allowed time.
8. Debt proceeds shall not be used to pay or reimburse University departments or employees for the cost of services or expenses unless such costs are directly assignable to the project in accordance with the expenditure plan approved by the Board.
9. The University shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions) and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
10. The University shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
11. The University shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
12. The University shall provide the State Bond Committee notice of all debt issuances 60 days prior to planned issuance, including a description of the project and details of the financing plan.
13. The Commissioner of Revenue shall be invited to participate in the organization and management of all presentations to rating agencies and the preparation of official statements.

SUMMARY OF ACTIONS  
Board of Regents' Meeting  
April 18-19, 1991

by the Finance, Facilities, and Land Management Committee. This motion is effective April 19, 1991."

(12) Regents' Policy 05.01.09 - Debt and Credit

PASSED

"The Board of Regents approves the revisions to regents' policy 05.01.09 as presented in Reference 11. This motion is effective April 19, 1991."

d. FINANCE, FACILITIES, AND LAND MANAGEMENT  
COMMITTEE REPORT - INFORMATION AND OTHER  
ITEMS

Information only - no action required.

## PART V

## FINANCE AND BUSINESS MANAGEMENT

## CHAPTER I

## Debt and Credit

## A. Scope:

This policy applies to all external debt transactions of the University.

## B. Purpose:

The purpose of this policy is:

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4. To provide guidelines for equipment financing and other credit transactions.

## C. Facilities and Real Property Improvements:

1. All facilities and other real property debt issuances must be approved by the Board of Regents.
2. The University's annual debt service, including any proposed issue, shall not exceed 5 percent of the University's unrestricted revenues.
3. Refunding or refinancing debt shall be issued only if it results in a net present value savings, eliminates restrictive covenants or provides other benefits which can be clearly demonstrated.
4. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.

5. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75 percent of the useful life of the facility purchased or constructed with the proceeds.
6. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refunded.
7. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the Board shall be used to defease or redeem the related debt at the earliest allowed time.
8. Debt proceeds shall not be used to pay or reimburse University departments or employees for the cost of services or expenses unless such costs are directly assignable to the project in accordance with the expenditure plan approved by the Board.
9. The University shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions) and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
10. The University shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
11. The University shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
12. The University shall provide the State Bond Committee notice of all debt issuances 60 days prior to planned issuance, including a description of the project and details of the financing plan.
13. The Commissioner of Revenue shall be invited to participate in the organization and management of all

presentations to rating agencies and the preparation of official statements.

D. Equipment Lease-Purchase Transactions:

No University officer shall engage in any borrowing, lease-purchase or financing arrangements on behalf of the University without the specific prior approval of the vice president for finance and a review of all related agreements by University counsel. Any request for such approval shall be forwarded by the regional university chief financial officer to the vice president for finance with all of the information necessary to evaluate the request, including an explanation of what is being purchased, the cash price and related expenses for an outright purchase, copies of the proposed financing terms and agreements, and an explanation of why the financing is in the best interest of the University.

E. Corporate Charge/Credit Cards:

The vice president for finance is authorized to execute corporate charge and/or credit card agreements on behalf of the University. Corporate charge or credit cards may only be authorized and used in unusual circumstances where

(1) other standard procurement and billing processes are not feasible for such activity.

(2) procedures are established for the full payment of charges on a regular basis, and

(3) the vice president for finance determines the arrangement is in the best interest of the University.

Each request by a regional university chief financial officer for authorization of a charge or credit card should include an explanation of the circumstances under which the card will be used, procedures for control and security of the card, estimates of the volume of activity and payment frequency, and a justification as to why the arrangement is in the best interest of the University.

**SUMMARY OF ACTIONS**  
Board of Regents' Meeting  
February 21-22, 1991

5. University of Alaska Fairbanks Yupik Museum/Library/Cultural Center at Bethel - Consultant Selection

PASSED

"The Board of Regents approves the architect selection for the University of Alaska Fairbanks Yupik Museum/Library/Cultural Center at Bethel as presented and authorizes the university administration to negotiate and award a contract. This motion is effective February 22, 1991."

6. University of Alaska Fairbanks Fire Station - Site Selection Approval

PASSED

"The Board of Regents approves site selection for the new University of Alaska Fairbanks Fire Station to be located north of Kuskokwim Way on the Fairbanks campus of the University of Alaska Fairbanks. This motion is effective February 22, 1991."

7. University of Alaska Fairbanks Student Recreation Center - Approval of Funding Concept

PASSED AS AMENDED

"The Board of Regents approves the funding concept for the proposed University of Alaska Fairbanks Student Recreation Center and authorizes the university president, the secretary of the Board of Regents, and other administrators to request that the Alaska State Legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificates of participation, or other financing instruments for the construction of a recreation center on the Fairbanks campus; to initiate action to secure interim and permanent financing and construction of such a recreation center under Option 1 at a total cost of approximately \$5.9 million to include the cost of debt issuance and financing reserves. This motion is effective February 22, 1991."

8. University of Alaska Fairbanks Air-Cooled Condenser Expansion - Revised Consultant Selection

PASSED

"The Board of Regents approves the list of consultants for the University of Alaska Fairbanks air-cooled condenser expansion

MOTION

"The Finance, Facilities and Land Management Committee recommends that the Board of Regents approve site selection for the new University of Alaska Fairbanks Fire Station to be located north of Kuskokwim Way on the Fairbanks campus of the University of Alaska Fairbanks. This motion is effective February 21, 1991."

7. University of Alaska Fairbanks Student Recreation Center -  
Approval of Funding Concept Reference 7

PROJECT SCOPE:

A master plan study to provide facility expansion guidelines for University of Alaska Fairbanks athletic and recreation facilities on the Fairbanks campus was developed in January 1986 with funds from a 1984 direct appropriation.

Phase I of the proposed long-range development is a \$5.9 million, 40,000 square foot, all-weather recreation center west of the existing Patty Ice Arena. This project will take a large step in meeting the needs of the university community for recreation and intramural activities. The recreation center will provide flexible space for an indoor soccer field, basketball courts, indoor tennis courts, volleyball and badminton courts, indoor softball or other field activities. An indoor, eight-laps to a mile jogging track and associated support facilities will be located on the mezzanine level. By nationally recognized standards, UAF now has a 30,000 square foot deficit for this type of space and a projected deficit of 60,000 square feet by the year 2000. A future capital project currently estimated at \$3.5 million will link the main Patty building, the ice rink, the student recreation center and provide handicapped access for the complex and a limited amount of new program space.

CONSULTANT:

The consultant for this master plan was Gordon, Beard, Grimes, Bahls and Domries (GBD Architects) with John Vosmek, Jr., AIA Architect from Portland, Oregon.

FUNDING SOURCE:

A student petition with over four hundred signatures was presented to the UAF administration in December 1989, asking

**Board of Regents'**  
**Finance, Facilities, and Land Management Committee**  
February 21, 1991

for a referendum on the project. The referendum was approved on October 25, 1990. The petition proposed that funding for design and construction of the recreation center come from a revenue bond sale to be amortized by an increase in student activity fees. A copy of the financial statement is attached. Legislative approval is needed for a revenue bond sale and would be sought from the 1991 legislature.

Current estimates of financing and construction costs indicate that Option 1 (see **Reference 7** for options) may not be feasible without down-sizing the student recreation center to a point where it may not be practical to complete the facility as planned. Option 2 provides a conservative financing package and will provide for construction of a complete stand-alone student recreation center.

**SCHEDULE:**

October 25-26, 1990	Presentation to UAF Student General Body and Student Vote
February 21-22, 1991	Board of Regents Approve Concept to Sell Bonds
March-June, 1991	Seek Legislative Approval
July, August, September, 1991	Bond Sale
August 15-16, 1991	Board of Regents Approve Architect Selection
December 12-13, 1991	Board of Regents Approve Schematic Design, and Authorize to Bid and Award
January-March 1992	Staff Review Design Development and Construction Documents
March 1992	Invitation for Bids Issued
April 1992	Bid Opening and Award
May 1992-August 1993	Construction
September, 1993	Occupancy

**Board of Regents'  
Finance, Facilities, and Land Management Committee  
February 21, 1991**

September 1993 - August 1994      Warranty

**STUDENT SUPPORT:**

As an information item, the results of the student referendum were taken to the December 10-11, 1990 Board of Regents' meeting.

The president recommends that:

**MOTION**

"The Finance, Facilities, and Land Management Committee recommends that the Board of Regents approve the funding concept for the proposed University of Alaska Fairbanks Student Recreation Center and authorize the university president, the secretary of the Board of Regents, and other administrators to request that the Alaska State Legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificates of participation, or other financing instruments for the construction of a recreation center on the Fairbanks campus; to initiate action to secure interim and permanent financing and construction of such a recreation center under option number \_\_\_ at a total cost of approximately \_\_\_\_\_ million to include the cost of debt issuance and financing reserves; and to amend the FY92 capital budget request, as appropriate, for the option selected. This motion is effective February 21, 1991."

8. University of Alaska Anchorage - Kenai Peninsula College Campus Land Exchange      **Reference 8**

The University of Alaska Anchorage Kenai Peninsula College Master Plan indicates that future growth of the campus will most likely progress southerly on the bluff overlooking the Kenai River. This property is owned by the state of Alaska and managed by the Division of Parks and Outdoor Recreation for public recreation purposes.

In the interest of providing for long-term campus expansion options and greater public access to the Kenai River, the university has worked with the state Division of Parks to modify the boundary of the Kenai River Recreation Area and allow for a

FINANCIAL STATEMENT FOR  
 UAF STUDENT RECREATION CENTER

Reference 7

Construction Estimate 1/16/91	\$4,076,863
Total Project Cost Estimate	\$5,435,817
Capitalized Interest & Cost to Issue Bonds	\$ 400,000
Rounded	\$5.9 Million

UAF Enrollment Figures:

A \$75/semester additional activity fee will be charged to students carrying eight (8) or more credits.

Spring 1990 - 3,437 students  
 Fall 1991 - 3,763 students (before drop/add)

For estimating purposes, we used 3,600 students with 8 or more credit hours:

Faculty and staff currently pay \$100/per year for activity cards. An increase to \$200/per year is contemplated.

3,600 students X \$150/year	= \$540,000/year fee income.
500 staff X \$200/year	= <u>\$100,000/year fee income.</u>
	\$640,000/year total fee income.

OPTION 1

Use student & staff fees to pay off debt over twenty years

Annual debt service (20 yrs) for 5,900,000 @ 7.5% interest = \$578,748/per yr.

The difference between income and debt is \$61,252/yr. This could be used as a cushion against diminished enrollment or to retire the debt earlier).

OPTION 2

Request state financing assistance for \$2.9 million and reduce the debt to ten (10) years.

\$3,000,000	Student Financed Debt
<u>\$2,900,000</u>	State Appropriation
\$5,900,000	Total Project Cost

Annual debt service (10 yrs) for \$3,000,000 @ 7.5% interest = \$437,058/per yr.

(The difference between income debt is approximately \$200,000/yr. This could be used as a cushion against declining enrollments or to retire the debt earlier).

NOTE: This option requires amending the FY92 Capital Request.

SB 235

**( ) USE COMMITTEE REPORT**

(11)

Date Referred: May 19, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-20-91

The FINANCE Committee considered:

CSSB 235(FIN)

CS FOR SENATE BILL NO. 235 (FINANCE)

DEBT RETIREMENT FUND

"An Act establishing the Alaska debt retirement fund relating to the financing of capital projects; relating to state bonded indebtedness and reimbursements for school construction; and providing for an effective date."

- RECOMMENDATIONS:**
- the same title
  - be replaced with \_\_\_\_\_  a new title
  - have attached amendments(s)
  - do pass
  - do not pass
  - no recommendations
  - individual recommendations
  - additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

- ATTACHES NEW FISCAL NOTE(s):** (Dept)
- fiscal impact \_\_\_\_\_
  - zero fiscal note \_\_\_\_\_

- APPROVES PREVIOUS:** (Dept/Date)
- fiscal note(s) REV 4-3-91
  - zero fiscal note(s) ADMIN 4-3-91  
DOE 4-3-91

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Richard J. Turner</i>	<input checked="" type="checkbox"/>	<i>Taylor</i>		<input checked="" type="checkbox"/>	
<i>Reed &amp; Reed</i>	<input checked="" type="checkbox"/>				
<i>Bob Thompson</i>	<input checked="" type="checkbox"/>				
<i>Harvey</i>	<input checked="" type="checkbox"/>				
<i>Mark Boyer</i>	<input checked="" type="checkbox"/>				
<i>Steve [unclear]</i>	<input checked="" type="checkbox"/>				
<i>Mike [unclear]</i>	<input checked="" type="checkbox"/>				
<i>Tamara Barnes</i>	<input checked="" type="checkbox"/>				

*Mike [unclear]*  
CHAIRMAN'S SIGNATURE

FISCAL NOTE

NO. 1

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Bill Version: SB235

(S) Publish Date: 4/2/91

Revision Date: March 27, 1991  
Title: Alaska Debt Retirement Fund

Department Affected: Revenue  
BRU: Revenue Operations  
Component: Treasury Management

Sponsor: Rules request of Governor  
Requestor: Office of the Governor

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL						
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REVENUE	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>(63,240)</b>	<b>(132,350)</b>	<b>(207,130)</b>	<b>(263,040)</b>	<b>(306,740)</b>	<b>(389,330)</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: Treasurys' operations would not experience a fiscal impact. If bill passes and the constitutional amendment is not adopted there would not be a revenue impact. If the constitutional amendment is adopted general fund revenues will be reduced by the above numbers. This assumes interest earnings on unspent residual amounts. See attached spread sheet analysis for details.

Prepared by: Brian C. Andrews Phone: 465 - 2350  
 Division: Treasury Date: \_\_\_\_\_  
 Approved by Commissioner: [Signature]  
 Agency: \_\_\_\_\_  
 Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Alaska Debt Retirement Fund  
(millions)

Dedicated Revenue	State GO Debt	School Debt	Net	Investment Return	Total Revenue Impact
242.86	68.20	116.10	58.56	4.68	63.24
283.56	59.70	106.00	117.86	14.49	132.35
304.60	33.90	93.40	177.30	29.83	207.13
321.12	23.10	84.30	213.72	49.32	263.04
327.30	21.50	71.10	234.70	72.04	306.74
353.85	16.70	48.70	288.45	100.88	389.33

- 1/ Gross Revenue from DOR Spring '91 revenue forecast scenario B
- 2/ State GO & School debt from DOR's Ak Public Debt March '90
- 3/ Inv't return assumed at 8%

(13)	(14)	(15)	(16)	(17)	(18)	(19)
TOTAL REVS W/PERM FND DEDICATION	PUB SCH FUND	NPR-A FUND	OTHER FUNDS	PERM FUND DEDICATION	BUDGET RESERVE FUND	NET GEN FUND UNRESTRICTED REVENUES
4110.80	7.50	0.00	74.30	385.10	0.00	3718.20
4516.90	8.00	0.00	0.00	400.50	0.00	4108.40
4061.40	9.40	0.00	0.00	421.00	0.00	3631.00
3765.30	9.00	0.00	0.00	366.20	0.00	3390.10
3640.50	7.10	5.40	0.00	368.00	0.00	3260.00
3446.40	6.50	41.00	0.00	323.40	0.00	3075.50
1983.20	3.30	9.90	0.00	170.60	0.00	1799.40
2747.10	6.60	1.00	15.80	417.90	0.00	2305.80
2419.70	4.30	0.80	0.00	228.40	0.00	2186.20
2780.06	5.13	0.60	0.00	267.10	0.00	2507.23
3532.97	6.55	0.60	0.00	414.97	284.85	2826.00
2375.84	4.65	0.60	3.00	242.86	0.00	2124.73
2709.21	5.44	0.50	7.00	283.56	0.00	2412.71
2827.36	5.84	0.50	7.00	304.60	0.00	2509.42
2943.28	6.16	0.30	7.00	321.12	0.00	2608.70
2961.47	6.28	0.10	7.00	327.30	0.00	2620.79
3113.95	6.79	0.00	7.00	353.85	0.00	2746.31
3035.90	6.69	0.00	10.00	348.67	0.00	2670.54
2827.79	6.31	0.00	10.00	328.76	0.00	2482.73
2624.88	5.91	0.00	10.00	307.92	0.00	2301.05
2461.49	5.56	0.00	10.00	289.71	0.00	2156.22
2348.23	5.35	0.00	10.00	278.72	0.00	2054.17
2239.17	5.13	0.00	0.00	267.34	0.00	1966.70
2175.43	5.00	0.00	0.00	260.39	0.00	1910.05
2090.83	4.85	0.00	0.00	252.52	0.00	1833.46
1960.78	4.58	0.00	0.00	238.76	0.00	1717.44
1820.89	4.31	0.00	0.00	224.47	0.00	1592.11
1728.61	4.15	0.00	0.00	216.21	0.00	1508.25
1630.89	3.94	0.00	0.00	205.47	0.00	1421.48
1531.81	3.72	0.00	0.00	193.76	0.00	1334.34

TABLE 3.2

State of Alaska  
Debt Service on State-Supported Debt  
(\$ Millions)

Fiscal Year	(1) State GO	(2) UA	(3) ASHA	(4) Lease-Purchase Obligations (Lease)	(5) School Debt (Muni)	Total Debt Service
79	\$60.0	\$1.7	\$10.1	\$0	\$22.3	\$94.1
80	75.1	1.8	10.1	0	24.1	111.1
81	97.6	2.2	10.0	0	38.4	148.2
82	97.5	2.3	10.0	0	38.3	148.1
83	143.6	2.3	9.9	0	36.2	192.0
84	166.3	2.0	9.9	0	90.6	268.0
85	169.5	2.0	9.9	.8	93.2	275.4
86	163.2	1.8	9.9	.5	106.3	281.7
87	154.9	1.8	6.5	4.7	115.8	283.7
88	147.9	1.5	6.5	.7	109.5	266.1
89	135.5	2.2	6.5	5.2	109.5	258.8
90	120.3	2.2	6.5	5.5	107.8	242.3
91	95.5	2.2	6.5	5.5	120.2	229.9
92	68.2	2.1	6.5	5.5	116.1	198.4
93	59.7	2.1	5.9	5.5	106.0	179.2
94	33.9	1.9	3.1	5.5	93.4	137.8
95	23.1	2.0	1.5	5.5	84.3	116.4
96	21.5	1.9	0	5.5	71.1	100.0
97	16.7	1.9	0	5.5	48.7	72.8
98	14.4	1.9	0	5.5	45.7	67.5
99	9.0	1.9	0	5.5	43.2	59.6
00	2.6	1.9	0	4.7	34.8	44.0
01	0	1.8	0	4.7	21.2	27.7
02	0	1.2	0	4.7	9.1	15.0
03	0	1.0	0	4.7	5.4	11.1
04	0	1.1	0	4.7	5.4	11.2
05	\$0	\$1.0	\$0	\$4.7	\$5.3	\$11.0

(1) State of Alaska general obligation bonds

(2) University of Alaska bonds

(3) Alaska State Housing Authority lease revenue bonds

(4) Debt issued to finance Seward Student Service Center, Spring Creek Correctional Center, and Palmer Court-house

(5) State reimbursement of municipal general obligation debt issued to finance school construction for debt issued through December 31, 1989

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Bill Version: SB 235

(S) Publish Date: 4/2/91

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: Establishing the Alaska Debt Retirement Fund BRU: School Construction Debt Retirement  
 Retirement Fund Component: School Construction Debt Retirement  
 Sponsor: Rules  
 Requestor: Governor COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note assumes that the responsibility for disbursement of school construction debt retirement funds remain within the Department of Education.

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 3/27/91  
 Approved by Commissioner: Steve Hole, Acting Commissioner  
 Agency: Education Date: 3/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Bill Version: SB 235  
(S) Publish Date: 4/2/91

Revision Date: \_\_\_\_\_ Department Affected: Administration  
Title: A Bill establishing a Debt Retirement Fund. BRU: Central Services  
Component: Finance

Sponsor: Governor Hickel  
Requestor: Governor Hickel

COMPONENT SERIAL NO.	59			
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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

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

POSITIONS:

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

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
This Act will not have a fiscal impact on the Division of Finance or the Department of Administration. Accounting procedures are in place to establish the Debt Retirement Fund and deposit revenue to the fund.

Prepared By: Weldon L. Blackwell *WLB* 3/27/91 Phone: 465-2240  
Division: Finance Date: 03/27/91

Approved by Commissioner: Millett Keller  
Agency: Administration *Millett Keller* Date: 03/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FIX

CS FOR SENATE BILL NO. 235 (FINANCE)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/19/91  
 Referred: Rules

Sponsor(s): SENATE RULES/GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Alaska debt retirement fund; relating to the financing of capital  
 2 projects; relating to state bonded indebtedness and reimbursements for school construction;  
 3 and providing for an effective date."

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

5 \* Section 1. FINDINGS. The legislature finds that a mechanism is needed to ensure a long-term  
 6 source of money for the debt service obligations of the state and local governments, and to strengthen  
 7 and add to the economy of the state, in order to benefit all present and future generations of Alaskans.  
 8 It is the intent of the legislature that the Alaska debt retirement fund be established to help meet the  
 9 general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to  
 10 finance capital projects with money remaining after debt obligations are paid.

11 \* Sec. 2. AS 37.15 is amended by adding a new section to read:

12 Sec. 37.15.011. ALASKA DEBT RETIREMENT FUND. (a) The Alaska debt  
 13 retirement fund is established as a separate fund in the general fund. The fund consists of all  
 14 money appropriated to it.

1 (b) The Alaska debt retirement fund shall be invested by the Department of Revenue so  
2 as to yield competitive market rates, as provided in AS 37.10.071. Money in the fund may be  
3 appropriated

4 (1) for the purposes set out in AS 37.15.012;

5 (2) to reimburse municipalities for obligations authorized under AS 14.11.100;

6 (3) to finance the acquisition of state facilities through lease-purchase agreements;

7 and

8 (4) if an unobligated balance remains, to finance the design and construction of  
9 capital projects.

10 \* Sec. 3. AS 37.15.012 is amended to read:

11 Sec. 37.15.012. CONTINUING DEBT SERVICE APPROPRIATION. The amounts  
12 required annually to pay the principal, interest, and redemption premium on all issued and  
13 outstanding general obligation bonds of the state are appropriated each fiscal year from the  
14 Alaska debt retirement [GENERAL] fund to the state bond committee to make all required  
15 payments of principal, interest, and redemption premium. If the balance of the Alaska debt  
16 retirement fund is insufficient to fully pay these amounts, the necessary additional amounts  
17 are appropriated from the general fund to the state bond committee to make all required  
18 payments of principal, interest, and redemption premium.

19 \* Sec. 4. AS 37.15.015(a) is amended to read:

20 (a) Before a general or special election in which a bond issue is offered for ratification,  
21 the state bond committee shall publish a notice of existing state bonded indebtedness at least once  
22 a week for three consecutive weeks in a newspaper of general circulation in each of the four  
23 judicial districts of the state. The first notice shall be published at least 20 days before the date  
24 of the election. A notice must contain

25 (1) the current total bonded indebtedness of the state;

26 (2) the cost of the debt service on the current indebtedness;

27 (3) the projected amount of state general obligation debt principal that could  
28 be issued and paid for from the Alaska debt retirement fund;

29 (4) the estimated debt service requirements for the bond issue offered for  
30 ratification; and

31 (5) whether the bond issue offered for ratification will be repaid with

1 amounts from the Alaska debt retirement fund.

2 \* Sec. 5. AS 37.15.170(a) is amended to read:

3 (a) Before December [JANUARY] 1 of each year after bonds are issued, the state bond  
4 committee shall certify to the commissioner of administration the amount needed for the  
5 following calendar year to meet principal, interest, and reserve requirements on all bonds or  
6 issues or series of bonds then outstanding, including reimbursements authorized under  
7 AS 14.11.100.

8 \* Sec. 6. AS 37.15.170 is amended by adding a new subsection to read:

9 (c) Before December 1 of each year, the state bond committee shall report to the  
10 governor and the legislature the current fund balance in the Alaska debt retirement fund. The  
11 report must contain an estimate of the amount of state general obligation debt principal that could  
12 be issued and paid for from the fund.

13 \* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

WALTER J. HICKEL, GOVERNOR

REPLY TO:

1031 W 4th AVENUE SUITE 200  
ANCHORAGE, ALASKA 99501-1994  
PHONE: (907) 276-3550  
FAX: (907) 276-3697

KEY BANK BUILDING  
100 CUSHMAN ST. SUITE 400  
FAIRBANKS, ALASKA 99701-4679  
PHONE: (907) 452-1568  
FAX: (907) 456-1317

P.O. BOX K— STATE CAPITOL  
JUNEAU, ALASKA 99811-0300  
PHONE: (907) 465-3600  
FAX: (907) 463-5295

May 13, 1991

The Honorable Jim Duncan  
Alaska State Senate  
P O Box V  
Juneau, Alaska 99811

Re: Dedicated fund prohibition  
applied to segregated funds

Dear Senator Duncan:

Your question concerning the dedicated fund prohibition was referred to me by Shelby Stastny of the office of management and budget. During a meeting of the Senate finance committee on May 10, 1991, you inquired whether the dedicated fund analysis set out in our memorandum dated May 9, 1991 regarding the provisions of SB 65 (mental health trust lands) would apply to the debt retirement fund proposed in SB 235.

Our May 9 memo was prepared on short notice and for that reason does not contain exhaustive citations of authority for the analysis set out there. We have consistently given testimony before committees considering the mental health trust lands issue, that the proposals to create a segregated trust fund may violate the dedicated fund prohibition. By "segregated trust fund" we mean a fund that is held separate from the state treasury. SB 65 provides for a trust "corpus" and an income account into which land management proceeds would be deposited directly. Provisions, which imply a direct deposit to a segregated trust, caused us to warn the sponsors that these provisions may violate the dedicated fund prohibition.

In State v. Alex, 646 P.2d 203 (Alaska 1982), the Alaska Supreme Court applied the dedicated fund prohibition to assessments for salmon enhancement purposes. In Alex, the court interpreted the prohibition to apply not only to the proceeds of taxes and licenses, but also to all sources of state revenue. After reviewing the history of the prohibition, the court observed:

The [framers] intended [the dedicated fund prohibition] to prohibit not only the dedication of taxes, but also such revenue as the proceeds from the sale of state lands.

Hon. Jim Duncan  
Re: Dedicated fund prohibition applied  
to segregated funds

May 13, 1991  
Page 2

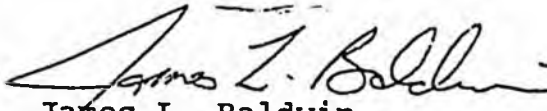
646 P.2d at 210 (citation omitted). Some versions of SB 65 propose the diversion by statute of royalty proceeds earned from oil and gas lands to a trust corpus and trust income account. If the prohibition applies to the proceeds of sale, it seems logical that it would also apply to rents and royalties derived from a conveyance of an interest in land.

In Alex, the court went on to conclude that the framers intended only to allow dedications of revenue after it was received and placed in the general fund of the state. Id; see also, 4 Alaska Const. Conv. Proceed. 2363. The dedication referred to would take the form of an appropriation. Based on this analysis we concluded that the creation of a segregated trust fund under the provisions of SB 65 may violate the dedicated fund prohibition.

The debt retirement bill (SD 235) does not propose to establish a fund segregated from the treasury. It does propose to establish a separate fund within the treasury. Until the constitutional amendment is adopted, the debt retirement fund would consist entirely of appropriations enacted by the legislature. Amounts would be spent from the debt retirement fund only if appropriated by the legislature. This statutory process does not violate the dedicated fund prohibition set out in Art. IX, Sec. 7 of the Alaska Constitution.

Do not hesitate to call if you have additional questions.

CHARLES E. COLE  
ATTORNEY GENERAL

By:   
James L. Baldwin  
Assistant Attorney General

JLB:jr

cc: Shelby Stastny, Director  
OMB, Office of the Governor

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811  
(907) 465-3867 or 465-2450  
FAX (907) 465-2029

Deliveries to: 240 Main Street  
Court Plaza, Room 500  
Mail Stop 3101

### MEMORANDUM

May 15, 1991

**SUBJECT:** Alaska debt retirement fund (SB 235)

**TO:** Senator Pat Pourchot

**FROM:** Tamara Brandt Cook  
Director

TBC

You have asked whether SB 235 poses constitutional questions. Under the bill a separate Alaska debt retirement fund is established. To the extent it consists of money appropriated to the fund, no constitutional problem is created. However, under AS 37.15.011(b) fund money is to be invested, but it is not clear whether income from those investments is expected to be retained in the fund. If this is done without appropriation, a question will be created as to whether this amounts to an improper dedication of funds. (Article IX, Sec. 13, Constitution of the State of Alaska; Opinion Atty' Gen., February 28, 1977)

AS 37.15.011(c) sets out certain uses for which money may be appropriated from the fund. In my opinion, money could also be appropriated for any other public purpose under the legislature's constitutional "power of the purse."

Note that under SJR 26, in Section 18(b), interest earned on money in the constitutionally established Alaska debt retirement fund accrues to that fund, so the question of retained interest will be dealt with once a constitutional fund is established. Also, under the amendment, uses that may be made of money in the fund are restricted.

TBC:lmb  
91-192.lmb



# Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 1267

Fairbanks, Alaska 99707

907-452-4761

May 16, 1991

Honorable Members of  
the Interior Delegation  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

Dear Members of the House and Senate:

I am sure you have received a copy of the attached Resolution No. 91-042. Since hearing the Governor's most recent statement, it seemed timely to send it to you again.

I am confident in your ability to strike a compromise between maintaining your control over the debt retirement fund. This resolution may help.

Thank for all you do for us. Happy last week!

Sincerely,

Juanita Helms  
Borough Mayor

JH:rlf

Attachment:  
as stated

By: Hank Hove  
Paul Chizmar  
John Davies  
Donna Gilbert  
Harold Gillam  
Don Lowell  
Guy Sattley  
Bonnie Williams  
Introduced: 04/25/91  
Adopted: 04/25/91

RESOLUTION NO. 91-042

A RESOLUTION SUPPORTING HB 251, HB 252, AND HJR 28, ALL  
RELATING TO THE ESTABLISHMENT OF A DEBT RETIREMENT FUND

WHEREAS, there needs to be a mechanism which would ensure a long-term source of funds for debt service obligations of the state and local governments; and

WHEREAS, currently, debt service is funded by what the administration and the legislature feel the state can afford; and

WHEREAS, local governments are usually required to set their budgets and mil rate prior to the final action on any bill which appropriates funds for debt retirement; and


WHEREAS, many times, local governments have had to make severe budget cuts because of a shortage of state funds; and

WHEREAS, Governor Walter J. Hickel has introduced House Bill 251 which establishes the Alaska Debt Retirement Fund, House Bill 252, which appropriates funds from the "general fund unreserved, undesignated fund balance available for appropriation" to forward fund the Debt Retirement Fund, and HJR 28, which proposes amendments to the Alaska State Constitution creating a debt retirement fund. HJR 28, if approved by the legislature, must be ratified by a majority of the voters at the next general election.

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly, by this resolution, goes on record as supporting HB 251, HB 252, and HJR 38.

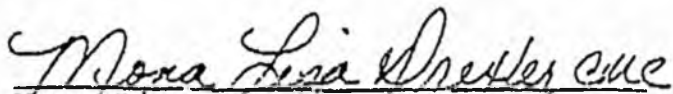
BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the Honorable Walter J. Hickel, Governor, State of Alaska; the Honorable Lee Fisher, Commissioner appointee, Alaska State Department of Revenue; and all members of the Interior Delegation.

PASSED AND APPROVED THIS 25TH DAY OF APRIL, 1991.



Henry "Hank" Hove  
Presiding Officer

ATTEST:



Mona Lisa Drexler, CMC  
Mona Lisa Drexler, CMC  
Municipal Borough Clerk

**Alaska Debt Retirement Fund  
Fiscal Projections  
Case #1B**

5/12/91

**\$209 Million Deposit in FY 92  
Revenue Scenario B**

Assumptions

Revenue Forecast: Spring 1991, Scenario B  
 FY 91 Deposit (Projected): 209.2  
 Earnings Rate (Avg. Balance): 8.0%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Fiscal Year	Beginning Balance	Prior Year Budget Surplus	Dedicated Resource Revenue	Prior Debt Service Payments	Capital Project and New Debt Service Outlays	Ending Earnings Base	Annual Earnings	Ending Balance
92	209.2	314.0		209.2		0.0	8.4	8.4
93	8.4		141.8	141.8 *	0.0	8.4	0.7	9.0
94	9.0		304.6	142.6	150.0	21.0	1.2	22.2
95	22.2		321.1	121.4	200.0	21.9	1.8	23.7
96	23.7		327.3	103.9	200.0	47.1	2.8	49.9
97	49.9		353.9	76.9	250.0	76.9	5.1	82.0
98	82.0		348.7	71.5	250.0	109.2	7.6	116.9
99	116.9		328.8	63.7	250.0	132.0	10.0	141.9
00	141.9		307.9	46.6	250.0	153.2	11.8	165.0
01	165.0		289.7	28.7	250.0	176.0	13.6	189.7
02	189.7		278.7	17.4	250.0	201.0	15.6	216.6
03	216.6		267.3	13.5	250.0	220.4	17.5	237.9
04	237.9		260.4	13.5	250.0	234.8	18.9	253.7
05	253.7		252.5	13.3	250.0	242.9	19.9	262.7
06	262.7		238.8	10.4	250.0	241.1	20.2	261.3
07	261.3		224.5	5.2	250.0	230.6	19.7	250.3
08	250.3		216.2	4.1	250.0	212.4	18.5	230.9
09	230.9		205.5	0.3	250.0	186.1	16.7	202.8
10	202.8		193.8	0.3	250.0	146.3	14.0	160.2
<b>Total:</b>			<b>4,861.5</b>	<b>1,084.3</b>	<b>4,050.0</b>			

\* Note D1 - An FY 92 deposit of \$209 million would leave an insufficient fund balance in FY 93 to fully pay prior debt service requirements. An additional \$43.8 million from the general fund would be necessary to fully fund general obligation and municipal school debt.  
 Note D2 - Equivalent to dedications to the Permanent Fund (Spring 1991 Revenue Forecast). FY 93 dedication is 50% (6 months).  
 Note E - Includes G.O. debt, school debt, lease purchases, and ASHA debt payments.  
 Note H - Earnings are on the Fund's average balance (Beginning Balance plus Ending Earnings Base, divided by two).

**Alaska Debt Retirement Fund  
Fiscal Projections  
Case #2B**

5/12/91

**\$209 Million Deposit in FY 92**

Revenue Scenario A

Assumptions

Revenue Forecast: Spring 1991, Scenario A  
 FY 91 Deposit (Projected): 209.2  
 Earnings Rate (Avg. Balance): 8.0%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Fiscal Year	Beginning Balance	Prior Year Budget Surplus	Dedicated Resource Revenue	Prior Debt Service Payments	Capital Project and New Debt Service Outlays	Ending Earnings Base	Annual Earnings	Ending Balance
92	209.2	314.0		209.2		0.0	8.4	8.4
93	8.4		96.0	96.0 *	0.0	8.4	0.7	9.0
94	9.0		210.7	142.6	50.0	27.1	1.4	28.6
95	28.6		222.3	121.4	100.0	29.5	2.3	31.8
96	31.8		225.6	103.9	100.0	53.5	3.4	56.9
97	56.9		221.5	76.9	150.0	51.5	4.3	55.9
98	55.9		216.0	71.5	150.0	50.4	4.2	54.6
99	54.6		199.8	63.7	150.0	40.7	3.8	44.5
00	44.5		184.3	46.6	150.0	32.2	3.1	35.3
01	35.3		203.7	28.7	150.0	60.3	3.0	64.1
02	64.1		192.6	17.4	150.0	89.3	6.1	95.4
03	95.4		183.0	13.5	150.0	114.9	8.4	123.4
04	123.4		177.9	13.5	150.0	137.8	10.4	148.2
05	148.2		170.6	13.3	150.0	155.5	12.1	167.7
06	167.7		160.0	10.4	150.0	167.3	13.4	180.7
07	180.7		125.0	5.2	150.0	150.5	13.2	163.7
08	163.7		117.6	4.1	150.0	127.2	11.6	138.8
09	138.8		109.0	0.3	150.0	97.5	9.5	107.0
10	107.0		99.5	0.3	150.0	56.2	6.5	62.7
<b>Total:</b>			<b>3,115.1</b>	<b>1,032.5</b>	<b>2,350.0</b>			

\* Note D1 - An FY 92 deposit of \$209 million would leave an insufficient fund balance in FY 93 to fully pay prior debt service requirements.

An additional \$89.6 million from the general fund would be necessary to fully fund general obligation and municipal school debt.

Note D2 - Equivalent to dedications to the Permanent Fund (Spring 1991 Revenue Forecast). FY 93 dedication is 50% (6 months).

Note E - Includes G.O. debt, school debt, lease purchases, and ASHA debt payments.

Note H - Earnings are on the Fund's average balance (Beginning Balance plus Ending Earnings Base, divided by two).

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 3, 1991

235

The Honorable Richard I. Eliason  
President of the Senate  
P.O. Box V  
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska debt retirement fund. This bill is one of three measures that make up my Alaska debt retirement fund proposal; the others, which accompany this bill, are a proposed constitutional amendment and an appropriation bill.

The Alaska debt retirement fund has two major objectives: first, to set aside part of fiscal year 1991 surplus revenue to help pay Alaska's future general obligation debt service and municipal school debt reimbursement; and second, to establish a long-term source of revenue to pay for debt service and to finance capital projects that will broaden Alaska's economic base.

I hope that every member of the legislature will agree with me that, as stewards of Alaska's resource wealth, we must consider investing, rather than spending, most of the revenue surplus that the state receives this year. Of course, I expect there to be a wide range of opinions on the best way to invest the surplus, but if we can concur that this unexpected revenue should be invested soundly, we will have reached an important point of agreement. I am willing to give all proposals for investing the revenue surplus fair consideration, and I hope that the legislature will accord the Alaska debt retirement fund the same fair hearing.

The first goal of the Alaska debt retirement fund is to help retire state and municipal debt. The State of Alaska will spend nearly \$250,000,000 over the next nine years to repay our general obligation debt. In addition, the legislature authorized the reimbursement of Alaska's municipal governments in an amount exceeding \$735,000,000 in school debt service over the next 23 years. These two budget items total nearly \$1,000,000,000.

The Honorable Richard Eliason -2-

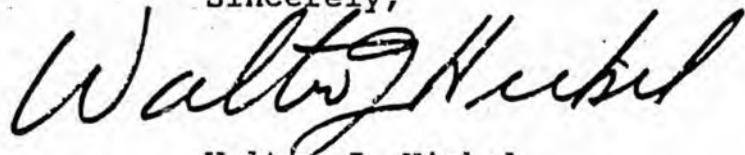
The Alaska debt retirement fund would allow us to save part of our surplus revenue to help pay off our general obligation debt and reimburse Alaska's municipal governments for their school debt payments. By doing so, we would substantially improve Alaska's ability to maintain a balanced budget as petroleum revenue declines over the next 20 years.

The second goal of the Alaska debt retirement fund is to establish a long-term source of revenue to pay for debt service, and to use the remaining balance of the fund to finance capital projects that will diversify and strengthen Alaska's economy. The companion joint resolution to this bill proposes a constitutional amendment that would dedicate a portion of our ownership revenue -- mineral lease rentals, royalties, royalty sale proceeds, and other resource revenues -- to the fund.

Alaska's economic infrastructure -- its port, transportation and energy systems -- are inadequate to support the broad economic foundation on which the future of the state depends. The Alaska debt retirement fund would provide the means to finance responsible expansion of the state's infrastructure, enhancing the viability and competitiveness of Alaska's industries.

The time for the Alaska debt retirement fund is now. This year's surplus revenue gives Alaska the opportunity to establish a fund with a statewide purpose. This revenue surplus is expected to be a one time event. With the declining production at Prudhoe Bay, we must commit to retiring our debt and building a broader, value-added economy. The Alaska debt retirement fund will serve that purpose. I urge your support for the fund.

Sincerely,



Walter J. Hickel  
Governor

SB 235

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/3/91

FURTHER:

Date of 5-Day Notice: 5-8-91  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5/19/91

Finance Committee considered SB 235

Establishing the Alaska debt retirement fund; retirement of general obligation bond debt of the state and municipalities; and financing of capital projects; efd.

and recommended:

<input checked="" type="checkbox"/>	replace with _____	CS	<u>SB 235 (Finance)</u>	<input type="checkbox"/>	same title
<input type="checkbox"/>	or adopt _____	CS	_____	<input checked="" type="checkbox"/>	new title
<input type="checkbox"/>	attached amendment(s)			<input type="checkbox"/>	technical title change (HB only)
<input type="checkbox"/>	_____		letter of intent adopted		

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):  
Dept/Date:

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

SIGNING DO PASS:

Al Adams  
Jim Duncan  
John H. ...  
Rich ... (DO PASS)

APPROVES PREVIOUS:

Dept/Date:  
 fiscal note(s) DOR 4/2/91

zero fiscal note(s) DOE 3/27/91  
DOA 3/27/91

OTHER RECOMMENDATIONS:

Lynn Hoffman-Dolter

1. Ed ... do pass 2. J. ... DO Pass  
co-Chairs: Signatures and Recommendations