

ALASKA LEGISLATURE

960

HOUSE and SENATE FINANCE COMMITTEE FILES, 1993-1994

MEMORANDUM

State of Alaska
Department of Law

TO: Nancy Bear Usera
Commissioner
Department of Administration

DATE: March 10, 1993

FILE NO: 223-93-0335

TEL. NO: 465-3600

SUBJECT: Constitutionality of
phase-out provisions of
HB 81 and SB 58

FROM: John B. Gaguine ^{JBS}
Assistant Attorney General
Governmental Affairs - Juneau

We sent you a memorandum recently expressing our opinion that the provisions of HB 81 and SB 58 abolishing the longevity bonus but "grandfathering" in those who would turn 65 before January 1, 1997 would not violate the equal protection clauses of the state or federal constitutions. You have now asked whether there are constitutional problems with the differing amounts given to the "grandfathered" persons.¹

We believe that these provisions would be constitutional for the same reason as the whole "grandfathering" scheme would be. The farther a person is from age 65 - retirement age for many people, and the age at which social security benefits begin - the longer the person has to adjust his or her retirement plans. Thus in our opinion a court would find that the legislature could permissibly conclude that a person turning 65 in 1996 would suffer less hardship from a reduced longevity bonus than would a person turning 65 in 1994, and accordingly the court would uphold the legislative decision to reduce the bonus to a greater degree for the former senior than for the latter.

If we can be of further assistance, please let us know.

cc: Roberley Waldron
Eileen Plate

¹ As we noted in our initial memorandum, those turning 65 before the start of 1994 would receive \$250 a month for life; those turning 65 in 1994, \$20.; those turning 65 in 1995, \$150; and those turning 65 in 1996, \$100.

Funds Spent on Senior Programs

FY '93 unless otherwise noted

Program	State	Federal	Total
Dept. of Administration			
Longevity Bonus	64,811,700		64,811,700
Pioneer Homes	30,432,500		30,432,500
Older Alaskans Commission	6,053,500	6,486,900	12,523,400
TOTAL DEPT.	101,297,700	6,486,900	107,767,600
Dept. of Health & Social Services			
Supplemental Security Income		3,580,580	3,580,580
Longevity Bonus Hold Harmless	2,194,500		2,194,500
Adult Public Assistance (for aged)	14,600,000		14,600,000
Food Stamps for elderly		165,600*	165,600*
Medicaid home health care	227,800	227,000	455,600
Medicaid nursing homes			
Skilled nursing	2,677,100	2,677,100	5,354,200
Intermediate nursing	16,385,400	16,385,400	32,770,800
General Relief Medical (Nursing Homes)	253,900		253,900
Medicaid Permanent Fund (Hold Harmless)	2,621,200		2,621,200
TOTAL DEPT.	38,959,900	23,035,680	61,996,380
Dept. of Community & Regional Affairs			
Homeowners Property Tax Exemption	2,838,800		2,838,800
Renters Equivalency Rebate	820,000		820,000
Job Training Partnership Act		185,125	185,125
TOTAL DEPT.	3,658,800	185,125	3,843,925
Dept. of Commerce and Economic Development			
Alaska Housing Finance Corporation			
Senior Housing Development	141,100		141,100
Senior Housing Revolving Loan Program		Up to \$30 million in bonds available from AHFC	
TOTAL DEPT.	141,100		141,100
TOTAL ALL DEPARTMENTS	144,057,500	29,707,625	173,765,125

Total number of seniors age 60+ = 35,266. Average benefit per senior = \$4,927.00.

* Estimated figure based on percentage of seniors served

Note: All funding levels are for FY 93 authorized, except for Medicaid and Job Training Partnership Act, which are FY 92 actual.

Additional State Benefits--Revenues Lost	Additional Municipal Benefits--Revenues Lost
Dept. of Transportation, ferry fares: \$540,800	Municipal Tax Exemptions \$8,454,353*
Dept. of Public Safety, vehicle registration: Estimated \$300,000.	
University of Alaska, tuition waiver: \$230,267 estimated	
Dept. of Fish and Game: waivers of hunting, trapping, and fishing licenses (average cost: \$10.60): \$27,560.	
Total additional State benefits = \$1,098,627. Average senior benefit = \$31.15.	Total number of seniors age 60+ = 35,266. Total revenues lost = \$8,454,353.
	Total average benefit = \$240.

**GOVERNOR'S PROPOSAL
LONGEVITY BONUS PROGRAM
PHASE OUT
SUMMARY OF INTENT**

The Alaska Longevity Bonus Program was established in 1972 to pay \$100 per month as a "bonus" to those over age 65 who had lived in Alaska for 25 years and were here at the time of statehood. This was a finite, self liquidating group. The purpose of the program was to "offer and provide.... an incentive to continue interrupted residency in the state." (Ch. 205, SLA 1972) Were the original criteria still in place, those eligible to enroll in the program in 1996 would have been 28 years old at the time of statehood.

At the end of 1973 the program had 4,753 recipients and an annual cost of \$346,100. The program grew at a steady rate up through 1983 when there were 9,731 recipients and an annual budget of \$27,586,750. The \$100 monthly bonus was increased in 1976, 1978, 1981, and 1982 to its current level of \$250 per month. Current projections suggest the annual cost of the ALB will exceed \$90 million in the year 2000 and will pass the \$100 million mark in 2002.

In 1984, the Supreme Court found the residency rules unconstitutional in the Vest case. By the end of 1986 the Longevity Bonus Program had 15,763 recipients with an annual budget of \$44,105,500. Compared to 1983, that represented a 62% increase in recipients and a 60% increase in budget. More important, the Vest case changed the group being served from a finite, self liquidating group (65 years old, 25 years in state, here at time of statehood) to a continually growing group (anyone age 65 with one year residency). Beyond the change in the size of the group, the basic purpose of the Longevity Bonus Program changed. It was no longer a program to provide an incentive to long term Alaskans who helped build our state prior to statehood.

During the years since the creation of the Longevity Bonus, there have been several changes that have improved the economic condition of Alaskan seniors. The federal government passed the Employee Retirement Income Security Act (ERISA) in 1976, Individual Retirement Accounts (IRAs) became widely available, Senior Citizen Property Tax Relief was enacted, property values increased, The Permanent Fund Dividend was established, State income taxes were repealed, and Social Security incomes steadily increased. As a group, those reaching age 65 today, have had the advantage of the economic growth of the past 20 years and are more economically stable than any previous group of seniors.

This proposal protects those who planned their retirement around the Longevity Bonus Program. They will be able to depend on it for the rest of the time they remain in Alaska. The three year transition period before new enrollment is ended allows those close to retirement to receive the Longevity Bonus. It gives future retirees time to make other plans for retirement income. This proposal does not provide for creating a government operated annuity plan. For those who wish to invest their Permanent Fund Dividend to provide for future retirement income, today they can do so by directing the Permanent Fund Dividend Division to send the PFD to a private annuity plan or other investment of their choice. This can be accomplished through direct deposit instructions on the PFD application. This preserves the investment concept without creating a new bureaucracy to implement an insurance type program.

This proposal returns the Longevity Bonus Program to its original goal -- assisting a finite group who may not have remained in Alaska in retirement without this assistance.

LONGEVITY BONUS PHASE OUT PROPOSALS COMPARISON CHART

	GOVERNOR'S PROPOSAL	SENATE BILL 6
TERMS	<ul style="list-style-type: none"> - 3 year phase out - \$200, \$150, \$100 - Grandfather all current recipients 	<ul style="list-style-type: none"> - Estimated 15 year phase out - Bonus declines based on variable factors - Grandfather all current recipients
COST	<ul style="list-style-type: none"> - Declines rapidly after 1996 - Set formula allows for accurate budgeting 	<ul style="list-style-type: none"> - Declines gradually - Declines dependent on PFD and investment income - Additional administrative costs - Variable nature makes budgeting difficult
ADMINISTRATION	<ul style="list-style-type: none"> - No new administrative costs - Program ends by 2040 	<ul style="list-style-type: none"> - New administrative system to determine annual payments within the longevity bonus program - create new government managed and administered annuity investment program - Longevity Bonus administration ends 2040 - New annuity administration open ended
INVESTMENT OPTIONS FOR PERMANENT FUND DIVIDENDS (PFD)	<ul style="list-style-type: none"> - Self-directed through direct deposit instructions on PFD application 	<ul style="list-style-type: none"> - Creates complex state operated annuity program as option for investing PFD - May not have sufficient participation to sustain financial viability
EFFECT ON ALASKA'S SENIORS	<ul style="list-style-type: none"> - Proposal easily understood - Current recipients continue at level they started - Provides for a reasonable transition - Frees resources for other senior needs 	<ul style="list-style-type: none"> - Complex to understand - Annual bonus dependent on PFD and investment income - Dedicates more general funds to non-needs based senior program

GOVERNOR'S PROPOSAL LONGEVITY BONUS PHASE OUT

The original Longevity Bonus legislation stated, "The sole purpose of this chapter is to offer and provide ... an incentive to continue uninterrupted residency in the state." (Ch. 205, SLA 1972) We propose to phase out the Longevity Bonus Program because:

- ~ Other incentives are now offered that enhance the living conditions of seniors
 - Alaska's life style and cost of living are now comparable to other states
 - More traditional employment opportunities have employer based pensions
 - Social Security benefits have increased
 - Medical assistance programs are now available
 - ERISA protection for pensions is now available
 - The Permanent Fund Dividend program was initiated
 - Senior citizen tax relief is available
 - Free and/or subsidized private and governmental services are available for all senior citizens
 - OAC grant programs which fund a variety of community based services have been initiated
- ~ 25 year residency requirement was struck down, negating the original intent of the program
- ~ It is serving all those who were at least 45 years old when it was passed
- ~ Bonus amount has increased from \$100 to \$250 and will need further adjustment to keep pace with inflation
- ~ Combination of the increased Bonus and more recipients due to shorter residency has made the program too costly
- ~ Limited state resources should be focused on those less able to help themselves
- ~ Alaskans generally agree it's time to phase out the current program

Key Provisions of Proposal

Terms	3-year phase out \$200, \$150, \$100 Grandfather all current recipients
Cost	Declines rapidly after 1996 Set formula allows for accurate budgeting
Administration	No new administrative cost Program ends by 2040
Investment Options for Permanent Fund Dividend (PFD)	Self-directed through direct deposit instructions on PFD application
Effect on Alaska's Seniors	Proposal easily understood Current recipients continue bonus at \$250 Provides for a reasonable transition

6. *Isn't a three year phase out short notice?*

Alaskans have been on notice that the Longevity Bonus was not likely to continue since 1986 when the legislature began considering proposals to phase out the program. Therefore, with the proposed three-year phase out, Alaskans will have known for over ten years that it was not likely that the program could be sustained indefinitely.

7. *Will phase out of the Longevity Bonus adversely affect the Alaska economy?*

No. The phase out will be gradual over 41 years so the effect will not be significant. With necessary budget reductions, the funds otherwise spent on the Longevity Bonus will be shifted to other priorities.

8. *In 1986 there was an advisory vote to end the Longevity Bonus and create an annuity program. Why doesn't this proposal contain an annuity plan?*

Economic conditions, investment options, and available technology have changed during the ensuing 7 years. The annuity plan calls for creation of a new government program at a time when it is necessary to downsize government operations. Additionally, Alaskans can now self-direct investment of their PFD to any number of options through direct deposit.

9. *Under other proposals that include an annuity plan, will seniors be guaranteed payment of \$250 per month when they reach age 65?*

Absolutely not. They will receive payments based only upon how much money they actually deposited in the program. The size of monthly payments will depend on the amount of annual investment; number of years in the program; and rate of interest earned. Those who did not invest any portion of their PFD will receive nothing.

10. *What costs has the state incurred by not ending the Longevity Bonus in 1986?*

The state has spent over \$88 million more than it would have if the growth had been held to the \$44 million budget of 1986. Today, the program serves 23,000 recipients and adds an additional \$5 million to the budget annually.

11. *Why will this approach to phasing out the Longevity Bonus program work when others have failed?*

This plan is simple. It is a single issue, not tied to development of new and financially complex programs. It is not dependent on uncertainties of the financial markets. It is sensitive to people's needs. It recognizes the special role of Senior Alaskans. It simply makes sense.

**ALASKA LONGEVITY BONUS
-PHASE OUT
Questions and-Answers**

1. *Whom was the Longevity Bonus intended to serve?*

In 1972 the Legislature established the Longevity Bonus Program to serve seniors who were 25 year residents and lived in Alaska prior to statehood.

2. *What was the purpose of the Longevity Bonus Program?*

"The sole purpose of this chapter is to offer..... an incentive to continue uninterrupted residency in the state." Chapter 205 SLA 1972

3. *What changes have occurred since the creation of the Longevity Bonus Program in 1972 that reduce the need for the program?*

The need for future seniors to rely on the Longevity Bonus has been mitigated by a number of programs/protections that were not available when the Longevity Bonus was created.

- ~ Alaska's life style and cost of living are now comparable to other states
- ~ More traditional employment opportunities have employer-based pensions
- ~ Social Security benefits have increased
- ~ Medical assistance programs are now available
- ~ ERISA protection for pensions is now provided
- ~ The Permanent Fund Dividend program was initiated
- ~ Senior citizen tax relief is available
- ~ Free and/or subsidized private and governmental services are available for all senior citizens
- ~ OAC grant programs which fund a variety of community-based senior services have been initiated

In addition, elimination of the 25 year residency and requirement to be in Alaska before January 3, 1959, (Statehood) has drastically enlarged the group the program was designed to served.

4. *Why phase out the Longevity Bonus program?*

The state budget cannot sustain the projected growth of this program. Current recipients who are dependent on the Longevity Bonus are in jeopardy of eventually losing the benefit if growth is not curtailed. Projections indicate the program will exceed \$100,000,000 in the year 2002.

5. *Why end eligibility with those who are now age 62?*

This provides those with reasonable expectations of receiving the bonus some financial support from the Longevity Bonus. It provides adequate notice to others who have time for planning that the Longevity Bonus will no longer be available.

- ~ The Permanent Fund Dividend program was initiated
- ~ Senior citizen tax relief is available
- ~ Free and/or subsidized private and governmental services are available for all senior citizens
- ~ OAC grant programs which fund a variety of community based senior services have been initiated

Annuity programs

- ~ After six years of trying, the issue has still not been resolved.
- ~ Government-operated annuity program will require new expenditures and new administrative programs
- ~ The new direct deposit feature for the PFD allows recipients to self-direct dividends to an account of their choice
- ~ Annuity concept requires large pool of participants to ensure financial viability
- ~ The less affluent will be able to invest little or none of their PFD

Time to act

- ~ Current year is a window of opportunity to assure grandfathering of existing recipients
- ~ Ability to provide any transition time is becoming more difficult
- ~ Pressure to terminate all non-needs based benefits is growing

**GOVERNOR'S PROPOSAL
LONGEVITY BONUS PHASE OUT
TALKING POINTS**

Phase out program

- ~ Grandfathering all current recipients
- ~ End new enrollment with those who turn 65 before January 1, 1997
- ~ Reduce payment for new eligibles over next three years (94 -- \$200; 95 -- \$150; 96 -- \$100)

Origin of program

- ~ Established in 1972 to pay \$100/month to those over age 65 who lived in Alaska prior to statehood (January 3, 1959)
- ~ Intended to provide for Alaskans who helped build our state but didn't have retirement income to stay in Alaska

Program changes

- ~ Vest case (1984) eliminated original residency requirements
- ~ Changes focus of program and made it open ended
- ~ Monthly bonus increased from \$100 to \$250

Program growth and costs

- | | | |
|--------|-------------------|----------------------------|
| ~ 1973 | 4,753 recipients | \$346,100 annual cost |
| ~ 1983 | 9,731 recipients | \$27.5 million annual cost |
| ~ 1986 | 15,763 recipients | \$44 million annual cost |
| ~ 1993 | 23,000 recipients | \$66 million annual cost |
| ~ 2000 | 31,000 recipients | \$93 million annual cost |
- ~ We've spent \$88 million more than we would if the program had been phased out in 1986.
 - ~ Each year phase out is delayed, the total (aggregate through end) cost of the program increases over \$100 million.

Changes for today's seniors

- ~ Alaska's life style and cost of living are now comparable to other states
- ~ More traditional employment opportunities have employer-based pensions
- ~ Social Security benefits have increased
- ~ Medical assistance programs are now available
- ~ ERISA protection for pensions is now provided

House Bill 81
Sectional Analysis

Sec. 1: Provides for phase out of the Longevity Bonus Program.
Specifically:

- a. All current Longevity Bonus recipients and persons reaching age 65 before January 1, 1994, would receive the current \$250 per month bonus payment.
- b. Persons reaching age 65 during calendar year 1994 would receive \$200 per month.
- c. Persons reaching age 65 during calendar year 1995 would receive \$150 per month.
- d. Persons reaching age 65 during calendar year 1996 would receive \$100 per month.

Under current law, all persons 65 or older are eligible to receive a \$250 per month bonus payment.

Sec. 2: Provides that persons must be 65 before January 1, 1997, to receive a bonus payment. Persons turning 65 after that time would not be eligible.

2/1/93
IN THE LEGISLATURE OF THE STATE OF ALASKA
with reference to:

In the HOUSE, Bill No. 58
In the SENATE, Bill No. 81

2/15/93
JES

Please do not support these bills requested by the Governor.

This is my second shot at writing this. The first attempt is in the circular file because it seemed even to me that all I did was cry about how it would impact me personally. Let it suffice to say we have been here 23 years and have toughed out a lot and made difficult family decisions because of the thought there would be a pay-off at the end to make it all worthwhile.

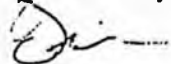
I am a grandfather now, but not yet old enough to fit in the slot of the Governor's program. I find it incredible that he would offer these benefits to a one year resident and deny them later to a family with our history in the state.

Please consider this alternative. I do not particularly like it but I understand your need to balance budgets and I would consider it much more fair:

1. Determine the amount of money funding the existing longevity bonus program requires annually and set up a cost of living adjustment factor.
2. Require applications each year like the permanent fund system, for example.
3. Divide the annual amount by the number of approved applications and send out the checks.

I think this system could be implemented simply and efficiently, would put a cap on the annual fund, would reward those who stayed thru the tough times, and would only gradually diminish the amount each recipient received as population increased within this age group.

Sincerely,



Bruce E. Schirmers

FAX 262 4121

FEB 10 1993

 **Bruce & Co.**
REALTOR

P.O. Box 2559 2856

262-4500

Soldotna, Alaska 99669

2-13-93
 HB-81
 Comm. USERRA

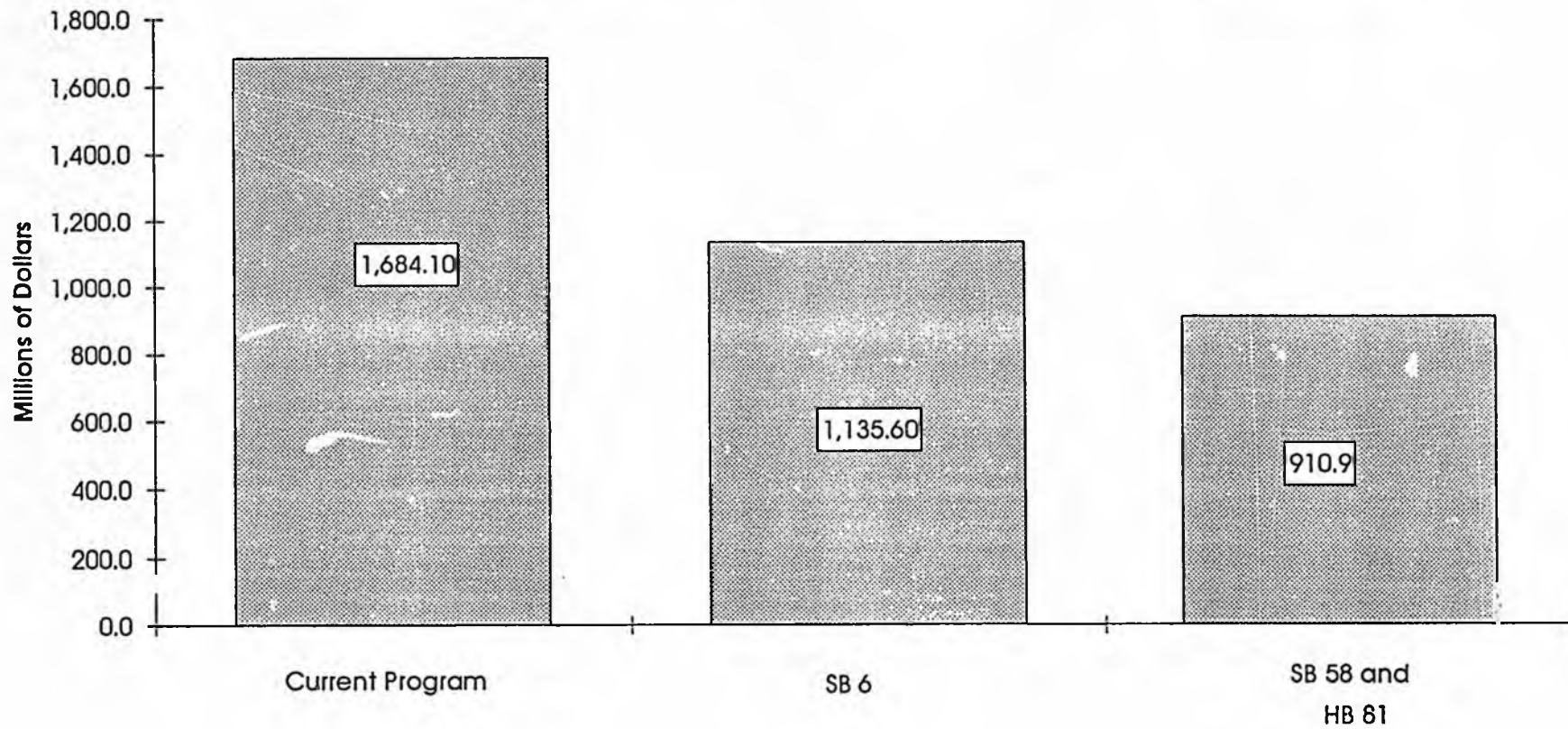
Longevity Bonus Program Alternative Funding Proposals

Fiscal Year	Projected Cost			Projected Number of Participants		
	Current Program	Senate Bill 6	Senate Bill 58 and House Bill 81	Current Program	Senate Bill 6	Senate Bill 58 and House Bill 81
1994	69.6	69.6	69.1	24,059	24,059	24,059
1995	74.8	74.7	70.8	25,864	25,864	25,864
1996	78.2	77.5	71.1	27,021	27,021	27,021
1997	81.2	79.5	69.9	28,081	28,081	26,581
1998	84.4	81.1	66.9	29,188	29,188	25,525
1999	87.5	82.0	63.9	30,266	30,266	24,444
2000	90.8	82.3	60.9	31,408	31,408	23,385
2001	93.9	81.4	57.7	32,456	32,456	22,272
2002	97.1	79.7	54.7	33,557	33,557	21,181
2003	100.4	76.9	51.6	34,704	34,704	20,087
2004	103.8	72.9	48.5	35,880	35,880	18,950
2005	107.5	67.7	45.4	37,153	37,153	17,814
2006	111.9	61.0	42.2	38,675	38,675	16,666
2007	116.9	52.7	39.1	40,428	40,428	15,512
2008	123.1	42.3	36.0	42,572	42,572	14,367
2009	128.9	29.3	33.0	44,559	44,559	13,239
2010	134.1	25.0	30.1	46,376	46,376	12,136

Cumulative Costs Through 2010		
1,684.1	1,135.6	910.9

All dollars in millions

Longevity Bonus Proposals - Cumulative Cost Through Fiscal Year 2010



Longevity Bonus Fiscal Note

Analysis of New Program Costs

FY		Cost Increase	Net Increase From Year to Year	Average Monthly ALB Warrants	ALB Grants	Projected Cost of Proposed Changes	Savings to the State
1989	Actual			17,824	53,472,250		
1990	Actual	6.92%	1,234	19,058	57,172,700		
1991	Actual	5.31%	1,012	20,070	60,209,600		
1992	Actual	4.70%	955	21,025	63,073,750		
1993	Projection	5.03%	1,058	22,083	66,249,000	66,249,000	0
1994	Projection	5.03%	1,112	23,195	69,584,250	69,170,302	413,948
1995	Projection	5.03%	1,167	24,362	73,084,500	70,910,273	2,174,227
1996	Projection	5.03%	1,225	25,587	76,760,500	70,621,770	6,138,730
1997	Projection	5.03%	1,287	26,874	80,621,500	67,596,525	13,024,975
1998	Projection	5.03%	1,352	28,226	84,677,000	64,659,990	20,017,010
1999	Projection	5.03%	1,419	29,645	88,936,000	61,653,512	27,282,488

Note - There is an additional fiscal note associated with this proposal for the administration component, for \$1,625 for computer modifications.



**ALASKA STATE LEGISLATION
ALASKA LONGEVITY BONUS PROGRAM
POSITION PAPER
1993**

AARP POSITION

The Alaska State Legislative Committee of the American Association of Retired Persons advocates the reform of the Longevity Bonus Program to an annuity program.

This annuity program should include the following recommendations:

- 1) Protect current recipients and continue their benefits.
- 2) Assure program stability to recipients.

Discussion

Monthly longevity bonus payments by the State of Alaska to persons 65 years or more of age were initiated in 1972 with stipulations. The payments were intended to acknowledge long time contributions to the state and to encourage post-retirement residency. The courts nullified all but limited residency requirements.

The program has expanded and exceeded expectations. The rapid growth of the retirement community accelerated the financial obligations upon the Alaska General Fund. The current program is one of the most successful and broadest based programs of state government contributing to the economy and social well being of all Alaskans.

Many proposals have been made to modify the longevity bonus program. In 1985 an annuity program was submitted for a state-wide advisory vote, passing by a 60 percent margin.

Seniors are a valuable contributing force in our state. The longevity bonus program enables seniors to retire in the state. Implementation of an annuity program would solve the accelerating obligations upon the General Fund by phasing out that obligation and would enable current recipients to remain in Alaska.

For further information, please contact:

Mary Lou Melners, Chair
State Legislative Committee
(907) 586-2568

Joe Alter, Coordinator
Capital City Task Force
(907) 586-6680

Seattle Office
9750 Third Ave, NE Ste. 400
Seattle, WA 98115
(206) 526-7918

John Shaffer, Chair
Economic Security Subcommittee
(907) 747-8425

Adopted: December 8, 1992

oblong nre



Alaska State Legislature

Please enter into the record my testimony to the Prop 26, B 81
committee name

committee on Health Services, dated 4-7-93
bill/subject

I am in favor of having the long
longevity program continued as we
need it, and most money is spent
here in ~~our~~ our area, a lot of people
will ~~be~~ have to leave the state without
these longevity.

Signed: Olaf J. Myrnes 945 Westlawn Ct Wasilla
Testifier AK 99654

Representing (Optional)

Address

945 Westlawn Ct Wasilla AK 99654

Phone No.

373-5660



Alaska State Legislature

Please enter into the record my testimony to the H. FINANCE
committee name

committee on H.B. 81, dated 4-7-93
bill/subject

I request that you vote for HB 81.

Signed: *Arnold Williams*
Testifier

Representing (Optional)
HCO1 Bay 6083
Address
745-3665
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HF 101
committee name

committee on HB 81, dated 4-7-93
bill/subject

*Would like to see the Longevity reduced
\$225 a month & no one else getting into
it after year 1995*

Signed: *Patsy A. Kuehl*
Testifier

Representing (Optional)
HCO1 Box-6083 Palmer, AK 99645
Address
745-3665
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HFIN
committee name

committee on HB 81, dated 4-7-93
bill/subject

*would like to see the Longivity kept as
it is.*

Signed: Douglas V. Moore
Testifier

Representing (Optional)
1201 Century Cir. D-4 Wasilla, AK
Address 99687
373-5714
Phone No.

HB

82

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 31, 1993

FURTHER REFERRALS:

Date of Committee Action: 4/1

The FINANCE Committee considered:

HB 82

HOUSE BILL NO. 82

SCHOOL CONSTRUCTION & MAINTENANCE GRANTS

"An Act relating to school construction grants and major maintenance grants to school districts; providing for school district participation in the cost of school construction and major maintenance; creating a major maintenance grant fund; and providing for an effective date."

RECOMMENDATIONS:

[] the same title

be replaced with CS HB 82 (FIN)

[x] a new title

[] have attached amendments(s)

[x] 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 _____

[x] fiscal note(s) DOE 1/22/93

[] zero fiscal note _____

2[x] zero fiscal note(s) REV 1/22/93; DOTPF 1/22/93

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Eileen P. McKeon</i> ^{McKeon}	✓	<i>Tom Hoff</i> ^{Hoffman}		✓	
<i>Richard Foster</i> ^{FOSTER}	✗	<i>Ben Grussendorf</i> ^{grussendorf}		✗	
<i>Harold Brown</i> ^{BROWN}	✓	<i>Terry Martin</i> ^{Martin}			✗
<i>Don Parnell</i> ^{PARNELL}	✗	<i>Mark Hanky</i> ^{Hanky}		✗	
<i>Samuel Larson</i> ^{LARSON}	✗	<i>Gary Merritt</i> ^{Merritt}		✗	

Samuel Larson ^{EP McKeon}
 Co-CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

No. 3
Bill Version: HB 82
(H) Publish Date: 1/22/93

Revision Date: _____ Dept. Affected: Revenue
Title: An act relating to school construction and major maintenance BRU: Revenue Operations
grants to school districts Component: Treasury Division
Sponsor: _____
Requestor: _____ COMPONENT SERIAL NO. 121

Expenditures/Revenues:

(Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Brian C. Andrews Phone: 465-4880
Division: Treasury Date: 1-20-93
Approved by Commissioner: [Signature] Date: 1/20/93
Agency: 16-4 [Signature]

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

COMMITTEE COPY For further distribution information call the Governor's Legislative Office

FISCAL NOTE

No. 2
Bill Version: HB 82
(H) Publish Date: 1/22/93

Revision Date:
Title: School Construction

Department Affected: DOT&PF
BRU:

Sponsor: Rules
Requestor: Governor

Component:
Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	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 (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

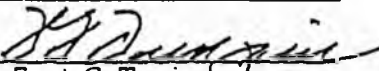
Prepared by: Kit Duke

Phone: 562-2728

Division: Assistant Commissioner

Date: January 20, 1993

Approved by Commissioner:


Frank G. Turpin

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: January 20, 1993

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

FISCAL NOTE

No. 1

Bill Version: HB 82

(H) Publish Date: 1/22/93

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Education
 Title: Relating to the School Construction BRU: Executive Administration
 Grant Program; Creating a School Major Maint. Acct. Component: CIP Overhead and Associated Costs
 Sponsor: Senate Rules
 Requester: Governor COMPONENT SERIAL NO. 156

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	86.3	88.9	91.6	94.3	97.1	100.1
TRAVEL	13.4	13.4	13.4	13.4	13.4	13.4
CONTRACTUAL	11.6	11.6	11.6	11.6	11.6	11.6
SUPPLIES	1.2	1.2	1.2	1.2	1.2	1.2
EQUIPMENT	18.0	3.0	3.0	3.0	3.0	3.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	150.5	118.1	120.8	123.5	126.3	129.3

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

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1061 CIP Receipts	130.5	118.1	120.8	123.5	126.3	129.3
TOTAL	130.5	118.1	120.8	123.5	126.3	129.3

POSITIONS:

FULL-TIME	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: None

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Garv M. Bader
 Division: Administrative Services
 Approved by Commissioner: [Signature]
 Agency: Department of Education

Phone: 465-8650
 Date: January 11, 1993
 Date: 1/20/93

COMMITTEE COPY PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

HB 82
W. 1
P. 2-65

FISCAL NOTE _____

"An Act providing that a school district will participate in the school construction grant program; creating a school major maintenance account; and providing for an effective date."

This bill will facilitate the construction of more school facilities than would be possible with an equal appropriation under the current procedure. It is likely this will result in a greater number of grant requests inasmuch as the possibility of having a project funded will be greatly increased. The increased number of grants and grant awards will place an additional clerical burden upon the facilities section. Along with the increased clerical burden will be the responsibility to evaluate a greater number of grant proposals and to ensure that proper matching funds have been identified for each proposal. This bill establishes a major maintenance account to fund projects that will prolong the life of a facility or provide necessary code upgrades. This will require extensive on-site reviews.

It is anticipated that facilities administrators from a cross section of school districts will be invited to participate in the development of standards for school maintenance programs. It is anticipated that such standards will be included in either regulations governing application for major maintenance grants, or the grant agreement itself. Funds for the development of standards are requested in the contractual line.

Two additional positions are necessary to ensure grant awards and management are consistent with this legislation. Personal services costs are assumed to increase 3% per year after the first year. Equipment cost are \$18.0 the first year and \$3.0 for replacement thereafter.

Funding for the CIP Overhead and Associated Costs component will be based upon a percentage charge from the school construction grant account, school major maintenance account, and inter-agency receipts originating from the Alaska debt retirement fund. For this fiscal note, funding is CIP Receipts derived proportionally from the school construction grant account and the school major maintenance account appropriations.

Personal Services:		\$86.3
Project Assistant (16B)	\$52.8	
Clerk Typist III (8B)	\$33.5	
Travel:		\$13.4
Project Assistant travel	\$13.4	
Air fare for 15 site visits (15 x 700 =10.5)		
Per Diem for 30 days (30 x 95 =2.9)		

Position Title Project Assistant		No. of Positions 1	Range / Step 16B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Juneau		Election District 3, 4
TYPE OF EXPENDITURE		Amount	Justification	
Salary		37.8	This position will be responsible for reviewing reports from REAA's and Municipalities, and verifying that matching requirements are met. Additionally, the position will perform on-site reviews of facilities and assist in the ranking of projects.	
Benefits		15.0		
Premium Pay				
Other				
Total Personal Services		52.8		
Travel		13.4		
Contractual		5.8		
Commodities		.6		
Equipment		9.0		
Other				
Total Cost		81.6		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G.F. Match 1003				
General Fund 1004				
IA Receipts 1007				
CIP Receipts 1061		81.6		
Other				

**Request For
New Position**

AGENCY Education
 BRU Executive Administration
 COMPONENT CIP Overhead and Associated Costs

FY 1994

Page _____ of _____
 Revised Date: _____

HB 82
 5.1.94
 9/26/95

HB 82
no. 1.
17.3/5

Contractual:

\$11.6

Development of facility standards and regulations	\$ 6.0
Phone lines 2 positions @ \$300/ year	\$.6
Additional funds for hearing officer/court reporter	\$ 5.0

Supplies:

\$ 1.2

Supplies for 2 positions @ \$600 each	\$ 1.2
---------------------------------------	--------

Equipment:

\$18.0

Office Furniture (desks, files, partitions, etc. 2 positions	\$ 6.0
Computer Equip. (Computers/ printer for 2 positions)	\$12.0

FY 94 Total

\$130.5

1/11/93

Position Title Clerk Typist III		No. of Positions 1	Range / Step 8B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Juneau		Election District 3, 4
TYPE OF EXPENDITURE		Amount	Justification It is anticipated that contracts with school districts, auditors, and municipalities will at least double as a result of this bill. This position is necessary to meet the additional administrative support requirements generated by this legislation.	
Salary		22.6		
Benefits		10.9		
Premium Pay				
Other				
Total Personal Services		33.5		
Travel				
Contractual		5.8		
Commodities		.6		
Equipment		9.0		
Other				
Total Cost		48.9		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G.F. Match 1003				
General Fund 1004				
IA Receipts 1007				
CIP Receipts 1061		48.9		
Other				

**Request For
New Position**

AGENCY Education

BRU Executive Administration

COMPONENT CIP Overhead and Associated Costs

FY 1994

Page _____ of _____
Revised Date: _____

H. 882
W.D.I. P.S./S

8-GH1047K ✓
Ford
4/18/93

CS FOR HOUSE BILL NO. 82(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

Title Change

1 "An Act relating to school construction grants and major maintenance grants to
2 school districts; providing for school district participation in the cost of school
3 construction and major maintenance; creating a major maintenance grant fund;
4 creating an education facilities maintenance and construction fund; and providing
5 for an effective date."

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

7 * Section 1. AS 14.03.150(c) is amended to read:

8 (c) The department may not award a school construction or major
9 maintenance grant under AS 14.11 to a municipality that is a school district or a
10 regional educational attendance area that is not in compliance with (a) of this section.
11 The department shall reduce the amount of state foundation aid under AS 14.17.021
12 for which a school district may qualify, by the amount, if any, paid by the department
13 under (b) of this section.

1 * Sec. 2. AS 14.07.020(a)(11) is amended to read:

2 (11) review plans for construction of new public elementary and
3 secondary schools and for additions to and major rehabilitation of existing public
4 elementary and secondary schools and, in accordance with regulations adopted by the
5 department, determine and approve the extent of eligibility for state aid of a school
6 construction or major maintenance project [BEGUN AFTER JULY 1, 1978]; for the
7 purposes of this paragraph, "plans" include educational specifications, schematic
8 designs, and final contract documents;

9 * Sec. 3. AS 14.11 is amended by adding new sections to read:

10 Sec. 14.11.007. MAJOR MAINTENANCE GRANT FUND. There is created
11 a major maintenance grant fund as an account in the general fund. The fund shall be
12 used to make grants for the costs of school major maintenance. Legislative
13 appropriations for school major maintenance shall be deposited in the fund.

14 Sec. 14.11.008. SCHOOL DISTRICT PARTICIPATION IN GRANT
15 PROGRAM. (a) In order to receive a grant under this chapter, ^{AS 37.16.011} a district must provide
16 a percentage share of the project cost, as determined under (b) or (c) of this section.

17 A DISTRICT SHALL HAVE ~~3~~ ² YEARS TO PROVIDE THE ~~ADDITIONAL~~ ^{ADDITIONAL} REQUIRED PARTICIPATING SHARE.

18 (b) The required participating share for a municipal school district is based on
19 the district's full value per ADM, which is calculated by dividing the full and true
20 value of the taxable real and personal property in the district, calculated as described
21 in AS 14.17.025(a)(1), by the district average daily membership (ADM) as defined in
22 AS 14.17.250, for the same fiscal year for which the valuation was made. The
23 municipal district's full value per ADM determines the district's required participating
24 share, as follows:

Full Value Per ADM	District Participating Share
\$1 - \$100,000	5 percent
100,001 - 200,000	10 percent
over 200,000	30 percent.

28 (c) The required participating share for a regional educational attendance area
29 is two percent and may be satisfied by money from federal, local, or other sources, or
30 with locally contributed labor, material, or equipment.

31 (d) If a ^{DISTRICT} [regional educational attendance area] can demonstrate in writing that

1 it is unable to provide the required participating share or that the participating share
2 required under this section will jeopardize receipt of federal assistance, the
3 commissioner may waive all or a portion of the required participating share.

4 (e) State funds provided under this chapter may not be a source of the
5 participating share required under (b) or (c) of this section.

6 * Sec. 4. AS 14.11.011 is amended to read:

7 Sec. 14.11.011. GRANT APPLICATIONS. (a) A municipality that is a
8 school district or a regional educational attendance area may submit a [GRANT]
9 request to the department for a [SCHOOL CONSTRUCTION] grant under this
10 chapter.

11 (b) For a municipality that is a school district or a regional educational
12 attendance area to be eligible for a [SCHOOL CONSTRUCTION] grant under this
13 chapter, the district shall submit

14 (1) a six-year capital improvement plan that includes a description of
15 the district's fixed asset inventory system and preventive maintenance program no later
16 than September 1 of the fiscal year before the fiscal year for which the request is
17 made; the six-year plan must contain for each proposed project a detailed scope of
18 work, a project budget, and documentation of conditions justifying the project;

19 (2) evidence that the district has secured and will maintain adequate
20 property loss insurance for the replacement cost of all facilities for which state funds
21 are available under AS 14.11.005 or 14.11.007 or has a program of insurance
22 acceptable to the department; and

23 (3) evidence acceptable to the department that the proposed project
24 should be a capital improvement [CONSTRUCTION] project and not part of a
25 preventive maintenance program or regular custodial care program.

26 * Sec. 5. AS 14.11.013(a) is amended to read:

27 (a) With regard to projects for which grants are requested under AS 14.11.011,
28 the department shall

29 (1) annually review the six-year plans submitted by each district under
30 AS 14.11.011(b) and recommend to the board a revised and updated six-year capital
31 improvement project [CONSTRUCTION] grant schedule that serves the best interests

1 of the state and each district; in recommending projects for this schedule, the
2 department shall verify that each proposed project qualifies as a project required to

3 (A) avert imminent danger or correct life-threatening situations;

4 (B) house students who would otherwise be unhoused;

5 (C) protect the structure of existing school facilities;

6 (D) correct building code deficiencies that require major repair
7 or rehabilitation in order for the facility to continue to be used for the
8 educational program;

9 (E) achieve an operating cost savings;

10 (F) modify or rehabilitate facilities for the purpose of improving
11 the instructional program;

12 (G) meet an educational need not specified in (A) - (F) of this
13 paragraph, identified by the department;

14 (2) prepare an estimate of the amount of money needed to finance each
15 project;

16 (3) provide to the governor, by November 1, and to the legislature
17 within the first 10 days of each regular legislative session, a revised and updated
18 six-year capital improvement project [CCONSTRUCTION] grant schedule, together
19 with a proposed schedule of appropriations.

20 * Sec. 6. AS 14.11.013(b) is amended to read:

21 (b) In preparing the capital improvement project [CONSTRUCTION] grant
22 schedule, the department shall establish priorities among projects for which grants are
23 requested and shall award [SCHOOL CONSTRUCTION] grants in the order of priority
24 established. In establishing priorities, the department shall evaluate at least the
25 following factors:

26 (1) emergency requirements;

27 (2) priorities assigned by the district to the projects requested;

28 (3) new local elementary and secondary programs;

29 (4) existing regional, community, and school facilities, and their
30 condition; and

31 (5) alternate education program options for accomplishing the project's

1 objectives.

2 * Sec. 7. AS 14.11.015 is amended to read:

3 Sec. 14.11.015. APPROVAL OF GRANT APPLICATIONS. (a) The board
4 shall review grant applications that have been recommended by the department under
5 AS 14.11.013, and may approve a grant application if the board determines that the
6 project meets the criteria specified in AS 14.11.013(a)(1). The department may not
7 award a [SCHOOL CONSTRUCTION] grant unless the grant application is approved
8 by the board.

9 (b) To the extent that money is available in the appropriate fund, the
10 [THE] department shall award grants approved under (a) of this section in the order
11 of the projects' priority on the date the appropriation bill funding the appropriate
12 [SCHOOL CONSTRUCTION] grant fund is passed by the legislature, regardless of
13 any appeal pending under AS 14.11.016. Appeals pending under AS 14.11.016 at the
14 time that grants are awarded may not delay the funding of grants awarded under this
15 section.

16 (c) If a project is assigned a new priority ranking under AS 14.11.016 after the
17 date of passage by the legislature of the appropriation bill for the appropriate
18 [SCHOOL CONSTRUCTION] grant fund, the project must be funded from the
19 appropriate fund in accordance with the new priority ranking at the next time that
20 [SCHOOL CONSTRUCTION] grants are awarded.

21 * Sec. 14.11.017 is amended to read:

22 Sec. 14.11.017. [SCHOOL CONSTRUCTION] GRANT CONDITIONS. (a)
23 The department shall require in the grant agreement that a municipality that is a school
24 district or a regional educational attendance area

25 (1) agree to construction of a facility of appropriate size and use that
26 meets criteria adopted by the department if the grant is for school construction;

27 (2) provide reasonable assurance by a means acceptable to the
28 department, that the cost of the project will be uniform with the costs of the most
29 current construction or major maintenance projects, as appropriate, in the area;

30 (3) agree to limit equipment purchases to that required for the approved
31 project [SCHOOL CONSTRUCTION] plan submitted under (5) of this subsection

1 and account for all equipment purchased for the project under a fixed asset inventory
2 system approved by the department;

3 (4) submit project budgets for department approval and agree that the
4 grant amount may, at the discretion of the department, be reduced or increased by
5 amounts equal to the amounts by which contracts vary from the budget amounts
6 approved by the department; and

7 (5) submit to the department for approval, before award of the
8 [CONSTRUCTION] contract, a plan for the project [SCHOOL CONSTRUCTION]
9 that includes educational specifications, final [CONSTRUCTION] drawings, and
10 contract documents.

11 (b) The cost of any school construction or major maintenance activity
12 encompassed by the definition of "costs of school construction" under AS 14.11.135
13 is payable under a grant awarded from the appropriate fund under AS 14.11.015
14 without regard to whether the costs were incurred before [PRIOR TO] the

15 (1) award of the grant;

16 (2) approval of the grant application by the board; or

17 (3) effective date of an appropriation to the appropriate [SCHOOL
18 CONSTRUCTION] grant fund for the year in which the grant is funded.

19 * Sec. 9. AS 14.11.017 is amended by adding a new subsection to read:

20 (c) The department, by regulation, may establish the time period in which
21 activities described in (b) of this section must have occurred in order to be paid under
22 a grant.

23 * Sec. 10. AS 14.11.019 is amended to read:

24 Sec. 14.11.019. [SCHOOL CONSTRUCTION] GRANT APPROPRIATIONS.
25 Within the general appropriation bill submitted to the legislature under AS 37.07.020,
26 the governor shall include an appropriation for [SCHOOL CONSTRUCTION] grants
27 in the succeeding fiscal year as determined by the six-year capital improvement
28 project [CONSTRUCTION] grant schedule prepared under AS 14.11.013.

29 * Sec. 11. AS 14.11.135 is repealed and reenacted to read:

30 Sec. 14.11.135. DEFINITIONS. In this chapter, unless the context requires
31 otherwise,

1 (1) "approved school construction project" means the plan for a new
2 school or an addition to or major rehabilitation of an existing school to the extent that
3 the plan has been approved by the commissioner under AS 14.07.020(a)(11);

4 (2) "capital improvement project" or "project" means school
5 construction or major maintenance;

6 (3) "costs of school construction" means the cost of acquiring,
7 constructing, enlarging, repairing, remodeling, equipping, or furnishing of public
8 elementary and secondary schools that are owned or operated by the state, a
9 municipality, or a district and includes the sum total of all costs of financing and
10 carrying out the project; these include the costs of all necessary studies, surveys, plans
11 and specifications, architectural, engineering or other special services, acquisition of
12 real property, site preparation and development, purchase, construction, reconstruction
13 and improvement of real property and the acquisition of machinery and equipment that
14 may be necessary in connection with the project; an allocable portion of the
15 administrative and operating expenses of the grantee; the cost of financing the project,
16 including interest on bonds issued to finance the project; and the cost of other items,
17 including indemnity and surety bonds and premiums on insurance, legal fees, fees and
18 expenses of trustees, depositories, financial advisors, and paying agents for the bonds
19 issued as the issuer considers necessary;

20 (4) "district" means the districts described in AS 14.12.010;

21 (5) "grant" means a grant under this chapter for school construction or
22 for major maintenance;

23 (6) "major maintenance" means a project described in
24 AS 14.11.013(a)(C) or (D);

25 (7) "school construction" means a project described in
26 AS 14.11.013(a)(1)(A), (B), (E), (F), or (G).

27 * Sec. 12. AS 37.16 is amended by adding a new section to read:

28 Sec. 37.16.010. EDUCATIONAL FACILITIES MAINTENANCE AND
29 CONSTRUCTION FUND. (a) The educational facilities maintenance and
30 construction fund is established as a separate fund in the general fund. The fund
31 consists of all money appropriated to it.

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

4 (1) to finance the design, construction, and maintenance of public
5 school ^{Facilities} capital ~~projects~~; and

6 (2) for maintenance of University of Alaska ^{Facilities} capital ~~projects~~.

7 * Sec. 13. APPLICABILITY. The changes made by this Act apply to grants awarded
8 under AS 14.11.005 - 14.11.019 after June 30, 1993.

9 * Sec. 14. This Act takes effect July 1, 1993.

4/19/93. AM

A M E N D M E N T

OFFERED IN THE HOUSE FINANCE COMMITTEE

TO: CS FOR HB NO. 82

Page 2, line 30:

Delete "regional educational attendance area"

Insert "district"

Back-up



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that changes the existing school construction grant program in AS 14.11. During 1992 the facilities committee of Alaska 2000 discussed the existing method of allocating school construction grants. This bill, if enacted into law, divides grants under the program into two categories, provides a separate fund for each of the categories, and requires school districts to provide a participating share in order to obtain a grant.

The main thrust of the bill is to separate grants under the existing program into two categories -- grants for school construction and grants for major maintenance of school facilities -- and to create a separate grant fund for the major maintenance projects. Major maintenance projects are those necessary to protect the structure of existing school facilities or to correct building code deficiencies that require major repair or rehabilitation in order for the facility to continue to be used for the educational program.

Existing AS 14.11.005 creates the school construction grant fund; this bill adds a major maintenance grant fund. Legislative appropriations for the two different types of school facility projects will go into the appropriate fund and will be subject to the existing grant procedures in AS 14.11. The bill makes amendments to those grant procedures to acknowledge the separate categories. The bill also makes conforming amendments to AS 14.03.150(c) and AS 14.07.020(a)(11). Separation of the two types of projects allows separate prioritization of projects, and should result in an improved planning and funding process.

The bill also adds a requirement that, in order to receive a school construction or major maintenance grant, a school district must provide a participating share of the project cost. The participating share for a city or borough school district is based on the full and true value of the taxable real and personal property in the

The Honorable Rick Halford
January 22, 1993
Page 2

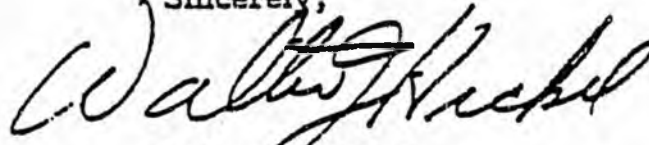
district as of a certain date, and on the district's average daily membership (ADM). A district with a relatively higher property value per ADM will have a relatively higher percentage participating share. City and borough school districts will be required to provide a participating share beginning with grants awarded in fiscal year 1994.

A regional educational attendance area (REAA) participating share is a set percentage of the project cost, although the commissioner of education is authorized to waive all or a portion of the required participating share under certain circumstances. Under the bill, REAAs will not be subject to the requirement for a participating share until fiscal year 1995.

In addition, the bill adds a new subsection to AS 14.11.017. Existing AS 14.11.017(b) authorizes use of grant money under the program to pay the cost of certain activities even if the costs were incurred before the grant application was approved, the grant was awarded, or money was appropriated for the grant. New AS 14.11.017(c) would clarify that the Department of Education can establish the time period in which those activities must have occurred in order to be paid under the grant.

These changes in the way the school construction grant program operates should improve the educational environment of our students and increase the responsibility of school districts in planning for, requesting, and using grant money for school facilities. I urge your early and favorable consideration of this important legislation.

Sincerely,



Walter J. Hickel
Governor



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669
PHONE (907) 262-4441

DON GILMAN
MAYOR

POSITION PAPER
KENAI PENINSULA BOROUGH
SB 59 and SB 60
HB 82 and HB 83
School Construction Grants
February 8, 1993

The Kenai Peninsula Borough Assembly has not taken a position on SB 59/60 and HB 82/83. However, the Assembly has consistently been on record as supporting matching grant programs with the local match requirement of 30% or less. The following comments are from the Kenai Peninsula Borough Administration and I believe generally reflect the feelings of both the Assembly and School Board.

1. The Kenai Peninsula Borough supports the concepts embodied in SB 59 and HB 82 with the following exceptions:
 - A. The percentage of participation should be fixed; i.e. 15%, 30%, etc. instead of a sliding scale from 30% up to 55%. The simpler the program, the easier it is to explain to voters when they are asked to approve bonds for school construction. The program that was in place for many years was a reimbursement program which was not fixed. Communities could never, with certainty, tell voters how much the school projects were going to cost. We do not object to an ability to pay schedule.
 - B. The construction grant fund and the major maintenance grant fund make imminent sense; the use of current HB 37 criteria does not. It is our feeling that the priority process, the plan review and approval process, and the design criteria from which the state will pay should all be revisited and the HB 37 evaluation process should be scrapped.

SB 59 and SB 60

HB 82 and HB 83

2/8/93

Page 2

2. The Kenai Peninsula Borough supports SB 60 and HB 83 if a decision has been reached by the administration and legislature that school construction programs should be achieved with use of cash instead of bonds. It is our opinion that there is not enough money in regular general fund revenues and various other fund balances to carry out a \$600 million program over a four-year period without using the undistributed income account. Further, it is our opinion that if the undistributed income account is going to be used for anything, education construction is probably a preferred area for expenditure.

The Kenai Peninsula Borough does not oppose a bonding program. Bonding is an entirely different topic than what is embodied in SB 59 and HB 82.

If we can be of assistance to you or your staff on this important matter, please feel free to call upon us.

WALTER J. HICKEL, GOVERNOR

OFFICE OF THE GOVERNOR
OFFICE OF MANAGEMENT AND BUDGET

P.O. BOX 110020
JUNEAU, ALASKA 99811-0020
PHONE: (907) 465-3568
FAX: (907) 465-2090

March 9, 1993

HB 82

HB 83

The Honorable Cynthia Toohey
The Honorable Con Bunde
Co-Chairs, House Health, Education and Social Services Committee
Alaska State Legislature
Capital Room 104
Juneau, AK 99801

Dear Representatives Toohey and Bunde:

On behalf of the Governor, I am requesting an amendment to House Bill 83 to reflect full funding for the Ketchikan High School project. The amendment would increase the high school's funding from \$6,651,000 to \$9,501,600.

The original intent of both House Bill 82 and 83 was to set up a school funding program that included a local match for state funded projects. The full amount for Ketchikan Gateway Borough's request was \$9,501,600. The amount reflected in House Bill 83 was reduced by is \$2,850,500, which reflects the community match amount.

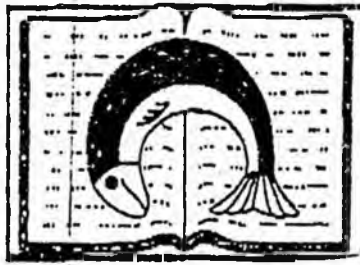
It should be noted that this project has been ongoing for several years. Based on additional information presented to the Department of Education by the Ketchikan Gateway Borough, it is clear the Borough has already satisfied any match that may be required as a result of this legislation. It is therefore requested that the amount for the Ketchikan High School project be amended to \$9,501,600 in House Bill 83.

Thank you for your consideration of this request.

Sincerely,


for J. Shelby Stastny
Director

cc: Jerry Covey, Commissioner, Department of Education
Richard Clevenger, Superintendent, Ketchikan Gateway Borough Schools



Lower Kuskokwim School District

S. G. Murphy
Admin. Assistant
P.O. Box 305 • Bethel, Alaska 99559
907 543-4800 Ext. 812, 813

March 25, 1993

Representative Lyman Hoffman
P. O. Box V
Juneau, Alaska 99811

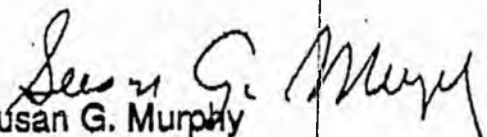
Dear Representative Hoffman:

We have just reviewed the CS for HB82 and have major problems with the proposed changes as delineated below:

The proposed changes which would mandate a 20% match by the Lower Kuskokwim School District for school construction or major maintenance funds would preclude the District from any major construction projects. As an example, the proposed middle school in Bethel is projected to cost \$18,917,000. Twenty percent of that is \$3,783,400. We simply do not have the resources to raise that kind of money. By law, REAAs are not able to levy taxes or to issue bonds as city and borough school districts are able to. The only possible source of funding would be if the State would let us keep all non-State of Alaska Foundation Entitlement Revenue that the District generates (such as PL874 funds); however even that is extremely unreliable and subject to sudden changes.

The LKSD prefers the original language in HB82 which sets our participating share at one percent in the school year which begins in 1994, and increases by 1.4 percent in each of the two succeeding years to total a 2.8 percent increase, and also allows for a waiver process.

Sincerely,


Susan G. Murphy

HB

82

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/28/93

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered CS FOR HOUSE BILL NO. 82(FIN)

"An Act relating to school construction grants and major maintenance grants to school districts; providing for school district participation in the cost of school construction and major maintenance; creating a major maintenance grant fund; creating an education facilities maintenance and construction fund; and providing for an effective date."

*Die'd in SFC 1994
and recommends: See SB 59.*

- replace with _____ CS _____ (FINANCE)
or adopt previous _____ CS _____
 attaches amendrnt(s)

- same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
 do not pass
 no recommendation
 individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

1. _____
Co-Chair: Signature/Recommendation

2. _____
Co-Chair: Signature/Recommendation

FISCAL NOTE

No. 3

Bill Version: HB 82

(H) Publish Date: 1/22/93

**STATE OF ALASKA
1993 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Revenue
 Title: An act relating to school construction and major maintenance BRU: Revenue Operations
grants to school districts Component: Treasury Division
 Sponsor: _____
 Requestor: _____ COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Brian C. Andrews Phone: 465-4880
 Division: Treasury Date: 1-20-93
 Approved by Commissioner: [Signature] Date: 1/20/93
 Agency: Treasury

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

COMMITTEE COPY For further distribution information call the Governor's Legislative Office

HB 82
no. 1
p. 2 of 5

FISCAL NOTE _____

"An Act providing that a school district will participate in the school construction grant program; creating a school major maintenance account; and providing for an effective date."

This bill will facilitate the construction of more school facilities than would be possible with an equal appropriation under the current procedure. It is likely this will result in a greater number of grant requests inasmuch as the possibility of having a project funded will be greatly increased. The increased number of grants and grant awards will place an additional clerical burden upon the facilities section. Along with the increased clerical burden will be the responsibility to evaluate a greater number of grant proposals and to ensure that proper matching funds have been identified for each proposal. This bill establishes a major maintenance account to fund projects that will prolong the life of a facility or provide necessary code upgrades. This will require extensive on-site reviews.

It is anticipated that facilities administrators from a cross section of school districts will be invited to participate in the development of standards for school maintenance programs. It is anticipated that such standards will be included in either regulations governing application for major maintenance grants, or the grant agreement itself. Funds for the development of standards are requested in the contractual line.

Two additional positions are necessary to ensure grant awards and management are consistent with this legislation. Personal services costs are assumed to increase 3% per year after the first year. Equipment cost are \$18.0 the first year and \$3.0 for replacement thereafter.

Funding for the CIP Overhead and Associated Costs component will be based upon a percentage charge from the school construction grant account, school major maintenance account, and inter-agency receipts originating from the Alaska debt retirement fund. For this fiscal note, funding is CIP Receipts derived proportionally from the school construction grant account and the school major maintenance account appropriations.

Personal Services:		\$86.3
Project Assistant (16B)	\$52.8	
Clerk Typist III (8B)	\$33.5	
Travel:		\$13.4
Project Assistant travel	\$13.4	
Air fare for 15 site visits (15 x 700 =10.5)		
Per Diem for 30 days (30 x 95 =2.9)		

Position Title Project Assistant		No. of Positions 1	Range / Step 16B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Juneau		Election District 3, 4
TYPE OF EXPENDITURE		Amount	Justification This position will be responsible for reviewing reports from REAA's and Municipalities, and verifying that matching requirements are met. Additionally, the position will perform on-site reviews of facilities and assist in the ranking of projects.	
Salary		37.8		
Benefits		15.0		
Premium Pay				
Other				
Total Personal Services		52.8		
Travel		13.4		
Contractual		5.8		
Commodities		.6		
Equipment		9.0		
Other				
Total Cost		81.6		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G.F. Match 1003				
General Fund 1004				
IA Receipts 1007				
CIP Receipts 1061		81.6		
Other				

**Request For
New Position**

AGENCY Education
BRU Executive Administration
COMPONENT CIP Overhead and Associated Costs

FY 1994

Page _____ of _____
Revised Date: _____

HB 82
10/1/94
p 465

HB 82
No. 1.
Pg. 3 of 5

Contractual:		\$11.6
Development of facility standards and regulations	\$ 6.0	
Phone lines 2 positions @ \$300/ year	\$.6	
Additional funds for hearing officer/court reporter	\$ 5.0	
Supplies:		\$ 1.2
Supplies for 2 positions @ \$600 each	\$ 1.2	
Equipment:		\$18.0
Office Furniture (desks, files, partitions, etc. 2 positions	\$ 6.0	
Computer Equip. (Computers/ printer for 2 positions)	\$12.0	
	FY 94 Total	\$130.5

1/11/93

Position Title Clerk Typist III		No. of Positions 1	Range / Step 8B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Juneau		Election District 3, 4
TYPE OF EXPENDITURE		Amount	Justification	
Salary		22.6	It is anticipated that contracts with school districts, auditors, and municipalities will at least double as a result of this bill. This position is necessary to meet the additional administrative support requirements generated by this legislation.	
Benefits		10.9		
Premium Pay				
Other				
Total Personal Services		33.5		
Travel				
Contractual		5.8		
Commodities		.6		
Equipment		9.0		
Other				
Total Cost		48.9		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
IA Receipts	1007			
CIP Receipts	1061	48.9		
Other				

**Request For
New Position**

AGENCY Education
 BRU Executive Administration
 COMPONENT CIP Overhead and Associated Costs

Page _____ of _____
 Revised Date: _____

FY 1994

HS82
 W.I. P.S.F.S.

FISCAL NOTE

NO. 2

Bill Version: HB 82

(H) Publish Date: 1/22/93

Revision Date:
Title: School Construction

Department Affected: DOT&PF
BRU:

Sponsor: Rules
Requestor: Governor

Component:
Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	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 (FY93) impact: \$ _____

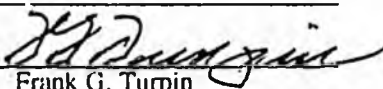
ANALYSIS: (Attach a separate page if necessary)

Prepared by: Kit Duke

Phone: 562-2728

Division: Assistant Commissioner

Date: January 20, 1993

Approved by Commissioner: 

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: January 20, 1993

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

COMMITTEE COPY

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

No. 1
Bill Version: HB 82
(H) Publish Date: 1/22/93

Revision Date: _____ Dept. Affected: Education
Title: Relating to the School Construction BRU: Executive Administration
Grant Program; Creating a School Major Maint. Acct. Component: CIP Overhead and Associated Costs
Sponsor: Senate Rules
Requestor: Governor COMPONENT SERIAL NO. 156

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	86.3	88.9	91.6	94.3	97.1	100.1
TRAVEL	13.4	13.4	13.4	13.4	13.4	13.4
CONTRACTUAL	11.6	11.6	11.6	11.6	11.6	11.6
SUPPLIES	1.2	1.2	1.2	1.2	1.2	1.2
EQUIPMENT	18.0	3.0	3.0	3.0	3.0	3.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	130.5	118.1	120.8	123.5	126.3	129.3

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

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1061 CIP Receipts	130.5	118.1	120.8	123.5	126.3	129.3
TOTAL	130.5	118.1	120.8	123.5	126.3	129.3

POSITIONS:

FULL-TIME	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Gary M. Bader
Division: Administrative Services
Approved by Commissioner: [Signature]
Agency: Department of Education

Phone: 465-8650
Date: January 11, 1993
Date: 1/20/93

COMMITTEE COPY REFER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

WALTER J. HICKEL
GOVERNOR



HB82a

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

The Honorable Ramona L. Barnes
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Barnes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that changes the existing school construction grant program in AS 14.11. During 1992 the facilities committee of Alaska 2000 discussed the existing method of allocating school construction grants. This bill, if enacted into law, divides grants under the program into two categories, provides a separate fund for each of the categories, and requires school districts to provide a participating share in order to obtain a grant.

The main thrust of the bill is to separate grants under the existing program into two categories -- grants for school construction and grants for major maintenance of school facilities -- and to create a separate grant fund for the major maintenance projects. Major maintenance projects are those necessary to protect the structure of existing school facilities or to correct building code deficiencies that require major repair or rehabilitation in order for the facility to continue to be used for the educational program.

Existing AS 14.11.005 creates the school construction grant fund; this bill adds a major maintenance grant fund. Legislative appropriations for the two different types of school facility projects will go into the appropriate fund and will be subject to the existing grant procedures in AS 14.11. The bill makes amendments to those grant procedures to acknowledge the separate categories. The bill also makes conforming amendments to AS 14.03.150(c) and AS 14.07.020(a)(11). Separation of the two types of projects allows separate prioritization of projects, and should result in an improved planning and funding process.

The bill also adds a requirement that, in order to receive a school construction or major maintenance grant, a school district must provide a participating share of the project cost. The participating share for a city or borough school district is based on the full and true value of the taxable real and personal property in the

COMMUNITY COPY

The Honorable Ramona L. Barnes
January 22, 1993
Page 2

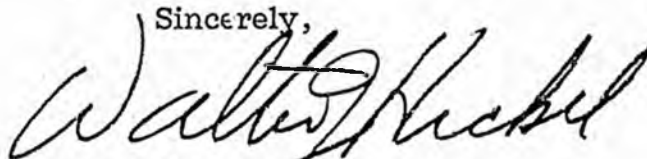
district as of a certain date, and on the district's average daily membership (ADM). A district with a relatively higher property value per ADM will have a relatively higher percentage participating share. City and borough school districts will be required to provide a participating share beginning with grants awarded in fiscal year 1994.

A regional educational attendance area (REAA) participating share is a set percentage of the project cost, although the commissioner of education is authorized to waive all or a portion of the required participating share under certain circumstances. Under the bill, REAAs will not be subject to the requirement for a participating share until fiscal year 1995.

In addition, the bill adds a new subsection to AS 14.11.017. Existing AS 14.11.017(b) authorizes use of grant money under the program to pay the cost of certain activities even if the costs were incurred before the grant application was approved, the grant was awarded, or money was appropriated for the grant. New AS 14.11.017(c) would clarify that the Department of Education can establish the time period in which those activities must have occurred in order to be paid under the grant.

These changes in the way the school construction grant program operates should improve the educational environment of our students and increase the responsibility of school districts in planning for, requesting, and using grant money for school facilities. I urge your early and favorable consideration of this important legislation.

Sincerely,



Walter J. Hickel
Governor

ALASKA STATE LEGISLATURE
HOUSE BILL NO. 82

HISTORY IN THE HOUSE

1993
4/22
Read first time and referred to:
HES FIN
1 FN 2 FN Gov's letter

3/31
HES RPT CS(HES) New Title
3 DP 1 DNP 5 NR 0 AM
FN OFN 201 Previous FN

4/21
FIN RPT CS(FIN) New Title
5 DP 0 DNP 4 NR 1 AM
FN OFN 201 Previous FN

4/26
Read second time
CS() Adopted #1-Fld
Amended #2-w/drawn
#3-Fld

4/26
Advanced

4/27
Read third time

Return to second for specific amendment

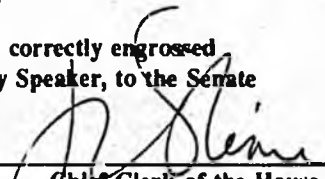
4/27
PASSED EFD Same or
Yeas 39 Yeas
Nays 1 Nays
Excused - Excused
Absent - Absent

Intent adopted

Reconsideration
Reconsideration not taken up

PASSED ON RECON. EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Intent adopted

5/5
Reported correctly engrossed
Signed by Speaker, to the Senate

Chief Clerk of the House

HISTORY IN THE SENATE

1993
4/28
Read first time and referred to:
FIN

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

Rules Calendar() CS AM Other
New Title Same Title Previous FN
FN OFN

Read second time
CS Adopted () New Title
Amended Advanced

Read third time

Letter of Intent adopted
Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to the House
Secretary of the Senate

HOUSE-SENATE HISTORY Continued

19

Received from the Senate

Concur in Senate amendment

Y ___ N ___ E ___ A ___
Efd same or Y ___ N ___ E ___ A ___

Failed to concur Senate amendment, ask Senate recede

Y ___ N ___ E ___ A ___

Senate failed to \ receded from amendment

Y ___ N ___ E ___ A ___

CC appointed by House _____ Chair

CC appointed by Senate _____ Chair

(H) Granted Limited Powers of Free Conference

(S) Granted Limited Powers of Free Conference

19

(H) Adopted CC Rpt _____

Y ___ N ___ E ___ A ___
Efd same or Y ___ N ___ E ___ A ___

(S) Adopted CC Rpt _____

Y ___ N ___ E ___ A ___
Efd same or Y ___ N ___ E ___ A ___

To enrolling

Reported enrolled and sent to Governor

_____ By Governor

Legislative Resolve Number _____

Filed with Lieutenant Governor

HB

83

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 2, 1993

FURTHER REFERRALS:

Date of Committee Action: 4/23/93

The FINANCE Committee considered:

HB 83

HOUSE BILL NO. 83

APPROP: SCHOOL CONSTRUCTION GRANT FUND

"An Act making appropriations for construction and major maintenance of schools; and providing for an effective date."

RECOMMENDATIONS:

be replaced with CS HB 83 (FIN) 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) _____

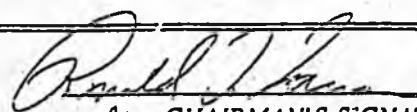
fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Eileen P. Maclean <i>Maclean</i>	<input checked="" type="checkbox"/>	Mike Swane <i>NAUAYU</i>			<input checked="" type="checkbox"/>
Ronald J. Larson <i>Larson</i>	<input checked="" type="checkbox"/>	Gene Theriault <i>Therriault</i>		<input checked="" type="checkbox"/>	
Mark Hanky <i>Hanky</i>	<input checked="" type="checkbox"/>				
Teresa Martin <i>Martin</i>	<input checked="" type="checkbox"/>				
Alan R. Farrell <i>Farrell</i>					
Ben G. Garsenda <i>Garsenda</i>					
Tom Hoff <i>Hoffman</i>					
Tom Brown <i>Brown</i>					
Richard J. [Signature] <i>RESTER</i>	<input checked="" type="checkbox"/>				

 **EP Maclean**
 CO-CHAIRMAN'S SIGNATURE
Larson *Maclean*

FISCAL NOTE

No. 1
 Bill Version: HB 83
 (H) Publish Date: 1/22/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date: January 22, 1993 Dept. Affected: Department of Revenue
 Title: An Act making appropriation for BRU: APFC
construction and major maintenance of schools Component: APFC
 Sponsor: Rules Committee by Request of Governor
 Requester: _____ COMPONENT SERIAL NO. 109

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

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

REVENUE FUND SOURCE 1041 PF earnings	-0-	(13,000.0)	(13,000.0)	(15,000.0)	(15,000.0)	(18,000.0)
--------------------------------------	-----	------------	------------	------------	------------	------------

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other 1041 PF earnings	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) Impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)
 See attached two pages.

Prepared by: William H. Scott, Executive Director Phone: 465-2047
 Division: Alaska Permanent Fund Corporation Date: 1/20/93
 Approved by Commissioner: [Signature] Date: 1/22/93
 Agency: Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office



HB 83
NO. 1
pg. 2 of 3

Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of December 31, 1992

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall
77	0		54		54	
78	54		84		139	
79	139		344		483	
80	483	900	385		1,769	
81	1,769	800	400		2,969	
82	2,969	400	421	231	4,021	
83	4,021	300	368	151	4,838	
84	4,838	300	368	235	5,741	
85	5,741		323	216	6,281	
86	6,281	1,264 **	170	148	7,864	
87	7,864		418	303	8,585	
88	8,585		228	360	9,173	
89	9,173		267	454	9,894	
90	9,894		435	559	10,888	
91	10,888		338	477	11,703	
92	12,203		561	565	13,329	
93	12,319		241	565	13,125	
94	13,125		249	602	13,976	
95	13,976		255	640	14,872	
96	14,872		248	680	15,800	
97	15,800		235	962	16,997	
98	16,997		200	1,032	18,230	
99	18,239		189	1,106	19,534	
00	19,534		172	1,182	20,887	
01	20,887		158	1,263	22,308	
02	22,308		143	1,225	23,676	123
03	23,676		129	1,184	24,989	243
04	24,989		116	1,246	26,350	260
05	26,350		102	1,311	27,763	276
06	27,763		79	1,379	29,220	292
07	29,220		25	1,447	30,692	308
08	30,692		25	1,516	32,233	327
09	32,233		22	1,580	33,846	345
Cumulative Total through FY 1993						215

USE OF FUND INCOME						
Net Income	Distributions			Reserves		
	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance	
2			1			
8			7			
32	12		12			
150	28		28	59	59	
368	71		71	185	244	
471	108	231	110	110	354	
530	175	151		203	557	
658	217	235		206	763	
1,021	303	216		501	1,264 **	
1,069	391	148		529	529	
789	424	303		82	591	
869	460	360	4	44	635	
916	487	464	4	(30)	605	
1,030	489	559	4	(24)	581	
1,038	488	477	5	64	645	
1,108	542	565		1	689	
1,177	589	602		6	695	
1,249	592	640		17	711	
1,326	623	680		23	734	
1,569	675	962		(68)	667	
1,575	735	1,032		(82)	574	
1,782	798	1,106		(122)	452	
1,992	866	1,182		(158)	296	
2,004	937	1,263		(196)	100	
2,119	994	1,225		(100)		
2,237	1,064	1,184				
2,360	1,114	1,246				
2,486	1,177	1,311				
2,620	1,242	1,379				
2,755	1,308	1,447				
2,894	1,377	1,516				
3,039	1,449	1,590				
Cumulative Total through FY 1993						150

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
	8.33%	3.01%	5.32%
	8.10%	4.50%	3.60%
	9.00%	6.00%	3.00%

* Department of Revenue Fall 1992 Low-Case Revenue Forecast.

** Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

*** Based on capital market assumptions adopted by the Board of Trustees in March

\$150 MILLION APPROPRIATED FROM EARNINGS RESERVES 7/1/03



HB 83
No. 1
192/3

Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (In millions) as of December 31, 1992

GROWTH OF FUND PRINCIPAL						USE OF FUND INCOME						
FY	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation-Proofing	FY End Balance	Inflation-Proofing Shortfall	Net Income	Distributions			Reserves	
								Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
72	0		54		54		2			1		
73	54		84		139		8			7		
74	139		344		483		32	12		12		
75	483	900	385		1,769		150	28		28	50	50
76	1,769	800	400		2,969		368	71		71	185	244
77	2,969	400	421	231	4,021		471	108	231	110	110	354
78	4,021	300	388	151	4,838		530	175	151		203	557
79	4,838	300	368	235	5,741		658	217	235		206	763
80	5,741		323	218	6,281		1,021	303	218		501	1,264 **
81	6,281	1,264 **	170	148	7,864		1,069	381	148		529	528
82	7,864		418	303	8,585		788	424	303		82	591
83	8,585		228	360	9,173		868	480	360	4	44	838
84	9,173		267	454	9,894		916	487	454	4	(30)	605
85	9,894		435	559	10,888		1,030	489	559	4	(24)	581
86	10,888		338	477	11,703		1,038	488	477	5	64	645
87												
88	12,319		241	563	13,125		1,121	543	563		12	847
89	13,125		249	602	13,978		1,190	572	602		16	864
90	13,978		256	640	14,872		1,264	598	640		27	890
91	14,872		248	680	15,800		1,341	628	680		32	923
92	15,800		238	962	16,997		1,587	683	962		(58)	865
93	16,997		208	1,032	18,239		1,683	743	1,032		(82)	783
94	18,239		189	1,106	19,534		1,802	807	1,106		(111)	672
95	19,534		172	1,182	20,887		1,912	875	1,182		(145)	528
96	20,887		158	1,263	22,308		2,118	947	1,263		(184)	342
97	22,308		143	1,347	23,798		2,141	1,005	1,347		(211)	131
98	23,798		129	1,327	25,255	108	2,261	1,035	1,327		(191)	
99	25,255		115	1,259	26,629	263	2,388	1,128	1,259			
00	26,629		102	1,325	28,058	279	2,514	1,189	1,325			
01	28,058		79	1,393	29,528	295	2,648	1,255	1,393			
02	29,528		25	1,462	31,014	312	2,784	1,322	1,462			
03	31,014		25	1,532	32,571	330	2,924	1,392	1,532			
04	32,571		22	1,607	34,200	348	3,071	1,464	1,607			

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
	8.33%	3.01%	5.32%
	8.10%	4.50%	3.60%
	9.00%	6.00%	3.00%

* Department of Revenue Fall 1992 Low-Case Revenue Forecast.

** Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

*** Based on capital market assumptions adopted by the Board of Trustees in March

STATUS QUO

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CS House Bill 83 (HESS)

Revision Date: March 31, 1993

Dept. Affected: Department of Revenue

Title: *An Act making appropriations from the constitutional budget reserve fund under Art. IX, sec. 17(c) of the Alaska Constitution for construction and major maintenance of schools; and providing for an effective date.*

BRU: APFC

Component: APFC

Sponsor: House Rules Committee by Request of the Governor

Requestor:

COMPONENT SERIAL NO. 109

Expenditures/Revenues:

(Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-
-----------------------------	-----	-----	-----	-----	-----	-----

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

This bill has no fiscal impact on the Alaska Permanent Fund Corporation.

Prepared by: William H. Scott, Executive Director
 Division: Alaska Permanent Fund Corporation
 Approved by Commissioner: [Signature]
 Agency: REVENUE

Phone: 465-2047
 Date: March 31, 1993
 Date: 4/1/93

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

FISCAL NOTE

No. 3

Version: CSHB 83 (HES)

(H) Publish Date: 4/2/93

**STATE OF ALASKA
1993 LEGISLATIVE SESSION**

Revision Date: March 31, 1993

Dept. Affected: Department of Revenue

Title: "An Act making appropriations from the constitutional budget reserve fund under Art. IX, sec. 17(c) of the Alaska Constitution for construction and major maintenance of schools; and providing for an effective date."

BRU: APFC

Component: APFC

Sponsor: House Rules Committee by Request of the Governor

Requestor: _____

COMPONENT SERIAL NO. 109

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$0 _____

ANALYSIS: (Attach a separate page if necessary)

This bill has no fiscal impact on the Alaska Permanent Fund Corporation.

Prepared by: *William H. Scott*
 William H. Scott, Executive Director

Division: Alaska Permanent Fund Corporation

Approved by: *Ref. A. King*
 Commissioner: _____

Agency: Revenue

Phone: 465-2047

Date: March 31, 1993

Date: 4/1/93

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

COMMITTEE COPY

FISCAL NOTE

Revision Date:
Title: Approp: School Construction

Department Affected: DOT&PF
BRU:

Sponsor: Rules
Requestor: Governor

Component:
Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	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 (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Kit Duke

Phone: 562-2728

Division: Assistant Commissioner

Date: January 20, 1993

Approved by Commissioner: Frank G. Turpin

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: January 20, 1993

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

FISCAL NOTE

No. 1
 Bill Version: HB 83
 (H) Publish Date: 1/22/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date: January 22, 1993

Title: An Act making appropriation for construction and major maintenance of schools

Dept. Affected: Department of Revenue

BRU: APFC

Component: APFC

Sponsor: Rules Committee by Request of Governor

Requestor:

COMPONENT SERIAL NO. 7

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

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

REVENUE FUND SOURCE 1041 PF earnings	-0-	(13,000.0)	(13,000.0)	(15,000.0)	(15,000.0)	(18,000.0)
---	-----	------------	------------	------------	------------	------------

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other 1041 PF earnings	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) Impact: \$

ANALYSIS: (Attach a separate page if necessary)
 See attached two pages.

Prepared by: William H. Scott, Executive Director
 Division: Alaska Permanent Fund Corporation

Phone: 465-2047

Date: 1/20/93

Approved by Commissioner: [Signature]

Date: 1/22/93

Agency: REVENUE

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

Back-up

STATE OF ALASKA

DEPARTMENT OF EDUCATION

WALTER J. HICKEL, GOVERNOR

GOLDBELT PLACE
801 WEST 10TH STREET, SUITE 200
JUNEAU, ALASKA 99801-1894

CS for House Bill 83 (HES)

"An Act making appropriations for construction and major maintenance of schools"

The following information is provided to the House Finance Committee:

Summary of CSHB 83 (HES)

Page 1

Sectional Analysis of CSHB 83 (HES)

Page 2

CS for House Bill No. 83 (HES)

"An Act making appropriations from the constitutional budget reserve fund for construction and major maintenance of schools; and providing for an effective date"

Grants for School Construction

- Section 1 of this legislation appropriates \$109,441,663 from the constitutional budget reserve fund to the school construction grant fund to finance life, health, and safety construction projects in our public schools which are necessary to avert imminent dangers, and projects for un-housed students.

Grants for Major Maintenance

- Section 2 of this legislation appropriates \$41,819,937 from the constitutional budget reserve fund to a major maintenance grant fund to finance costs of certain repairs to many of our public schools.

SECTIONAL ANALYSIS

CS for House Bill No. 83 (HES)

"An Act making appropriations from the constitutional budget reserve fund for construction and major maintenance of schools; and providing for an effective date."

Section 1 appropriates \$109,441,663 from the constitutional budget reserve fund to the school construction grant fund and allocates payments to school districts and REAAs subject to grant conditions.

Section 2 appropriates \$41,819,937 from the constitutional budget reserve fund to the major maintenance grant fund and allocates payments to school districts and REAAs subject to grant conditions.

Section 3 provides that appropriations under the Act are for capital projects and are subject to the provisions of AS 37.25.020 relating to unexpended balances of appropriations for capital projects.

Section 4 provides for an effective date for sections one and three of this Act.

Section 5 provides that section two takes effect on the effective date of an Act creating a major maintenance grant fund in AS 14.11.

WALTER J. HICKEL
GOVERNOR



4683A

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

The Honorable Ramona L. Barnes
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Barnes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making \$150,000,000 in capital appropriations for construction and major maintenance of Alaska's public schools.

Section 1 of the bill appropriates \$107,688,000 to the school construction grant fund to finance life, health, and safety construction projects in our public schools which are necessary to avert imminent dangers. These appropriations will fulfill the existing backlog of this category of needs, plus fund several other essential capital projects to help meet projected student enrollment increases in the near future.

Section 2 of the bill appropriates \$42,312,000 to a major maintenance grant fund to finance costs of certain repairs to many of our public schools. These appropriations are cost-effective because making repairs now can often avoid major rebuilding or construction costs later. Also, some of the projects may make the schools more energy efficient, which will likely have long-term energy savings for the state.

The appropriation amounts in both secs. 1 and 2 of the bill assume that the local community will financially participate in each project in order to fully fund it. Requiring a local community participating share should allow limited state dollars to go farther in financing capital needs in our public schools. Such a requirement also may increase local community interest in the size, design, and cost of the overall project and in prioritizing the project against other community needs for state funding.

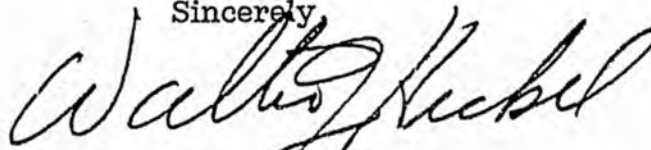
The need for additional capital money has been supported by the state Board of Education. I urge support, as well, for these important projects.

COMMITTEE COPY

The Honorable Ramona L. Barnes
January 22, 1993
Page 2

Finally, while some may question the use of the earnings reserve account in the permanent fund for these projects, I can see no higher use for this money than to improve our public schools in order to provide quality educational facilities for our children. Alaska's children deserve the finest to help them learn to their greatest capacities.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

Walter J. Hickel
Governor

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making \$150,000,000 in capital appropriations for construction and major maintenance of Alaska's public schools.

Section 1 of the bill appropriates \$107,688,000 to the school construction grant fund to finance life, health, and safety construction projects in our public schools which are necessary to avert imminent dangers. These appropriations will fulfill the existing backlog of this category of needs, plus fund several other essential capital projects to help meet projected student enrollment increases in the near future.

Section 2 of the bill appropriates \$42,312,000 to a major maintenance grant fund to finance costs of certain repairs to many of our public schools. These appropriations are cost-effective because making repairs now can often avoid major rebuilding or construction costs later. Also, some of the projects may make the schools more energy efficient, which will likely have long-term energy savings for the state.

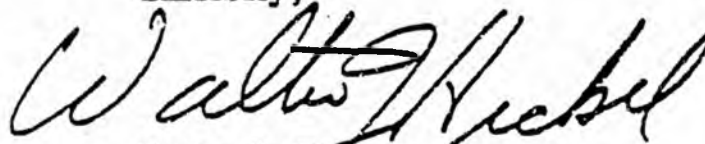
The appropriation amounts in both secs. 1 and 2 of the bill assume that the local community will financially participate in each project in order to fully fund it. Requiring a local community participating share should allow limited state dollars to go farther in financing capital needs in our public schools. Such a requirement also may increase local community interest in the size, design, and cost of the overall project and in prioritizing the project against other community needs for state funding.

The need for additional capital money has been supported by the state Board of Education. I urge support, as well, for these important projects.

The Honorable Rick Halford
January 22, 1993
Page 2

Finally, while some may question the use of the earnings reserve account in the permanent fund for these projects, I can see no higher use for this money than to improve our public schools in order to provide quality educational facilities for our children. Alaska's children deserve the finest to help them learn to their greatest capacities.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

Walter J. Hickel
Governor



Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: January 14, 1993

TO: Harry Gamble
Department of Education

FROM: Jim Kelly *JK*
Research & Liaison Officer

SUBJECT: **Analysis of the Impact of Making Certain
Changes to the Current Use of Fund Income**

Attached are two financial projections prepared by the Alaska Permanent Fund Corporation at your request.

Financial Projection #1: This is the status quo case as of November 30, 1992. It provides the benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This projection makes the following changes to the status quo: (1) in fiscal 1993 and 94, \$150 million is appropriated from the Fund's earnings reserve account to the General Fund; and (2) in fiscal 1995 and 96, \$100 million is appropriated.

This analysis concerns itself with the following impacts on the Permanent Fund:

- * How would the changes affect the growth of Fund principal?
- * How would they affect the level of Fund net income produced in the future?

Harry Gamble
 January 14, 1993
 Page 2

- * How would they affect total dividend distributions (in millions), and the amounts of annual per capita dividends?
- * How would they affect inflation-proofing transfers?
- * How would they affect amounts available for distribution to the General Fund.

To provide analysis-at-a-glance, the impacts for the fiscal years 1993, 2000, 2005 and 2010 are pulled off the projection sheets and juxtaposed below

	Status Quo <i>(in millions)</i>	Projection #2 <i>(in millions)</i>
Fund Principal Balance		
June 30, 1993:	\$12,324	\$12,324
June 30, 2000:	19,540	19,540
June 30, 2005:	26,638	25,819
June 30, 2010:	34,211	33,170
Annual Net Income		
Fiscal 1993:	\$1,073	\$1,073
Fiscal 2000:	1,802	1,745
Fiscal 2005:	2,386	2,313
Fiscal 2010:	3,072	2,978
Dividend Distribution		
Fiscal 1993:	\$ 517	\$ 517
Fiscal 2000:	807	781
Fiscal 2005:	1,127	1,091
Fiscal 2010:	1,464	1,420

	Status Quo (in millions)	Projection #2 (in millions)
--	-----------------------------	--------------------------------

Per Capita Dividends

1993:	\$ 922	\$ 922
2000:	1,233	1,191
2005:	1,552	1,502
2010:	1,849	1,791

Inflation-Proofing Transfers

Fiscal 1993:	\$ 365	\$ 365
Fiscal 2000:	1,106	1,106
Fiscal 2005:	1,260	1,221
Fiscal 2010:	1,607	1,559

Distributions to the General Fund

Fiscal 1993:	-0-	\$150
Fiscal 2000:	-0-	-0-
Fiscal 2005:	-0-	-0-
Fiscal 2010:	-0-	-0-

Compared to the status quo, the most noticeable effects of adoption of the changes depicted in **Projection #2** would be as follows:

- * *Fund principal* would be the same in 2000, \$819 million smaller in 2005, and \$1.041 billion smaller in 2010.
- * *Net income* would be \$57 million smaller in 2000, \$73 million smaller in 2005, and \$94 million smaller in 2010.
- * The *dividend distribution* would be \$26 million smaller in 2000, \$36 million smaller in 2005, and \$44 million smaller in 2010.
- * *Per capita dividends* would be \$42.00 smaller in 2000, \$50.00 smaller in 2005, and \$58.00 in 2010. (Note: Dividends would be

the same in fiscal 1993, \$2.00 smaller in 1994, \$7.00 smaller in 1995, \$14.00 smaller in 1996 and \$22.00 smaller in 1997.)

- * The *inflation-proofing transfer* would be the same in 2000, \$39 million smaller in 2005, and \$48 million smaller in 2010.
- * The *distribution to the General Fund* would be \$150 million larger in 1993, and the same in 2000, 2005, and 2010. (Note: Distributions to the General Fund would be \$150 million larger in 1994, \$100 million larger in 1995 and \$100 million larger in 1996.)

For Your Information: These projections are based on a certain set of basic assumptions; the numbers shown on these sheets would change if different assumptions were used. The assumptions used in the preparation of each projection are listed at the bottom of each projection sheet, and explained herein.

It is the Corporation's policy to use conservative assumptions wherever possible. Thus, the Fund's long-term rate of return is projected to average 3% per year after inflation; long-term inflation is projected to average 6% per year; and the assumptions for future dedicated State oil revenues are taken from the Department of Revenue's most recent "low case" forecast. The population assumptions used in the computation of future per capita dividend payments are derived from the Middle Series of the Department of Labor's "Population Projections" dated November 1991.

PLEASE NOTE THAT THE CORPORATION NEITHER SUPPORTS NOR OPPOSES ANY PROPOSED CHANGES TO THE CURRENT USE OF FUND EARNINGS, EXCEPT AS THEY MAY RELATE TO THE PROPER EXERCISE OF THE TRUSTEES' FIDUCIARY RESPONSIBILITIES AS REQUIRED UNDER THE PRUDENT INVESTOR RULE.