

ALASKA LEGISLATURE

1568

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

1 as required by the corporation [COMMISSION].

2 * Sec. 14. AS 14.43.120(c), as amended by sec. 4, ch. 5, SLA 1996, is amended to read:

3 (c) To maintain a loan awarded to a full-time student, the student must continue
4 to be enrolled as a full-time student in good standing in a career education program,
5 college, or university that meets the requirements under (b) of this section. To maintain
6 a loan awarded to a half-time student, the student must continue to be enrolled as a half-
7 time student in good standing in (1) a career education program, college, or university in
8 the state that meets the requirements under (b) of this section, or (2) a career education
9 program, college, or university that meets the requirements under (b) of this section, and
10 be physically present in this [THE] state while attending the career education program,
11 college, or university. The corporation [COMMISSION] shall adopt regulations defining
12 "good standing" for purposes of this subsection.

13 * Sec. 15. AS 14.43.120(d), as amended by sec. 4, ch. 5, SLA 1996, is amended to read:

14 (d) Scholarship loans may not be made to a student

15 (1) for more than a total of \$42,500 for undergraduate study;

16 (2) for more than a total of \$47,500 for graduate study;

17 (3) for more than a combined total of \$60,000 for undergraduate and
18 graduate study;

19 (4) to attend an institution, if the total amount of scholarship loans made
20 to students to attend that institution exceeds \$100,000 and the default rate on those loans
21 is (A) greater than 20 percent but less than 25 percent, and the institution is unable to
22 reduce its default rate within 24 months after the rate determination; or (B) equal to or
23 greater than 25 percent for two consecutive calendar years; for purposes of this paragraph,
24 the default rate shall annually be determined by the corporation [COMMISSION] from
25 loans required to be repaid under (g) of this section on or after July 1, 1996; if a
26 scholarship loan is refused based on the provisions of this paragraph and, under a
27 subsequent default rate determination [,] an institution's default rate does not exceed the
28 limits established under this paragraph, the corporation [COMMISSION] may not refuse
29 to issue a scholarship loan to attend that institution based on the provisions of this
30 paragraph.

31 * Sec. 16. AS 14.43.120(f) is amended to read:

1 (f) Interest on a loan made under AS 14.43.100 - 14.43.160 [AS 14.43.090 -
2 14.43.160] is equal to the interest rate

3 (1) paid in each year on bonds issued by the corporation [ALASKA
4 STUDENT LOAN CORPORATION] under AS 14.42.220; and

5 (2) necessary to pay the administrative cost of the student loan program
6 that is represented by the loan.

7 * Sec. 17. AS 14.43.120(g), as amended by sec. 6, ch. 5, SLA 1996, is amended to read:

8 (g) A borrower's obligation to commence repayment of the principal and interest
9 on the loan begins six months after the borrower is no longer enrolled under (c) of this
10 section. The borrower shall repay the total amount owed in periodic installments of at
11 least \$50 a month over a period of not more than 15 years from the commencement of
12 the repayment obligation. If the corporation [COMMISSION] and the borrower agree
13 to a different repayment schedule, the borrower shall repay the loan in accordance with
14 the agreement. A borrower may make payments earlier than required by this subsection
15 or the agreement.

16 * Sec. 18. AS 14.43.120(i), as amended by sec. 8, ch. 5, SLA 1996, is amended to read:

17 (i) If a loan is in default, the corporation [COMMISSION]

18 (1) shall notify the borrower that [, IF THE BORROWER HAS AN
19 OCCUPATIONAL LICENSE ISSUED UNDER AS 08, THE LICENSE MAY NOT BE
20 RENEWED UNDER AS 08.02.025 AND THAT] repayment of the remaining balance
21 is accelerated and due and that, if the borrower has an occupational license issued
22 under AS 08, the license may not be renewed under AS 08.02.025, by mailing the
23 borrower a notice at the most recent address provided to the commission by the borrower;

24 (2) may take the borrower's permanent fund dividend under
25 AS 43.23.065(b)(3) to satisfy the balance due on a defaulted loan; and

26 (3) shall provide notice of the default to the Department of Commerce and
27 Economic Development, if the loan recipient is licensed under AS 08.

28 * Sec. 19. AS 14.43.120(m), as amended by sec. 11, ch. 5, SLA 1996, is amended to read:

29 (m) In case of hardship, the corporation [COMMISSION] may extend repayment
30 of a loan for an additional period of up to five years.

31 * Sec. 20. AS 14.43.120(r) is amended to read:

1 (r) The rate of interest, time of payment of an installment of principal or interest,
2 or other loan terms [OF A SCHOLARSHIP LOAN] may be modified if required to
3 establish or maintain tax-exempt status under 26 U.S.C. 103 (Internal Revenue Code of
4 1986), as amended, for the interest on bonds issued by the corporation [ALASKA
5 STUDENT LOAN CORPORATION].

6 * Sec. 21. AS 14.43.120(t), as amended by sec. 13, ch. 5, SLA 1996, is amended to read:

7 (t) Payment of interest under (l) of this section and forgiveness under (s) of this
8 section are subject to appropriation by the legislature. Money obtained from the sale of
9 bonds by the corporation [STUDENT LOAN CORPORATION] under AS 14.42.220
10 may not be appropriated for the payment of interest or the forgiveness of loans.

11 * Sec. 22. AS 14.43.120(u), as amended by sec. 14, ch. 5, SLA 1996, is amended to read:

12 (u) The corporation [COMMISSION] by regulation shall set a loan origination
13 fee, not to exceed five percent of the total [SCHOLARSHIP] loan amount, to be assessed
14 upon a [SCHOLARSHIP] loan that is funded from the student loan fund of the
15 corporation [ALASKA STUDENT LOAN CORPORATION]. The loan origination fee
16 shall be deducted at the time the loan is disbursed. Subject to appropriation, the loan
17 origination fees shall be deposited into an origination fee account within the student loan
18 fund of the corporation [ALASKA STUDENT LOAN CORPORATION], and
19 subsequently used by the corporation to offset losses incurred as a result of death,
20 disability, default, or bankruptcy of the borrower.

21 * Sec. 23. AS 14.43.120(v) is amended to read:

22 (v) In determining a rate of interest under (f)(2) of this section,

23 (1) the corporation [COMMISSION] shall use a method that ensures that
24 the rate of interest is as low as possible without precluding the ability of the corporation
25 [COMMISSION] to administer loans made under AS 14.43.100 - 14.43.160
26 [AS 14.43.090 - 14.43.160]; and

27 (2) the total amount charged for administrative costs of the student loan
28 program may not exceed two and one-half percent above the amount determined under
29 (f)(1) of this section.

30 * Sec. 24. AS 14.43.122(a) is amended to read:

31 (a) The corporation [COMMISSION] may offer the option of consolidating

1 into a single loan

2 (1) multiple loans made to a borrower who has received more than one
3 loan under this chapter [THE OPTION OF CONSOLIDATING THE MULTIPLE
4 LOANS INTO A SINGLE LOAN]; or

5 (2) [TO CONSOLIDATE] loans made to married borrowers if the married
6 borrowers agree to be jointly and severally liable for repayment of the consolidated loan
7 [.] regardless of the borrowers' future marital status or the death of one of the borrowers.

8 * Sec. 25. AS 14.43.125(a), as amended by sec. 15, ch. 5, SLA 1996, is amended to read:

9 (a) A person may apply for and obtain a student [SCHOLARSHIP] loan if the
10 person

11 (1) is

12 (A) enrolled as a full-time student in a career education, associate,
13 baccalaureate, or graduate degree program;

14 (B) enrolled as a half-time student in a career education, associate,
15 baccalaureate, or graduate degree program

16 (i) in the state; or

17 (ii) out of the state and is physically present in this state
18 while attending that program; or

19 (C) a graduate of a high school or the equivalent, or scheduled for
20 graduation from a high school within six months, with sufficient credits to be
21 admitted to a career education program or to an accredited college or university;

22 (2) is not delinquent or in default on a previously awarded student
23 [SCHOLARSHIP] loan; and

24 (3) is a resident of the state at the time of application for the loan; for
25 purposes of this section, a person qualifies as a resident of the state if at the time of
26 application for the loan the person

27 (A) has been physically present in the state for at least one year
28 immediately before the time of application for the loan;

29 (B) is dependent on a parent or guardian for care, the parent or
30 guardian has been present in the state for at least one year immediately before the
31 time of application for the loan, and the person has been present in the state for

1 at least one year of the immediately preceding five years, except that the
2 corporation [COMMISSION] may by a two-thirds vote, acting upon a written
3 appeal by the person, grant an exemption to the requirement that the person has
4 been present in the state for one year of the immediately preceding five years;

5 (C) has been physically present in the state for at least one year
6 immediately before the applicant was absent from the state and the absence is due
7 solely to

8 (i) serving an initial period of up to three years on active
9 duty as a member of the armed forces of the United States;

10 (ii) serving for up to three years as a full-time volunteer
11 under the Peace Corps Act;

12 (iii) serving for up to three years as a full-time volunteer
13 under the Domestic Volunteer Service Act of 1973;

14 (iv) required medical care for the applicant or the
15 applicant's immediate family;

16 (v) being a person who otherwise qualifies as a resident
17 and is accompanying a spouse who qualifies as a resident under (i) - (iv)
18 of this paragraph;

19 (vi) an absence allowed under (D)(i)-(iv) of this paragraph;

20 or

21 (D) is a dependent of a parent or guardian who has been
22 physically present in the state for at least one year immediately before the parent
23 or guardian was absent from the state and the absence is due solely to

24 (i) participating in a foreign exchange student program
25 recognized by the corporation [COMMISSION];

26 (ii) attending a school as a full-time student;

27 (iii) full-time employment by the state;

28 (iv) being a member of or employed full-time by the
29 state's congressional delegation;

30 (v) being a person who otherwise qualifies as a resident
31 and is accompanying a spouse who qualifies as a resident under (i) - (iv)

1 of this paragraph;

2 (4) does not have a past due child support obligation established by court
3 order or by the child support enforcement division under AS 25.27.160 - 25.27.220 at the
4 time of application; and

5 (5) has not, within the previous five years, had a [SCHOLARSHIP] loan
6 discharged or written off by the corporation or the former Alaska Commission on
7 Postsecondary Education [COMMISSION] for any reason.

8 * Sec. 26. AS 14.43.125(c), as amended by sec. 16, ch. 5, SLA 1996. is amended to read:

9 (c) A person may not be awarded a scholarship loan under AS 14.43.100 -
10 14.43.160 [AS 14.43.090 - 14.43.160] if that person receives a teacher scholarship loan
11 under AS 14.43.600 - 14.43.700 for the same period of attendance.

12 * Sec. 27. AS 14.43.150(a) is amended to read:

13 (a) In a court proceeding regarding a defaulted loan under this chapter in which
14 the court has entered judgment in favor of the corporation or the former Alaska
15 Commission on Postsecondary Education [COMMISSION], the court may, on its own
16 motion or motion of the corporation [COMMISSION], after notice and an opportunity
17 for hearing, order the loan recipient to assign to the corporation [COMMISSION] that
18 portion of salary or wages due the loan recipient currently and in the future in an amount
19 sufficient to pay the amount ordered by the court to be repaid [TO THE COMMISSION].

20 * Sec. 28. AS 14.43.160 is amended to read:

21 Sec. 14.43.160. DEFINITIONS. In AS 14.43.100 - 14.43.160, [AS 14.43.090 -
22 14.43.160]

23 (1) "career education" means a course or program in vocational-technical
24 training or education approved by the corporation that is a half-time program at least
25 12 weeks in length or a full-time program at least six weeks in length
26 [COMMISSION];

27 (2) "federally insured" means a loan covered by the provisions of the
28 Guaranteed Student Loan Program of Title IV, Part B, of the Higher Education Act of
29 1965 (P.L. 89-329), as amended;

30 (3) "full-time student" means an undergraduate or career education student
31 who is enrolled and is in regular attendance at classes for at least 12 semester hours of

1 credit or the equivalent during the semester or a graduate student who is enrolled and is
2 in regular attendance at classes for at least nine semester hours of credit or the equivalent;
3 any combination of semester hours of credit, or the equivalent, aggregating to the requisite
4 number of semester hours and undertaken during a semester at two or more public or
5 private institutions of higher education constitutes full-time student status;

6 (4) "half-time student" means an undergraduate, graduate, or career
7 education student who during the semester is enrolled and is in regular attendance at
8 classes at one or more public or private institutions of higher education for at least a total
9 of six semester credit hours or an equivalent of six semester credit hours, and includes
10 a career education student enrolled and in regular attendance in classes for at least 15
11 hours a week;

12 (5) "school year" means the period from September 1 of one year through
13 August 31 of the following year;

14 (6) "summer term" means the period from June 1 - August 31.

15 * Sec. 29. AS 14.43.255(a) is amended to read:

16 (a) There is created a memorial scholarship revolving loan fund to be
17 administered by the corporation. The fund shall be used to provide educational
18 scholarship loans to students selected under AS 14.43.250 - 14.43.325. Repayments
19 [UNLESS THE INSTRUMENT EVIDENCING THE MEMORIAL SCHOLARSHIP
20 LOAN HAS BEEN SOLD OR ASSIGNED TO THE ALASKA STUDENT LOAN
21 CORPORATION, REPAYMENTS] of a loan shall be deposited into the memorial
22 scholarship revolving loan fund and shall be used to make new loans.

23 * Sec. 30. AS 14.43.300(g), as amended by sec. 18, ch. 5, SLA 1996, is amended to read:

24 (g) The corporation [COMMISSION] by regulation shall set a loan origination
25 fee, not to exceed five percent of the total memorial scholarship loan amount, to be
26 assessed upon a memorial scholarship loan. The loan origination fee shall be deducted
27 at the time the loan amount is disbursed. Subject to appropriation, the loan origination
28 fee shall be deposited into a origination fee account within the memorial scholarship
29 revolving loan fund, and subsequently transferred by the corporation [COMMISSION]
30 to the appropriate memorial scholarship accounts within the memorial scholarship
31 revolving loan fund to offset losses incurred due to loan debt cancellation as a result of

1 death, disability, default, or bankruptcy of the borrower [STUDENT].

2 * **Sec. 31.** AS 14.43.305(i) is amended to read:

3 (i) To the extent they are not in conflict with terms and conditions under
4 AS 14.43.250 - 14.43.325, the terms and conditions of a memorial scholarship loan made
5 under AS 14.43.250(b)(5) are the same as the terms and conditions for a scholarship loan
6 under AS 14.43.100 - 14.43.160 [AS 14.43.090 - 14.43.160], except that the interest on
7 the loan is equal to five percent.

8 * **Sec. 32.** AS 14.43.320(b) is amended to read:

9 (b) To the extent that they are not in conflict with the provisions of AS 14.43.250
10 - 14.43.325, the provisions of AS 14.43.100 - 14.43.160 [AS 14.43.090 - 14.43.160]
11 relating to scholarship loans are applicable to loans made under AS 14.43.250 - 14.43.325.

12 * **Sec. 33.** AS 14.43.405(b) is amended to read:

13 (b) To the extent that they are not in conflict with the provisions of AS 14.43.400
14 - 14.43.405, the provisions of AS 14.43.100 - 14.43.160 [AS 14.43.090 - 14.43.160]
15 relating to student financial aid are applicable to the grants made under AS 14.43.400 -
16 14.43.500.

17 * **Sec. 34.** AS 14.43.410 is amended to read:

18 Sec. 14.43.410. DISTRIBUTION OF FUNDS. The funds appropriated for the
19 educational incentive grant program shall be allocated to eligible students in accordance
20 with the provisions of the federal state student incentive grant program and regulations
21 adopted under AS 14.42.200 and AS 14.43.405 [AS 14.43.105 AND 14.43.405].

22 * **Sec. 35.** AS 14.43.415 is amended to read:

23 Sec. 14.43.415. ELIGIBILITY; PRIORITY. (a) A student may apply for an
24 educational incentive grant if the student

25 (1) is a resident of Alaska;

26 (2) is [EITHER]

27 (A) enrolled as a full-time undergraduate student in a degree
28 program in an accredited postsecondary educational institution; or

29 (B) eligible to be admitted to an accredited postsecondary
30 educational institution; and

31 (3) establishes financial need in accordance with standards for determining

1 financial need adopted by the corporation [COMMISSION] under 20 U.S.C. 1070c-2.

2 (b) The corporation [COMMISSION] shall adopt regulations to [, BY
3 REGULATION,] establish a system of priority in the selection of recipients of grants
4 under AS 14.43.400 - 14.43.500 under which students from "low income" families or
5 whose incomes are considered "low income" shall be given preference in the award of
6 the educational incentive grants.

7 * Sec. 36. AS 14.43.620(a) is amended to read:

8 (a) The [THERE IS CREATED A] teacher scholarship revolving loan account
9 is created within the student loan fund (AS 14.42.210). The account [FUND] shall be
10 used to make scholarship loans to students selected under AS 14.43.600 - 14.43.700.
11 Repayments [UNLESS THE INSTRUMENT EVIDENCING THE TEACHER
12 SCHOLARSHIP LOAN HAS BEEN SOLD OR ASSIGNED TO THE ALASKA
13 STUDENT LOAN CORPORATION, REPAYMENTS] of principal and interest on a
14 teacher scholarship loan shall be paid into the teacher scholarship revolving loan account
15 [FUND] and shall be used to make new teacher scholarship loans. If estimated funds
16 available are inadequate to fully fund estimated teacher scholarship loans for any fiscal
17 year, additional funding from the general fund may be requested and appropriated for that
18 year.

19 * Sec. 37. AS 14.43.630(a) is amended to read:

20 (a) [THE TEACHER SCHOLARSHIP LOAN PROGRAM SHALL BE
21 ADMINISTERED BY THE COMMISSION IN ACCORDANCE WITH
22 REGULATIONS ADOPTED BY THE COMMISSION.] The corporation
23 [COMMISSION] shall

24 (1) annually allocate the [LOAN AWARDS] available [FOR] teacher
25 scholarship loans awards [ANNUALLY] to local school boards giving a preference to
26 rural school districts; and

27 (2) [DEVELOP AND] distribute to the local school boards an application
28 form for teacher scholarship loans; [THE FORM MUST INCLUDE A REQUIREMENT
29 THAT] the applicant must provide [SUPPLY] a high school academic transcript and a
30 statement of intent to enter a teaching career at the elementary or secondary school level
31 in the state.

1 * Sec. 38. AS 14.43.650(a) is amended to read:

2 (a) To be eligible for a teacher scholarship loan, a student must

3 (1) be a graduate of a public or private high school in the state [,] with
4 sufficient credits to be admitted to an accredited college or university;

5 (2) be enrolled in or show evidence of intent to enroll in a degree
6 program directed at a teaching career at the elementary or secondary school level;

7 (3) meet the conditions set by the student's local school board with
8 respect to the district's requirements for teachers in particular subject areas;

9 (4) submit to the local school board an application on a form provided
10 by the corporation [COMMISSION] under AS 14.43.630(a)(2); an application may be
11 submitted six months before graduation from high school; and

12 (5) not have a past due child support obligation established by court order
13 or by the child support enforcement division under AS 25.27.160 - 25.27.220 at the time
14 of application.

15 * Sec. 39. AS 14.43.650(c), as amended by sec. 20, ch. 5, SLA 1996, is amended to read:

16 (c) A student may not be awarded a teacher scholarship loan under AS 14.43.600
17 - 14.43.700 if the student receives a student [SCHOLARSHIP] loan under AS 14.43.100
18 - 14.43.160 [AS 14.43.090 - 14.43.160] for the same period of attendance.

19 * Sec. 40. AS 14.43.720(a) is amended to read:

20 (a) The family education loan account is created within the student
21 [SCHOLARSHIP REVOLVING] loan fund (AS 14.42.210 [AS 14.43.090]). The account
22 shall be used to make family education loans to families selected under AS 14.43.710 -
23 14.43.790, to pay the costs of collecting family education loans that are in default if those
24 costs are not recovered from the family, and to pay the costs of administering the account.
25 Repayments [UNLESS THE INSTRUMENT EVIDENCING THE FAMILY
26 EDUCATION LOAN HAS BEEN SOLD OR ASSIGNED TO THE ALASKA
27 STUDENT LOAN CORPORATION, REPAYMENTS] of principal and interest on family
28 education loans shall be paid into the family education loan account. If estimated funds
29 available from family education loan repayments are inadequate to fully fund estimated
30 family education loans in a fiscal year, additional funding from the general fund may be
31 requested and appropriated for that year.

1 * Sec. 41. AS 14.43.740(d) is amended to read:

2 (d) A borrower's obligation to commence repayment [REPAYMENT] of the
3 principal and interest on a family education loan [MADE UNDER AS 14.43.710 -
4 14.43.790] begins on the first of the month immediately following loan disbursement.
5 The loan may be cancelled without prejudice at any time before actual disbursement. The
6 borrower shall repay [LOAN SHALL PROVIDE FOR REPAYMENT OF] the total
7 amount owed in periodic installments over a period of [IN] not more than 10 years from
8 the commencement of the repayment obligation. If the corporation [COMMISSION]
9 and the borrower agree to a different repayment schedule, the borrower shall repay the
10 loan in accordance with the agreement. The borrower may make payments earlier
11 than required by this section or the agreement.

12 * Sec. 42. AS 14.43.990 is repealed and reenacted to read:

13 Sec. 14.43.990. DEFINITION. In this chapter, "corporation" means the Alaska
14 Student Loan Corporation.

15 * Sec. 43. AS 14.44.035 is amended to read:

16 Sec. 14.44.035. ADMINISTRATION. The Alaska Student Loan Corporation
17 [COMMISSION ON POSTSECONDARY EDUCATION] shall administer the state's
18 participation in the Western Regional Higher Education Compact.

19 * Sec. 44. AS 14.48 is amended by adding a new section to read:

20 Sec. 14.48.035. ALASKA COMMISSION ON POSTSECONDARY
21 EDUCATION. (a) The Alaska Commission on Postsecondary Education is created in
22 the department consisting of the commissioner of revenue, the commissioner of
23 administration, a person representing the department appointed by the governor, and four
24 public members appointed by the governor. The public members are subject to
25 confirmation by the legislature and serve at the pleasure of the governor for four-year
26 staggered terms.

27 (b) Members of the commission serve without compensation, but the members
28 who are not state employees are entitled to per diem and travel expenses authorized for
29 boards and commissions under AS 39.20.180.

30 (c) The commission shall elect a chair from among its membership at its annual
31 meeting each year. A majority of the members constitute a quorum for organizing the

1 commission, conducting its business, and exercising the powers of the commission.

2 (d) The employees of the department shall serve as staff to the commission.

3 * Sec. 45. AS 14.48.040 is amended to read:

4 Sec. 14.48.040. COMMISSION TO ADMINISTER CHAPTER. The Alaska
5 Commission on Postsecondary Education shall administer this chapter [AND MAY HIRE
6 NECESSARY PERSONNEL]. The commission may obtain from departments,
7 commissions, and other state agencies information and assistance needed to carry out the
8 provisions of this chapter.

9 * Sec. 46. AS 14.48.050 is amended by adding new subsections to read:

10 (b) The commission has the following advisory functions to the governing boards
11 of higher education institutions in this state, the governor, the legislature, and other
12 appropriate state and federal officials:

13 (1) coordinate the development or the start of comprehensive plans for the
14 orderly systematic growth of public and private postsecondary education, including
15 community colleges and occupational education, and submit recommendations on the need
16 for, and location of, new facilities and programs; and

17 (2) advise as to the functions and purposes of the public and private
18 colleges and universities in the state and counsel as to the programs appropriate to each.

19 (c) The commission may

20 (1) require the institutions of public and private higher education and other
21 institutions of postsecondary education in the state to submit data on costs, selection and
22 retention of students, enrollments, plant capacities and use, and other matters pertinent to
23 effective planning and coordination, and shall furnish information concerning these
24 matters to the governor, the legislature, and other state and federal agencies as requested;

25 (2) establish task forces, committees, or subcommittees, not necessarily
26 consisting of commission members or employees, to advise and assist the commission in
27 carrying out its functions assigned by this chapter and federal statute; the commission may
28 contract with, or use, existing institutions of higher education or other individuals or
29 organizations to make studies, conduct surveys, submit recommendations, or otherwise
30 contribute to the work of the commission.

31 * Sec. 47. AS 14.48.090 is repealed and reenacted to read:

1 Sec. 14.48.090. FEES. The commission shall adopt regulations that establish the
2 amount and manner of payment of fees for applications, authorizations, permits, and
3 renewals under this chapter.

4 * Sec. 48. AS 14.48.120 is amended by adding a new subsection to read:

5 (d) In addition to the sanctions imposed under (a) of this section, the commission
6 may assess a civil fine, not to exceed \$5,000, for costs of investigating and adjudicating
7 a matter under this chapter.

8 * Sec. 49. AS 39.05.100(a) is amended to read:

9 (a) A person appointed to a board or commission of the state government shall
10 be and have been before the last general election, (1) a registered voter in the state, if the
11 appointment is made at large or (2) a registered voter from the judicial district, if the
12 appointment is made from a specific judicial district. The student member of the Board
13 of Regents of the University of Alaska appointed under AS 14.40.150(b), the student
14 member of the Alaska Student Loan Corporation [COMMISSION ON
15 POSTSECONDARY EDUCATION!] appointed under AS 14.42.120 [AS 14.42.015(e)],
16 and a member of the Alaska Human Relations Commission appointed under
17 AS 44.19.600, are exempt from the requirement of this subsection if the member was not
18 old enough to be a registered voter in the last general election.

19 * Sec. 50. AS 39.25.110(11) is amended to read:

20 (11) the officers and employees of the following boards, commissions, and
21 authorities:

22 (A) [REPEALED

23 (B)] Alaska Permanent Fund Corporation;

24 ~~(B)~~ [(C)] Alaska Industrial Development and Export Authority;

25 ~~(C)~~ [(D)] Alaska Commercial Fisheries Entry Commission;

26 ~~(D)~~ [(E)] Alaska Student Loan Corporation [COMMISSION ON
27 POSTSECONDARY EDUCATION];

28 ~~(E)~~ [(F)] Alaska Aerospace Development Corporation;

29 * Sec. 51. AS 39.50.200(b)(32) is amended to read:

30 (32) Alaska Commission on Postsecondary Education (AS 14.48.035)
31 [(AS 14.42.015)];

1 * Sec. 52. AS 39.50.200(b) is amended by adding a new paragraph to read:

2 (56) Alaska Student Loan Corporation (AS 14.42.100).

3 * Sec. 53. AS 43.23.067(a) is amended to read:

4 (a) AS 09.38 does not apply to permanent fund dividends taken under
5 AS 14.43.120(i). Notwithstanding AS 09.35, the Alaska Student Loan Corporation may
6 take a permanent fund dividend [EXECUTION ON A CLAIM] under AS 14.43.120(i)
7 [IS ACCOMPLISHED] by delivering a certified claim to the department containing the
8 following information:

9 (1) the name and social security number of the individual whose dividend
10 is being claimed;

11 (2) the amount the individual owes on the scholarship loan; and

12 (3) a statement that

13 (A) a [THE] debt for at least the amount claimed has not been
14 contested, or, if contested, that the issue has been resolved in favor of the Alaska
15 Student Loan Corporation [COMMISSION ON POSTSECONDARY
16 EDUCATION]; and

17 (B) if the debt has been contested and resolved in favor of the
18 Alaska Student Loan Corporation [COMMISSION ON POSTSECONDARY
19 EDUCATION], no appeal is pending, the time limit for filing an appeal has
20 expired, or the appeal has been resolved in favor of the commission.

21 * Sec. 54. AS 43.23.067(b) is amended to read:

22 (b) The Alaska Student Loan Corporation [COMMISSION ON
23 POSTSECONDARY EDUCATION] shall notify the individual of a claim under (a) of
24 this section. The notice shall be sent to the address provided in the individual's permanent
25 fund dividend application and must provide the following information:

26 (1) the amount of the claim; and

27 (2) notice that the amount of the permanent fund dividend that does not
28 exceed the amount of the claim shall be paid to the Alaska Student Loan Corporation
29 [COMMISSION ON POSTSECONDARY EDUCATION] unless the commission releases
30 the claim or the individual requests a hearing within 30 days after the date the notice is
31 sent by the commission.

1 * Sec. 55. AS 14.42.010, 14.42.015, 14.42.020, 14.42.025, 14.42.030, 14.42.035, 14.42.040,
2 14.42.045, 14.42.050, 14.42.055, 14.42.170, 14.42.200(18), 14.42.210(c); AS 14.43.090,
3 14.43.105, 14.43.255(c), 14.43.320(a), 14.43.405(a), 14.43.620(b), and 14.43.720(b) are repealed.

4 * Sec. 56. TRANSITIONAL PROVISION: TEMPORARY FEE SCHEDULE FOR
5 CERTAIN ACTIVITIES RELATED TO POSTSECONDARY EDUCATIONAL INSTITUTIONS
6 AND AGENTS. Until a new fee schedule is adopted by regulation to implement the changes
7 made by sec. 47 of this Act, the commission may charge the fees set out in the following
8 schedule for an authorization to operate an institution in this state and for an agent's permit related
9 to activities for postsecondary educational institutions:

- | | | |
|----|---|--------|
| 10 | (1) authorization to operate | \$100; |
| 11 | (2) renewal of authorization to operate | \$100; |
| 12 | (3) an agent's permit | \$ 50; |
| 13 | (4) renewal of an agent's permit | \$ 50. |

14 * Sec. 57. TRANSITION. (a) The terms of the members of the Alaska Commission on
15 Postsecondary Education terminate on the effective date of sec. 1 of this Act. The governor may
16 appoint to the Alaska Student Loan Corporation a person who has served on the Alaska
17 Commission on Postsecondary Education and who meets the qualifications of AS 14.42.120, as
18 repealed and reenacted by this Act. The terms of public persons initially appointed to the Alaska
19 Student Loan Corporation must be set as provided in AS 39.05.055.

20 (b) Litigation, hearings, investigations, and other proceedings pending under a law
21 amended or repealed by this Act, or in connection with functions transferred by this Act, continue
22 in effect and may be continued and completed notwithstanding a transfer or amendment or repeal
23 provided for in this Act.

24 (c) Regulations adopted by the Alaska Commission on Postsecondary Education under
25 authority of AS 14.43 remain in effect until regulations adopted by the Alaska Student Loan
26 Corporation under that chapter, as amended by this Act, take effect. The Alaska Student Loan
27 Corporation may implement and enforce commission regulations until the regulations of the
28 corporation take effect. Notwithstanding sec. 59 of this Act, the Alaska Student Loan Corporation
29 may immediately proceed to adopt regulations necessary to implement the changes made by this
30 Act to AS 14.43. The regulations take effect under AS 44.62 (Administrative Procedure Act),
31 but not before the effective date of sec. 1 of this Act.

1 (d) Regulations adopted under the authority of AS 14.48 by the Alaska Commission on
2 Postsecondary Education, as constituted before July 1, 1996, remain in effect. Notwithstanding
3 sec. 59 of this Act, the commission may immediately proceed to adopt regulations necessary to
4 implement the changes made by this Act to AS 14.48. The regulations take effect under
5 AS 44.62 (Administrative Procedure Act), but not before the effective date of sec. 1 of this Act.

6 (e) Contracts, rights, liabilities, notes, or other obligations created by or under a section
7 of AS 14.43 amended or repealed by this Act, and in effect on June 30, 1996, remain in effect
8 notwithstanding this Act, with all contracts, rights, liabilities, notes, or other obligations created
9 by or under a section of AS 14.43 amended or repealed by this Act becoming contracts, rights,
10 liabilities, notes, or other obligations of the Alaska Student Loan Corporation.

11 (f) Records, equipment, appropriations, and other property of agencies of the state whose
12 functions are transferred under this Act shall be transferred to implement the provisions of this
13 Act.

14 (g) An individual who is an employee of the Alaska Commission on Postsecondary
15 Education on June 30, 1996, becomes an employee of the Alaska Student Loan Corporation on
16 July 1, 1996.

17 (h) Employees of the Alaska Student Loan Corporation who were, on June 30, 1996,
18 employees of the Alaska Commission on Postsecondary Education, are no longer eligible to
19 accrue credited service under AS 14.25.

20 * Sec. 58. Section 57(c) and (d) take effect immediately under AS 01.10.070(c).

21 * Sec. 59. Except as provided in sec. 58 of this Act, this Act takes effect July 1, 1996.

SENATE FINANCE COMMITTEE

SB 301 POSTSECONDARY EDUCATION

PLEASE SIGN-IN BELOW

NAME: JANE BARRETT
Co./Dept/Title: Asst. Dir. Director Phone: 465-6740
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions

NAME: Karen Rehfeld
Co./Dept/Title: Admin. Services, DOE Phone: 465-8650
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions

NAME: Kathleen Shesbary
Co./Dept/Title: Law Phone: 3600
Address: _____ Zip: _____
Do you wish to testify? Yes ^{possible} No Respond to Questions

NAME: _____
Co./Dept/Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions

4/19/96
Jin. G. M. K.

Current Postsecondary Education Commission

14 members including:
Two members of the Board of Regents *
One member representing private higher education
One member representing Dept. of Education
Four public members *
One member of the state Advisory Council on Vocational Education
One member representing community colleges *
Two members from the Legislature
One full-time student *
One member of a proprietary institution *
* Appointed by the Governor and Confirmed by the Legislature

Current Student Loan Corporation

5 members including:
Two members of the Commission **
Commissioner of Revenue *
Commissioner of Administration *
Commissioner of Commerce & Economic Development *
* Appointed by the Governor and confirmed by the Legislature
** Confirmed only if members represent a position that is appointed by the Governor

SB 301 Proposed Postsecondary Education Commission

7 members including:
4 public members *
Commissioner of Revenue *
Commissioner of Administration *
Member representing Dept. of Education *
* Appointed by the Governor and confirmed by the Legislature

SB 301 Proposed Corporation

7 voting members & 3 non-voting members including:
7 members of the Commission (Voting) *
Two members from the Legislature (non-voting)
One full-time student (non-voting)
* Appointed by the Governor and confirmed by the Legislature

Alaska State Legislature

Sen. Lyda Green, Chairman
Sen. Loren Leman, Vice-Chairman
Sen. Mike Miller
Sen. Johnny Ellis
Sen. Judith Salo



State Capitol
Room 423
Juneau, Alaska 99801-1182
907-465-3782

Senate Committee on Health, Education and Social Services

MEMORANDUM

TO: Senator Rick Halford, Co-Chairman
Senate Finance Committee

FROM: Senator Lyda Green, Chairman
Senate Committee on Health, Education and Social Services

DATE: April 3, 1996

RE: Scheduling Request for SB 301

Lyda Green

I respectfully request that SB 301 be scheduled for a hearing by the Senate Finance Committee at the earliest convenience of the Chairman.

The main provisions included in SB 301 propose to:

- * Move the Alaska Student Loan Corporation from the Department of Education to the Department of Revenue;
- * Transfer the administrative functions of the Alaska Commission on Postsecondary Education to the Alaska Student Loan Corporation;
- * Change the membership of the Corporation Board to eliminate special interests and create a majority of public members, not commissioners;
- * Retain the legislative confirmation process of the public members, which Executive Order 97 eliminated;

These changes seek to achieve the same administrative efficiencies proposed in the Governor's Executive Order, remove the outdated provisions in state law that have been since removed from federal regulation and at the same time preserve legislative oversight.

Thank you for your consideration. If you have any questions, please contact me or Mike in my office at 3762.

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

MEMORANDUM

TONY KNOWLES, GOVERNOR

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

TO: Members, Finance Committee
Alaska State Senate

FROM: Diane Barrant, Executive Director

DATE: April 12, 1996

RE: SB 301
Alaska Student Loan Program

I am writing to you about the continuing efforts to provide for the long-term stability of the Alaska Student Loan programs through SB 301. Our commitment is to making changes necessary for the financial success of the loan program, the goal of which is to support all Alaskans in lifelong learning and workforce preparation.

Many provisions in the legislation were first proposed in Executive Order 97 (see attached comparison sheet). The governor's plan called for elimination of a nearly redundant board and consolidation of all student financial aid functions under an expanded, special interest-free corporation board. The primary goal was to create and maintain a clear and distinct focus on the general welfare of our programs and customers.

This legislation would also make some positive changes--separating the institutional authorization activity and assigning it to the Department of Education while moving the administration of the loan fund and the loan programs, within the Alaska Student Loan Corporation, to the Department of Revenue; eliminating special interest representation on the board; and, repealing unnecessary or redundant statutes.

However, this bill still leaves in its wake the inefficiencies of a state agency having to run two separate boards when only one is needed. Also, the corporation's bond counsel, Ken Vassar, Wohlforth, Argetsinger, Johnson and Brecht, has reviewed the legislation and has expressed serious concerns about the proposed composition of the corporation board. His letter is attached.

In our current climate of budget reduction and restraint an obvious solution to the first issue would be to eliminate the Commission altogether and let the State Board of Education accept, amend or reject the recommendations of the Institutional Authorization staff. Secondly, to address bond counsel's concerns, the bill could be amended to remove the nonvoting legislative members. I urge you to consider these options in your effort to ensure that the best interest of the programs and the Alaskan people can continue to be served.

As you deliberate over this legislation, I would appreciate your input on this or any other matter involving the student loan programs.

Attachments

**COMPARISON OF EXECUTIVE ORDER 97 AND RELATED LEGISLATION
ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

Feature	Executive Order 97	CS HB 535	CS SB 301
ASL Fund Stability	<p>Eliminates 14 member Commission;</p> <p>Transfers agency to the Department of Revenue;</p> <p>ASL program governed by a single group of 7 members instead of two groups totaling 17 members.</p>	<p><u>Transfers Commission to the Department of Education for oversight of Institutional Authorization:</u></p> <p><u>Transfers administration of the loan fund and ASL programs to the Department of Revenue;</u></p> <p><u>ASL programs governed by ASL Corporation of 10 members (3 are ex officio non voting members):</u></p> <p><u>Provides authority to adopt regulations under general provisions for all programs.</u></p>	<p><u>Transfers Commission to the Department of Education for oversight of Institutional Authorization:</u></p> <p><u>Transfers administration of the loan fund and ASL programs to the Department of Revenue;</u></p> <p><u>ASL programs governed by ASL Corporation of 10 members (3 are ex officio non voting members):</u></p> <p><u>Provides authority to adopt regulations under general provisions for all programs.</u></p>
Administrative Efficiency	<p>Eliminates costs associated with a 14 member commission meeting 4 times a year;</p> <p>Provides additional bonding expertise from the Department of Revenue;</p> <p>Streamlines the investment functions of the student loan fund;</p>	<p>Reduces costs associated with a 14 member commission meeting 4 times a year;</p> <p>Provides additional bonding expertise from the Department of Revenue;</p> <p>Streamlines the investment functions of the student loan fund;</p> <p><u>Replaces Commissioner of C & ED with representative from Department of Education;</u></p> <p><u>Transfers authority to receive GF funds for WAMI program to the University of Alaska;</u></p>	<p>Reduces costs associated with a 14 member commission meeting 4 times a year;</p> <p>Provides additional bonding expertise from the Department of Revenue;</p> <p>Streamlines the investment functions of the student loan fund;</p> <p><u>Replaces Commissioner of C & ED with representative from Department of Education;</u></p> <p><u>Transfers authority to receive GF funds for WAMI program to the University of Alaska;</u></p>

Underlined text indicates language *not* included in EO

Feature	Executive Order 97	CS HB 535	CS SB 301
<p>Constitutional and Legal Authority Clarifications</p>	<p>Resolves constitutional issue that exists with two legislators sitting on a regulatory commission;</p> <p>The staff of the corporation transfer to the Department of Revenue for administrative support purposes only;</p> <p>Expands scope of policy and planning by the Department of Education to include postsecondary education;</p>	<p><u>Does not resolve constitutional issue that exists with legislative representation on a public Corporation;</u></p> <p>The staff of the corporation transfer to the Department of Revenue for administrative support purposes only;</p> <p><u>Leaves legislative confirmation of Commission members;</u></p> <p><u>Requires membership of the Corporation to also serve on Commission;</u></p> <p><u>Expands scope of policy and planning by the Department of Education to perform Institutional Authorization functions;</u></p> <p><u>Commission to adopt regulations to establish institutional review fees.</u></p>	<p><u>Does not resolve constitutional issue that exists with legislative representation on a public Corporation;</u></p> <p>The staff of the corporation transfer to the Department of Revenue for administrative support purposes only;</p> <p><u>Leaves legislative confirmation of Commission members;</u></p> <p><u>Requires membership of the Commission to also serve on Corporation;</u></p> <p><u>Expands scope of policy and planning by the Department of Education to perform Institutional Authorization functions;</u></p> <p><u>Commission to adopt regulations to establish institutional review fees.</u></p>
<p>Technical Changes</p>	<p>none</p>	<p><u>Corrects errors found in SB 123 regarding half-time loan amounts and length of study for half-time career education programs.</u></p>	<p><u>Corrects errors found in SB 123 regarding half-time loan amounts and length of study for half-time career education programs.</u></p>

Underlined text indicates language not included in EO

SENT BY: WOHLFORTH

: 4- 4-96 : 2:57PM :

WOHLFORTH-

2/ 3

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

A PROFESSIONAL CORPORATION

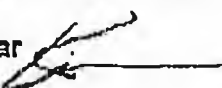
ATTORNEYS AT LAW

305 WEST 6TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-2000TELEPHONE
(907) 576-8400FACSIMILE
19971 576-8400JULIUS J. BRECHT
CYNTHIA L. CARLEDOE
ROBERT M. JOHNSON
THOMAS F. KLINNER
BRADLEY G. MEYER
KENNETH E. VASSAR
ERIC R. WOHLFORTHOF COUNSEL
PETER ARGETSINGER

MEMORANDUM

TO: Diane Barrans
Executive Director
Alaska Student Loan Corporation

Teresa E. Williams
Assistant Attorney General
Attorney General's Office

FROM: Ken Vassar 

DATE: April 4, 1996

SUBJECT: Comments Regarding CS for Senate Bill No. 301 (HES) (Legislative Affairs Work Draft 9-LS1749V Dated 3/29/96) and CS for House Bill No. 535 (HES) (Legislative Affairs Work Draft 9-851748V Dated 3/27/96)
Our File No. 4908.0213

As we discussed over the telephone yesterday, I have reviewed the above-referenced draft legislation. The two bills are similar in most respects, although there are some differences. I offer the following comments for your consideration.

My first, and most serious, concern arises on page 3, lines 8 through 11, of the Senate Bill and at page 3, lines 9 through 12, of the House Bill. Under these provisions, two legislators would be included as members of the board of directors of the Alaska Student Loan Corporation. Even though these members would be nonvoting, I am very concerned that inclusion of legislators on the governing board of an executive branch agency may violate the separation of powers concept of the Alaska Constitution.

This concern is particularly serious because it goes to the validity of the Corporation's decision-making process. Any issuance of bonds by the Corporation must be approved by its board of directors, and the validity of any such approval by the board of directors depends upon the validity of the board's membership. I fear that the inclusion of legislators on the board may constitutionally taint the

SENT BY:WOHLFORTH

; 4- 4-96 ; 2:58PM ;

WOHLFORTH

3/ 3

board's validity. If there is any reasonable possibility that this is the case, it would be difficult, if not impossible, for us to provide an approving opinion in connection with an attempt by the Corporation to Issue bonds. This issue will certainly require further research and consultation with the Department of Law if it remains a part of the legislation.

Also relating to the membership of the board of directors. I note that the language contained on page 3, lines 14 through 16, of the Senate Bill, relating to the student members of the board, is an improvement over the corresponding language contained in the House Bill (page 3, lines 15 through 17). The previous version would have specified certain existing universities from which the student members would be chosen. The current version calls for selection of the members from colleges in Alaska without naming particular colleges. In the interest of avoiding questions of special or local legislation under Article II, Section 19, of the State Constitution, I think the current version is far preferable.

As a new bill section to be added at page 5 before the existing section 8 at line 2 of the Senate Bill and line 6 of the House Bill, we discussed amending AS 14.42.200(9). This paragraph, as it currently reads, gives the Corporation the power to "collect from a borrower amounts owed with respect to a student loan the corporation has purchased". Under the proposed legislation, the Corporation will make loans directly rather than purchasing them from another entity. Accordingly, AS 14.42.200(9) should more appropriately read: "collect from a borrower amounts owed with respect to a student loan held by the corporation".

Finally, this legislation would also shift many of the duties of the Alaska Commission on Postsecondary Education over to the Corporation and (at page 21, line 2 of the Senate Bill and line 4 of the House Bill) would repeal AS 14.43.090 (establishing the scholarship revolving loan fund and describing how that fund can be used). Since the Corporation would be taking on many of the Commission's responsibilities, it should be given adequate powers to accomplish those duties as well. Accordingly, I would suggest borrowing from AS 14.43.090 the phrase "to pay the costs of administering the fund" and add it to the proposed amendment of AS 14.42.210(b) on page 5, at lines 18 through 21 of the Senate Bill and lines 22 through 25 of the House Bill.

I hope these comments are helpful. I am happy to review further drafts as you consider appropriate.

MEMORANDUM 04/04/1996

Comments Regarding CS for Senate Bill No. 301 (HES) (Legislative Affairs Work Draft 3-LS17-93F Dated 3/23/96)
and CS for House Bill No. 533 (HES) (Legislative Affairs Work Draft 3-6317481K Dated 3/27/96)

NSP/6484/MS/1211

Page 2.

SB

303

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: April 26, 1996

FURTHER REFERRALS:

Date of Committee Action: 4/27/96

The FINANCE Committee considered:

CSSB 303(FIN)

CS FOR SENATE BILL NO. 303(FIN)

MANAGEMENT OF CONSTIT BUDGET RESERVE FUND

"An Act relating to management of the budget reserve fund; and providing for an effective date."

recommends it be replaced with the following committee substitute

CSSB 303(FIN)

[X] the same title [] a new title

[] additional referral to _____ Committee [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) _____

[] fiscal note(s) _____

[] zero fiscal note(s) _____

[X] zero fiscal note(s) DOR 4/23/96

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Richard Josey</i>	Foster	X			
<i>Mark Hanley</i>	Hanley	X			
<i>Sean Pannell</i>	Pannell	X			
<i>Liz Kohring</i>	Kohring	X			
<i>Ben Grussendorf</i>	Grussendorf	X			
<i>Mike Navarre</i>	Navarre	X			
<i>Patt Kelly</i>	Kelly	X			
<i>Gene Theriault</i>	Theriault	X			

CHAIR'S SIGNATURE *Mark Hanley*

Richard Josey

Revision Date: April 23, 1996 Dept. Affected: Revenue
 Title: An Act relating to the management of the budget BRU: Revenue Operations
reserve fund Component: Treasury
 Sponsor: Senate Finance Committee
 Requestor: Senate Finance Committee COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1001 Constitutional Budget Reserve Fund						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Betty Martin, Comptroller *Betty Martin* Phone: 465-2350
 Division: Treasury *[Signature]* Date: April 23, 1996
 Approved by Commissioner: Ross A. Kinney, Deputy Commissioner Date: April 23, 1996
 Agency: Department of Revenue

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

For further distribution information call the Governor's Legislative Office

PROVIDED BY THE SENATE FINANCE COMMITTEE

CSSB 303 (FIN) OVERVIEW

As of April 24, 1996

Giving the Governor the ability to transfer management of all or a portion of the Constitutional Budget Reserve Fund (CBRF) to the Permanent Fund Corporation

1. provides another tool to increase the investment return on the CBRF so
 - a. the CBRF can become a long range income source for the operations of state government; and
 - b. the increased annual earnings will be available to reduce the budget gap; and
2. avoids the pitfalls of a statutory micro-management of the CBRF.

The investment performance reporting requirements will keep the legislature appraised of the administration's efforts to improve the performance of the CBRF.

SB 303

The Finance Committee considered SENATE BILL NO. 303 An Act relating to management of the budget reserve fund; and providing for an effective date and recommended it be replaced with

CS FOR SENATE BILL NO. 303 (FIN)

Signing do pass: Senator Frank, Cochair, Senators Rieger, Phillips, Donley, Sharp. Signing no recommendation: Senator Halford, Cochair, Senator Zharoff.

Fiscal note information forthcoming.

The bill was referred to the Rules Committee.

SB 303

Senator Halford moved and asked unanimous consent that the bill be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 303(FIN) was read the third time.

The question being: Shall CS FOR SENATE BILL NO. 303(FIN) An Act relating to management of the budget reserve fund; and providing for an effective date pass the Senate? The roll was taken with the following result:

CSSB 303(FIN)

Third Reading - Final Passage

Effective Date

YEAS: 19 NAYS: 1 EXCUSED: 0 ABSENT: 0

Yeas: Adams, Donley, Duncan, Ellis, Frank, Green, Hoffman, Kelly, Leman, Lincoln, Miller, Pearce, R.Phillips, Rieger, Salo, Sharp, Taylor, Torgerson, Zharoff

Nays: Halford

and so, CS FOR SENATE BILL NO. 303(FIN) passed the Senate.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clause. Without objection, it was so ordered.

Senator Duncan gave notice of reconsideration.

SB

303

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/8/96

FURTHER:

Date of 5-Day Notice: 3-14-96
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: 4-23-96

The Finance Committee considered SB 303

Relating to the management of the budget reserve fund.

and recommends:

- be replaced with _____ CS SB 303 (Fix)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:
- same title
 - new title
- House Bill:
- same title
 - technical change
 - new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Phipps</i>	✓	<i>Paul E. Kelly</i>	✓		
<i>Paul E. Kelly</i>	✓				
<i>David Douglas</i>	✓				
<i>Bob May</i>	✓				
Co-Chair: <i>Don</i>	✓	Co-Chair: _____			
Co-Chair: _____		Co-Chair: <i>Rick Halford</i>	✓		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

DOR	4/23/96	0	

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Revision Date: April 23, 1996 Dept. Affected: Revenue
 Title: An Act relating to the management of the budget BRU: Revenue Operations
reserve fund Component: Treasury
 Sponsor: Senate Finance Committee
 Requestor: Senate Finance Committee COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1001 Constitutional Budget Reserve Fund						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Betty Martin, Comptroller *Betty Martin* Phone: 465-2350
 Division: Treasury *[Signature]* Date: April 23, 1996
 Approved by Commissioner: Ross A. Kinney, Deputy Commissioner Date: April 23, 1996
 Agency: Department of Revenue

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

For further distribution information call the Governor's Legislative Office

4/23/96
JK
moved
no
obj.
Adopted

9-LS1697F
Cook
4/19/96

CS FOR SENATE BILL NO. 303(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to management of the budget reserve fund; and providing for
2 an effective date."

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

4 * **Section 1.** AS 37.10 is amended by adding a new section to read:

5 Sec. 37.10.430. **MANAGEMENT OF THE BUDGET RESERVE FUND.** (a)
6 The Department of Revenue may transfer management responsibility over all or a
7 portion of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)
8 to the Alaska Permanent Fund Corporation.

9 (b) By March 15 of each year, the Department of Revenue shall, after
10 consulting with the Alaska Permanent Fund Corporation, prepare a report setting out
11 the balance in the budget reserve fund (art. IX, sec. 17, Constitution of the State of
12 Alaska) on January 1 and on December 31 of the previous calendar year. The report
13 shall state the nominal, real, and realized return on the budget reserve fund compared
14 to the nominal, real, and realized return on the permanent fund and the general fund

1 during the previous calendar year.

2 * Sec. 2. AS 44.25.020 is amended to read:

3 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue
4 shall

5 (1) enforce the tax laws of the state;

6 (2) collect, account for, have custody of, invest, and manage all state
7 funds and all revenues of the state except revenues incidental to a program of licensing
8 and regulation carried on by another state department, [AND] funds managed and
9 invested by the Alaska State Pension Investment Board, and as otherwise provided
10 by law;

11 (3) register cattle brands;

12 (4) supply necessary clerical and administrative services for the
13 Alcoholic Beverage Control Board;

14 (5) invest and manage the balance of the power development fund in
15 accordance with AS 44.83.386;

16 (6) in accordance with the policies established by the board of trustees
17 of the Alaska State Pension Investment Board, collect, account for, have custody of,
18 invest, and manage the state funds for which the board is responsible;

19 (7) administer the surety bond program for licensure as a fish processor
20 or primary fish buyer.

21 * Sec. 3. This Act takes effect July 1, 1996.

3/19/96
JFC
Don Wanie
DOA

Division of Finance Comments Regarding SB303

1. Our comments regarding the bill concern its effect on cash flow.
2. Historically (the past 4-5 years) the front section of the budget has contained language appropriating money from the CBRF to the GF for the purpose of balancing revenues and expenditures.
3. During that same time, the state spending pattern has been such that during the first four to five months of each fiscal year expenditures have exceeded revenues by anywhere from \$250 million on the low end to well over \$350 million on the high end, creating cash flow problems.
4. To meet those cash shortfall conditions and to avoid shutting down state payments to vendors, school districts, municipalities, and the university, the division of finance has transferred cash from the CBRF to the General fund.
5. Our concern now is that if the custody of the CBRF is transferred to the Permanent Fund Corporation will the same opportunity exist to transfer cash from the CBRF for the purpose of balancing expenditures and revenues and for cash flow purposes?
6. If the opportunity is preserved through the use of front section language then our primary concern will be how quickly the funds can be made available when a cash crisis occurs?
7. If the opportunity is not preserved, then we are wondering what the mechanism will be for balancing revenues and expenditures and will it also apply to cash shortage situations.

SENATE FINANCE COMMITTEE

SB 303 PURPOSES

March 18, 1996

Having the Constitutional Budget Reserve Fund (CBRF) managed by the Permanent Fund Corporation is intended to:

1. maximize the investment return on the CBRF;
2. promote the CBRF as a long range income source for the operations of state government; and
3. allow the annual earnings to be used to reduce the budget gap.

RECEIVED 3/18/96
From DOR, TREASURY

BILL ANALYSIS - SB 303
ANALYSIS OF BILL/PROGRAM EFFECTS

■ Effect of the Bill

The bill transfers asset management of the Constitutional Budget Reserve Fund (CBRF) from the Department of Revenue to the Alaska Permanent Fund Corporation (APFC).

■ Current Constitutional Budget Reserve Fund Investment Management Approach

The Treasury Division believes that because of the need for liquidity, the CBRF has a moderate risk tolerance. The Treasury Division manages the Fund's risk exposure by investing in United States Treasury and high quality corporate fixed income (bonds) securities with maturities that will not exceed five years. Circumstances can require that money in the CBRF be used in the current or upcoming fiscal year. The Department of Revenue expects the legislature to make appropriations from this fund over the next few years, and projects that the fund will last at least four years. Therefore, the Treasury Division invests the money in the CBRF in a manner that entails some principal risk.

■ How the APFC Manages Their Portfolio

The APFC manages the assets of the Fund in a similar manner to the Public Employees' and Teachers' Retirement Systems. The APFC has a long-term investment time horizon. This allows the APFC to invest in a diversified portfolio of asset classes that have greater near-term volatility to achieve higher expected returns over the longer term. The APFC invests in domestic equities, international equities and real estate as well as fixed income securities.

■ Historical Returns

On July 1, 1994, the Treasury Division pooled fixed income assets from multiple portfolios. By pooling the funds, the Treasury Division can invest fewer assets in lower yielding short-term securities. This investment approach has increased revenue to the General Fund and the CBRF by an aggregate \$50 million per year.

While the CBRF earned 10.25% for calendar year 1995, the Treasury Division's approach to manage the risk of the CBRF is highlighted by the returns to the portfolio in FY 1993. In FY 1993, the bond market lost 1.45% for the year. By comparison, the CBRF earned 3.45% for the year.

■ Investment Considerations

Commingling the assets of the Constitutional Budget Reserve Fund in a portfolio that invests in domestic and international equities exposes the fund to short-term market volatility and ignores the probability of negative returns. This would not only expose the CBRF to potential losses, appropriations from the Fund could potentially have a negative impact on APFC dividend payouts.

■ Conclusion

Funds can be appropriated from the CBRF to the General Fund because of unanticipated revenue decrease or an increase in expenditures. While it is clear every attempt is being made towards fiscal discipline, neither revenues nor expenditures can be guaranteed for a prolonged period of time.

The Treasury Division manages multiple asset class portfolios. If the CBRF had a longer investment time horizon, the Treasury Division would employ more aggressive investment strategies.

STATE OF ALASKA

DETAIL RATES OF RETURN
DECEMBER 1995

MONTH	***** MONTH-END VALUES (\$000) *****				PORTFOLIO RATES OF RETURN (%)					INDEX RATES OF RETURN (%)			
	CASH EQUIV	EQUITIES	FIXED INCOME	RECV'S /PAY'S	TOTAL	CASH EQUIV	EQTY	FIXED	INVEST ASSETS	TOTAL	91 DAY T-BIL	S&P 500	LB GC COM
CUMULATIVE RETURN SINCE INCEPTION (03/91)					24.41	N/A	N/A	28.45	28.59	24.13	87.94	55.44	
CUMULATIVE RETURN CALENDAR YEAR 1995					6.31	N/A	10.42	10.25	10.25	6.12	37.45	19.24	
CUMULATIVE RETURN CALENDAR YEAR 1994					4.21	N/A	3.19	3.53	3.53	4.23	1.29	-3.51	
CUMULATIVE RETURN CALENDAR YEAR 1993					3.35	N/A	3.55	3.47	3.48	3.26	9.99	11.06	
CUMULATIVE RETURN CALENDAR YEAR 1992					4.32	N/A	N/A	4.30	4.33	3.91	7.68	7.58	
12-95	131,660		2,175,191		2,306,850	0.48	N/A	0.79	0.77	0.77	0.57	1.85	1.47
11-95	111,919		1,810,555		1,922,474	0.46	N/A	0.89	0.87	0.87	0.45	4.40	1.65
10-95	79,281		1,874,239		1,953,520	0.53	N/A	0.86	0.85	0.85	0.47	-0.35	1.47
09-95	55,648		1,858,221		1,913,869	0.48	N/A	0.54	0.54	0.54	0.45	4.20	1.02
08-95	151,944		1,848,173		2,000,116	0.50	N/A	0.64	0.63	0.63	0.50	0.27	1.28
07-95	210,223		1,836,388		2,046,611	0.49	N/A	0.29	0.31	0.31	0.49	3.33	-0.39
06-95	210,901		1,831,033		2,041,935	0.50	N/A	0.58	0.57	0.57	0.53	2.35	0.80
05-95	203,728		1,820,558		2,024,286	0.58	N/A	1.60	1.54	1.54	0.56	3.95	4.19
04-95	72,116		1,791,875		1,863,991	0.51	N/A	0.83	0.81	0.81	0.46	2.91	1.39
03-95	47,637		1,727,351		1,774,988	0.52	N/A	0.60	0.60	0.60	0.51	2.96	0.67
02-95	50,776		1,679,064		1,729,840	0.57	N/A	1.21	1.19	1.19	0.48	3.88	2.32
01-95	51,665		1,658,970		1,710,635	0.53	N/A	1.13	1.11	1.11	0.49	2.60	1.92
12-94	48,734		1,640,483		1,689,217	0.47	N/A	0.39	0.40	0.40	0.52	1.46	0.66
11-94	127,858		1,103,212		1,231,070	0.42	N/A	-0.02	0.04	0.04	0.37	-3.67	-0.18
10-94	125,631		833,347		958,977	0.41	N/A	0.33	0.35	0.35	0.42	2.29	-0.11
09-94	147,401		581,093		728,494	0.37	N/A	0.06	0.17	0.17	0.38	-2.41	-1.51
08-94	246,642		480,786		727,428	0.39	N/A	0.61	0.42	0.42	0.36	4.07	0.04
07-94	960,124				960,124	0.39	N/A	0.00	0.39	0.39	0.39	3.31	2.00
06-94	770,290		170,264		940,554	0.35	N/A	0.39	0.38	0.36	0.40	-2.47	-0.23
05-94	757,733		178,453		936,186	0.33	N/A	0.33	0.33	0.33	0.32	1.64	-0.18
04-94	693,641		239,478		933,118	0.26	N/A	0.30	0.27	0.27	0.26	1.30	-0.83
03-94	493,866		315,528		809,394	0.30	N/A	0.25	0.28	0.28	0.28	-4.35	-2.45
02-94	491,123		315,789		808,912	0.18	N/A	0.14	0.18	0.16	0.17	-2.70	-2.18
01-94	445,099		380,261		805,361	0.27	N/A	0.36	0.32	0.32	0.29	3.35	1.50
12-93	233,087		515,821	-10,176	738,732	0.31	N/A	0.32	0.32	0.32	0.30	1.23	0.44
11-93	199,318		507,127		706,445	0.25	N/A	0.26	0.26	0.26	0.28	-0.94	-1.13
10-93	94,397		609,952		704,349	0.26	N/A	0.23	0.23	0.23	0.25	2.03	0.41
09-93	91,330		607,167		698,497	0.27	N/A	0.29	0.29	0.29	0.27	-0.74	0.35

Note: Month-end values include accrued dividend and interest income.

RECEIVED 3/18/96
FROM DOB, TENSURUM

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act relating to the management of the budget BRU: Revenue Operations
reserve fund Component: Treasury
 Sponsor: Senate Finance Committee
 Requestor: Senate Finance Committee COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	398.5	398.5	398.5	398.5	398.5	398.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
1001 Constitutional Budget Reserve Fund	-448.5	-448.5	-448.5	-448.5	-448.5	-448.5
TOTAL	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Currently the Treasury Division charges funds managed for direct costs, plus allocates personal services and overhead costs, generally based upon the fund's size relative to all funds managed. If the CBRF were to be moved out of Treasury, there would be some direct decrease in custodial services we are charged. However, the loss of these funds would not significantly impact the day-to-day overall operation of Treasury and would therefore not result in any actual reduction in personnel or overhead. Because there would not be any actual savings in these areas, Treasury would need to rely on an increase in general funds to fund these expenditures.

Prepared by: Betty Martin, Comptroller *Betty Martin* Phone: 465-2350
 Division: Treasury Date: March 18, 1996
 Approved by Commissioner: Wilson L. Condon *Wilson L. Condon* Date: March 18, 1996
 Agency: Department of Revenue

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

For further distribution information call the Governor's Legislative Office

4/23/96

Tom-

Will new CS (Fix)
for SB 303 change
the fiscal note?

Kathy

Tom said yes. It
should go to zero.

CS FOR SENATE BILL NO. 303(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to management of the budget reserve fund; and providing for
2 an effective date."

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

4 * Section 1. AS 37.10 is amended by adding a new section to read:

5 Sec. 37.10.430. MANAGEMENT OF THE BUDGET RESERVE FUND. (a)

6 The Department of Revenue may transfer management responsibility over all or a
7 portion of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)
8 to the Alaska Permanent Fund Corporation.

9 (b) By March 15 of each year, the Department of Revenue shall, after
10 consulting with the Alaska Permanent Fund Corporation, prepare a report setting out
11 the balance in the budget reserve fund (art. IX, sec. 17, Constitution of the State of
12 Alaska) on January 1 and on December 31 of the previous calendar year. The report
13 shall state the nominal, real, and realized return on the budget reserve fund compared
14 to the nominal, real, and realized return on the permanent fund and the general fund

1 during the previous calendar year.

2 * Sec. 2. AS 44.25.020 is amended to read:

3 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue
4 shall

5 (1) enforce the tax laws of the state;

6 (2) collect, account for, have custody of, invest, and manage all state
7 funds and all revenues of the state except revenues incidental to a program of licensing
8 and regulation carried on by another state department, [AND] funds managed and
9 invested by the Alaska State Pension Investment Board, and as otherwise provided
10 by law:

11 (3) register cattle brands;

12 (4) supply necessary clerical and administrative services for the
13 Alcoholic Beverage Control Board;

14 (5) invest and manage the balance of the power development fund in
15 accordance with AS 44.83.386;

16 (6) in accordance with the policies established by the board of trustees
17 of the Alaska State Pension Investment Board, collect, account for, have custody of,
18 invest, and manage the state funds for which the board is responsible;

19 (7) administer the surety bond program for licensure as a fish processor
20 or primary fish buyer.

21 * Sec. 3. This Act takes effect July 1, 1996.

58303
3/20/96
Pete Bushra

ALASKA PERMANENT FUND
Rolling 12 month
Cashflow Forecast
(in Millions of Dollars)

	Fiscal 1996				Fiscal 1997							
	<u>Mar-96</u>	<u>Apr-96</u>	<u>May-96</u>	<u>Jun-96</u>	<u>Jul-96</u>	<u>Aug-96</u>	<u>Sep-96</u>	<u>Oct-96</u>	<u>Nov-96</u>	<u>Dec-96</u>	<u>Jan-97</u>	<u>Feb-97</u>
BEGINNING CASH	217.4	241.6	205.2	347.3	249.1	292.1	403.3	(101.0)	(137.1)	(25.8)	4.6	72.1
INFLOWS												
Interest	11.4	35.4	83.8	23.5	39.2	82.8	17.3	35.6	82.9	23.4	39.1	82.7
Principal	1.8	151.8	31.8	51.8	1.8	1.8	51.9	51.9	1.9	30.5	1.9	23.9
Real Estate Income	4.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
DNR Wires	<u>8.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>
Total Inflows	25.7	215.2	143.6	103.3	69.0	112.7	97.2	115.4	112.8	81.9	69.0	134.6
OUTFLOWS												
Dividend	0.0	0.0	0.0	0.0	(24.5)	0.0	(600.0)	0.0	0.0	0.0	0.0	0.0
Manager Funding	0.0	(250.0)	0.0	(200.0)	0.0	0.0	0.0	(150.0)	0.0	(50.0)	0.0	0.0
Real Estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operations Expense	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>
Total Outflows	(1.5)	(251.5)	(1.5)	(201.5)	(26.0)	(1.5)	(601.5)	(151.5)	(1.5)	(51.5)	(1.5)	(1.5)
SURPLUS *	<u>241.6</u>	<u>205.2</u>	<u>347.3</u>	<u>249.1</u>	<u>292.1</u>	<u>403.3</u>	<u>(101.0)</u>	<u>(137.1)</u>	<u>(25.8)</u>	<u>4.6</u>	<u>72.1</u>	<u>205.2</u>

NOTES:

1. Ignores dividend cashflow from the equity portfolio.
 2. Net investment/sales includes the transactional liquidity required by equity managers and fixed income. Minimum of \$40MM
- * Negative numbers requires staff to raise cash by selling securities in the fixed income portfolio.

SB

304

SFIN

FILE



Alaska State Legislature
Senate

Office of the Secretary

P.O. BOX V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

OFFICIAL BUSINESS

FOR YOUR IMMEDIATE ATTENTION

DATE:

4/19/96

TO SENATE COMMITTEE:

Finance

FROM: Office of the Senate Secretary

The Chairman of the above-referenced Committee has waived the Committee referral on the following bill(s):

SB 304 - Eligibility for Longevity
Bonus

Please give the bill file(s) to the page delivering this message for forwarding to the next Committee of referral.

Thank you for your prompt attention to this request.

JR/s

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 1
Bill Version: SB 304
(S) Publish Date: 3-20-96

Revision Date: _____ Dept. Affected: Administration
 Title: An act relating to eligibility for the longevity BRU: Longevity Bonus Program
 bonus program Component: Longevity Bonus Program
 Sponsor: Senate State Affairs
 Requestor: Senate State Affairs **COMPONENT SERIAL NO.** 26

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)
MISCELLANEOUS						
TOTAL OPERATING	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
Total	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)

Estimate of current year (FY 96) cost: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Longevity Bonus Payment System, which is the system used to generate monthly Longevity Bonus warrants, also tracks recipient absences, based on information provided by the recipients. If this legislation is passed, there are currently 15 recipients who would be out of compliance with program requirements and who would be disqualified from the Longevity Bonus program immediately. We anticipate that another 15 recipients would become disqualified over the course of the year. For the purposes of this fiscal note, we have assumed that approximately 15 recipients would become disqualified each year. For the purpose of this fiscal note, we have also assumed that these recipients are all at the \$250 payment level, although in reality this may not be the case.

Prepared by Connie J. Sipe
 Division: Division of Senior Services

Phone: 563-5654
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 3/15/96

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

FISCAL NOTE

3/12/96
STA FIN

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 304

Revision Date: _____	Dept. Affected: <u>Administration</u>
Title: <u>An act relating to eligibility for the longevity bonus program</u>	BRU: <u>Longevity Bonus Program</u>
Sponsor: <u>Senate State Affairs</u>	Component: <u>Longevity Bonus Program</u>
Requestor: <u>Senate State Affairs</u>	COMPONENT SERIAL NO. <u>26</u>

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)
MISCELLANEOUS						
TOTAL OPERATING	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 GF	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
Total	(90.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)

Estimate of current year (FY 96) cost: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Longevity Bonus Payment System, which is the system used to generate monthly Longevity Bonus warrants, also tracks recipient absences, based on information provided by the recipients. If this legislation is passed, there are currently 15 recipients who would be out of compliance with program requirements and who would be disqualified from the Longevity Bonus program immediately. We anticipate that another 15 recipients would become disqualified over the course of the year. For the purposes of this fiscal note, we have assumed that approximately 15 recipients would become disqualified each year. For the purpose of this fiscal note, we have also assumed that these recipients are all at the \$250 payment level, although in reality this may not be the case.

Prepared by Connie J. Sipe
Division: Division of Senior Services

Phone: 563-5654
Date: _____

Approved by Commissioner: Mark Boyer
Agency: Department of Administration

Date: 3/15/96

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

SB 304

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 3/8/96

FURTHER: Finance

Date of 5-Day Notice: 3/14/96
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/19/96

The State Affairs Committee considered SB 304

Relating to eligibility for the longevity bonus program.

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DQ PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Loren A. Linnaw</i>	✓	<i>David D. Wiley</i>	✓		
<i>Reed E. Reed</i>	✓	<i>John Duncan</i>	✓		
CHAIR: <i>Ben A. ...</i>	✓	CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>Administration</i>	<i>3/15</i>		*

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SB

306

SFIN

FILE

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 306 STA

Revision Date: _____ Dept. Affected: Corrections
 Title: "An Act providing for the issuance of ...bonds
...correctional facilities BRU: ALL
 Component: _____
 Sponsor: Senate Rules
 Requester: Senate Judiciary COMPONENT SERIAL NO. #0694

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	85.9	180.9	190.5	200.6	211.2	219.1
TRAVEL	5.0	15.0	15.0	20.0	10.0	10.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	10.0	20.0	20.0	20.0	20.0	20.0
TOTAL OPERATING	100.9	215.9	225.5	240.6	241.2	249.1

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	100.9	215.9	225.5	240.6	241.2	249.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	100.9	215.9	225.5	240.6	241.2	249.1

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME	3					
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The operational costs to the Department of Corrections are revenue neutral. Advanced planning costs to the Department of Corrections and Transportation will be borne by an appropriation in the front forms of the operating budget to the "Public Facilities Planning Fund" (PFPF) which will allow the two departments to conduct cooperative advance planning for each set of projects. As bonds are issued the PFPF is reimbursed, until all advanced planning costs are offset by bond proceeds over the life of the projects. Corrections staffing is necessary to ensure that advance architectural and engineering work comports with operational and security needs and so that the need for change orders during construction is minimized.

Corrections costs are:

3 PFT's are needed for the life of the construction phases to the beginning of the first full year of operations for all institutions. 1 Facilities Manager I (\$67.4); 1 PFT Criminal Justice Planner I (\$71.9); and 1 PFT Administrative Clerk I (\$32.5). A minimal amount of annual travel funds to enable staff to cover on-site inspections and design and construction meetings, and some miscellaneous operating costs to cover communication and supply materials.

(Continued on Page 2)

Prepared by: Jerry Shriner Phone: 465-4652
 Division: Office of the Commissioner Date: 4/10/96
 Approved by Commissioner: Margaret M. Pugh Date: 4/10/96
 Agency: Department of Corrections

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

FISCAL NOTE

CSSB 306

"An Act Providing for the Issuance ofbonds.....Correctional Facilities."

Page 2

Department of Corrections functions required to support design and construction of the proposed construction projects include:

- * Verify staffing and operational requirements for each facility;
- * Coordinate RSA services and documentation;
- * Coordinate design and construction phase meetings at each location;
- * Attend on-site design phase and construction phase meetings at each location;
- * Ensure that security-related issues are resolved in each construction plan;
- * Develop and implement a transition plan inclusive of staff training; and
- * Confirm operating budget increments for each facility.

FISCAL NOTE

No. 1

Bill Version: SB 306

(S) Publish Date: 3/12/96

Revision Date: _____ Dept. Affected: Revenue
 Title: General Obligation Bond for Correctional Facilities BRU: Revenue Operations
 Component: Treasury Division
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	35.7	125.1	86.8	50.4	32.9	42.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	35.7	125.1	86.8	50.4	32.9	42.6

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Construction Funds	35.7	125.1	86.8	50.4	32.9	42.6
TOTAL	35.7	125.1	86.8	50.4	32.9	42.6

Estimate of any current year (FY96) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Betty Martin, Comptroller
 Division: Treasury Division
 Approved by Commissioner: Wilson Condon
 Agency: Department of Revenue

Phone: 465-2350
 Date: March 8, 1996
 Date: March 8, 1996

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

FISCAL ANALYSIS:

The \$35.7 reflects costs of the Treasury Division to manage the bond proceeds (primarily custodian and paying agent fees) during the construction period. Treasury estimates that the funds will earn approximately several million dollars of interest based on a 5.5% annual rate of return. All interest earnings are retained in the bond fund to pay related costs or pay back debt.

The following assumptions have been used in the above calculations:

Bonds will be issued in five lots. While this will increase issuance costs (anticipated to be \$2,155,000), it will result in a reduction in interest expense over the life of the bonds of over \$7,000,000. Principal plus interest payments will begin in January 1998 and will be \$2.7 million for FY98. These will increase annually up to approximately \$15.2 million in FY 2003 and will remain at that level through FY 2013. The average annual debt payment for the 17 year period will be \$13.4 million.

FISCAL NOTE

No. 2
 Version: SB 306
 (S) Publish Date: 3/19/96

STATE OF ALASKA
 1996 LEGISLATIVE SESSION

Revision Date: 3/7/96 Dept. Affected: Office of the Governor
 Title: An Act relating to the issuance of general BRU: Elective Operations
obligation bonds ...constructing state correctional facilities Component: General and Primary Elections
 Sponsor: Rules Committee by request of the Governor
 Requester: Rules Comm by request of the Governor COMPONENT SERIAL NO. 22

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	2.2					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	2.2	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	2.2					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	2.2	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME	0					
PART-TIME	0					
TEMPORARY	0					

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet as required by AS 15.58, and the programming costs for counting votes cast on the question.

Prepared by: Dana LaTour
 Division: Division of Elections
 Approved by
 Commissioner: Lt. Governor Fran Ulmer
 Agency: Office of the Lt. Governor

Phone: 465-5347
 Date: 3/7/96
 Date: 3/7/96

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

WALTER J. HICKEL, GOVERNOR

333 WILLOUGHBY AVENUE, 11TH FLOOR
P.O. BOX 110405
JUNEAU, ALASKA 99811-0405
PHONE: (907) 465-2350
FAX: (907) 465-2394

March 19, 1996

The Honorable Steve Frank
Co-Chair, Senate Finance Committee
Alaska State Capitol Building
Room 518
Juneau, AK 99801

Dear Senator Frank:

Subject: SB 306 / HB 514 for the issuance of General Obligation Bonds

On Monday, March 18, 1996, at the Senate Finance Committee meeting with Department of Corrections, your committee was presented with an overview of SB 306 / HB 541. Based on your request at that meeting, we are providing you with the following information:

The date of the last General Obligation election:

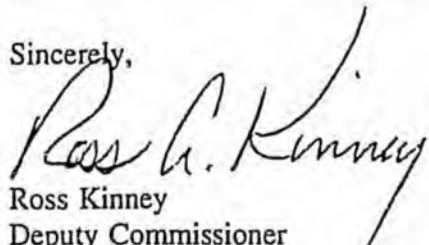
November 4, 1980

Bond schedules for the issues to be sold should the voters approve a new issuance of GO bonds.

The schedules are attached.

Please call if you have further questions.

Sincerely,



Ross Kinney
Deputy Commissioner
Department of Revenue

cc: Senate Secretary

96-028

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

 DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/98			2,740,030.00	2,740,030.00	2,740,030.00
7/ 1/98	3,845,000.00		2,740,030.00	6,585,030.00	
1/ 1/99			2,827,610.00	2,827,610.00	9,412,640.00
7/ 1/99	4,280,000.00		2,827,610.00	7,107,610.00	
1/ 1/ 0			3,016,396.25	3,016,396.25	10,124,006.25
7/ 1/ 0	4,995,000.00		3,016,396.25	8,011,396.25	
1/ 1/ 1			3,143,366.25	3,143,366.25	11,154,762.50
7/ 1/ 1	5,740,000.00		3,143,366.25	8,883,366.25	
1/ 1/ 2			3,806,903.75	3,806,903.75	12,690,270.00
7/ 1/ 2	7,830,000.00		3,806,903.75	11,636,903.75	
1/ 1/ 3			3,606,237.50	3,606,237.50	15,243,141.25
7/ 1/ 3	8,235,000.00		3,606,237.50	11,841,237.50	
1/ 1/ 4			3,387,545.00	3,387,545.00	15,228,782.50
7/ 1/ 4	8,680,000.00		3,387,545.00	12,067,545.00	
1/ 1/ 5			3,150,568.75	3,150,568.75	15,218,113.75
7/ 1/ 5	9,165,000.00		3,150,568.75	12,315,568.75	
1/ 1/ 6			2,895,248.75	2,895,248.75	15,210,817.50
7/ 1/ 6	9,685,000.00		2,895,248.75	12,580,248.75	
1/ 1/ 7			2,620,588.75	2,620,588.75	15,200,837.50
7/ 1/ 7	10,245,000.00		2,620,588.75	12,865,588.75	
1/ 1/ 8			2,324,926.25	2,324,926.25	15,190,515.00
7/ 1/ 8	10,835,000.00		2,324,926.25	13,159,926.25	
1/ 1/ 9			2,006,806.25	2,006,806.25	15,166,732.50
7/ 1/ 9	11,490,000.00		2,006,806.25	13,496,806.25	
1/ 1/10			1,663,708.75	1,663,708.75	15,160,515.00
7/ 1/10	12,180,000.00		1,663,708.75	13,843,708.75	
1/ 1/11			1,293,906.25	1,293,906.25	15,137,615.00
7/ 1/11	12,930,000.00		1,293,906.25	14,223,906.25	
1/ 1/12			894,863.75	894,863.75	15,118,770.00
7/ 1/12	13,745,000.00		894,863.75	14,639,863.75	
1/ 1/13			463,788.75	463,788.75	15,103,652.50
7/ 1/13	14,620,000.00		463,788.75	15,083,788.75	15,083,788.75
	148,500,000.00		79,684,990.00	228,184,990.00	
ACCRUED	148,500,000.00		79,684,990.00	228,184,990.00	

Dated 7/ 1/97 with Delivery of 7/ 1/97

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Debt Date: 03-08-1996 @ 12:07:19 Filename: AKGO Key: COMBINE3

NOTE:

1. Over the next twelve to eighteen months, interest rates maybe higher, and an assumption taking a possible increase into account has been incorporated herein.
2. Outside factors (i.e. higher inflation expectations) can alter interest rate estimates.
3. Actual time for bond issuance is not yet determined. Any extension of the period for issuance can change the applicability of the interest rate assumptions.

State of Alaska
General Obligation Bonds-"AA" Scale As Of March 4, 1996
(Construction of State Correctional Facilities)

=====

SOURCES AND USES OF FUNDS

=====

DELIVERY DATE: 7/ 1/97

Sources of Funds

=====

Per Amount of Bonds.....	\$94,050,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		94,050,000.00

		\$94,050,000.00

Uses of Funds

=====

Net Bond Proceeds.....		93,100,000.00
Cost of Issuance.....		950,000.00
Contingency.....		0.00

		\$94,050,000.00

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 12:01:18 Filename: AKGO Key: 7-1-97

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

 DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/98			2,740,030.00	2,740,030.00	2,740,030.00
7/ 1/98	3,845,000.00	4.450000	2,740,030.00	6,585,030.00	
1/ 1/99			2,654,478.75	2,654,478.75	9,239,508.75
7/ 1/99	4,015,000.00	4.850000	2,654,478.75	6,669,478.75	
1/ 1/ 0			2,557,115.00	2,557,115.00	9,226,593.75
7/ 1/ 0	4,210,000.00	5.150000	2,557,115.00	6,767,115.00	
1/ 1/ 1			2,448,707.50	2,448,707.50	9,215,822.50
7/ 1/ 1	4,430,000.00	5.300000	2,448,707.50	6,878,707.50	
1/ 1/ 2			2,331,312.50	2,331,312.50	9,210,020.00
7/ 1/ 2	4,665,000.00	5.400000	2,331,312.50	6,996,312.50	
1/ 1/ 3			2,205,357.50	2,205,357.50	9,201,670.00
7/ 1/ 3	4,915,000.00	5.500000	2,205,357.50	7,120,357.50	
1/ 1/ 4			2,070,195.00	2,070,195.00	9,190,552.50
7/ 1/ 4	5,185,000.00	5.600000	2,070,195.00	7,255,195.00	
1/ 1/ 5			1,925,015.00	1,925,015.00	9,180,210.00
7/ 1/ 5	5,475,000.00	5.700000	1,925,015.00	7,400,015.00	
1/ 1/ 6			1,768,977.50	1,768,977.50	9,168,992.50
7/ 1/ 6	5,790,000.00	5.800000	1,768,977.50	7,558,977.50	
1/ 1/ 7			1,601,067.50	1,601,067.50	9,160,045.00
7/ 1/ 7	6,125,000.00	5.900000	1,601,067.50	7,726,067.50	
1/ 1/ 8			1,420,380.00	1,420,380.00	9,146,447.50
7/ 1/ 8	6,485,000.00	6.000000	1,420,380.00	7,905,380.00	
1/ 1/ 9			1,225,830.00	1,225,830.00	9,131,210.00
7/ 1/ 9	6,875,000.00	6.100000	1,225,830.00	8,100,830.00	
1/ 1/10			1,016,142.50	1,016,142.50	9,116,972.50
7/ 1/10	7,295,000.00	6.200000	1,016,142.50	8,311,142.50	
1/ 1/11			789,997.50	789,997.50	9,101,140.00
7/ 1/11	7,745,000.00	6.300000	789,997.50	8,534,997.50	
1/ 1/12			546,030.00	546,030.00	9,081,027.50
7/ 1/12	8,235,000.00	6.400000	546,030.00	8,781,030.00	
1/ 1/13			282,510.00	282,510.00	9,063,540.00
7/ 1/13	8,760,000.00	6.450000	282,510.00	9,042,510.00	
1/ 1/14					9,042,510.00
ACCRUED	94,050,000.00		55,166,292.50	149,216,292.50	
	94,050,000.00		55,166,292.50	149,216,292.50	

Dated 7/ 1/97 with Delivery of 7/ 1/97

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 12:01:28 Filename: AKGO Key: 7-1-97

State of Alaska
 General Obligation Bonds-"AAA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

=====

SOURCES AND USES OF FUNDS

=====

DELIVERY DATE: 7/ 1/98

Sources of Funds

=====

Par Amount of Bonds.....	\$6,000,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		6,000,000.00

		\$6,000,000.00

Uses of Funds

=====

Net Bond Proceeds.....	5,760,000.00	
Cost of issuance.....	240,000.00	
Contingenc;.....	0.00	

		\$6,000,000.00

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-09-1996 @ 11:59:29 Filename: AKGO Key: 7-1-98

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

 DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/99			173,131.25	173,131.25	173,131.25
7/ 1/99	265,000.00	4.450000	173,131.25	438,131.25	
1/ 1/ 0			167,235.00	167,235.00	605,366.25
7/ 1/ 0	280,000.00	4.850000	167,235.00	447,235.00	
1/ 1/ 1			160,445.00	160,445.00	607,680.00
7/ 1/ 1	295,000.00	5.150000	160,445.00	455,445.00	
1/ 1/ 2			152,848.75	152,848.75	608,293.75
7/ 1/ 2	310,000.00	5.300000	152,848.75	462,848.75	
1/ 1/ 3			144,633.75	144,633.75	607,482.50
7/ 1/ 3	325,000.00	5.400000	144,633.75	469,633.75	
1/ 1/ 4			135,858.75	135,858.75	605,492.50
7/ 1/ 4	345,000.00	5.500000	135,858.75	480,858.75	
1/ 1/ 5			126,371.25	126,371.25	607,230.00
7/ 1/ 5	365,000.00	5.600000	126,371.25	491,371.25	
1/ 1/ 6			116,151.25	116,151.25	607,522.50
7/ 1/ 6	385,000.00	5.700000	116,151.25	501,151.25	
1/ 1/ 7			105,178.75	105,178.75	606,330.00
7/ 1/ 7	405,000.00	5.800000	105,178.75	510,178.75	
1/ 1/ 8			93,433.75	93,433.75	603,612.50
7/ 1/ 8	430,000.00	5.900000	93,433.75	523,433.75	
1/ 1/ 9			80,748.75	80,748.75	604,182.50
7/ 1/ 9	460,000.00	6.000000	80,748.75	540,748.75	
1/ 1/10			66,948.75	66,948.75	607,697.50
7/ 1/10	485,000.00	6.100000	66,948.75	551,948.75	
1/ 1/11			52,156.25	52,156.25	604,105.00
7/ 1/11	515,000.00	6.200000	52,156.25	567,156.25	
1/ 1/12			36,191.25	36,191.25	603,347.50
7/ 1/12	550,000.00	6.300000	36,191.25	586,191.25	
1/ 1/13			18,866.25	18,866.25	605,057.50
7/ 1/13	585,000.00	6.450000	18,866.25	603,866.25	
1/ 1/14					603,866.25
	6,000,000.00		3,260,397.50	9,260,397.50	
ACCRUED	6,000,000.00		3,260,397.50	9,260,397.50	

Dated 7/ 1/98 with Delivery of 7/ 1/98

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 11:59:36 Filename: AKGO Key: 7-1-98

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

=====

SOURCES AND USES OF FUNDS

=====

DELIVERY DATE: 7/ 1/99

Sources of Funds

Par Amount of Bonds.....	\$10,250,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		10,250,000.00

		\$10,250,000.00

Uses of Funds

=====

Net Bond Proceeds.....	9,985,000.00	
Cost of Issuance.....	265,000.00	
Contingency.....	0.00	

		\$10,250,000.00

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 a 11:57:53 Filename: AKGO Key: 7-1-99

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

 DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/ 0			292,046.25	292,046.25	292,046.25
7/ 1/ 0	505,000.00	4.450000	292,046.25	797,046.25	
1/ 1/ 1			280,810.00	280,810.00	1,077,856.25
7/ 1/ 1	525,000.00	4.850000	280,810.00	805,810.00	
1/ 1/ 2			268,078.75	268,078.75	1,073,888.75
7/ 1/ 2	555,000.00	5.150000	268,078.75	823,078.75	
1/ 1/ 3			253,787.50	253,787.50	1,076,866.25
7/ 1/ 3	585,000.00	5.300000	253,787.50	838,787.50	
1/ 1/ 4			238,285.00	238,285.00	1,077,072.50
7/ 1/ 4	615,000.00	5.400000	238,285.00	853,285.00	
1/ 1/ 5			221,680.00	221,680.00	1,074,965.00
7/ 1/ 5	650,000.00	5.500000	221,680.00	871,680.00	
1/ 1/ 6			203,805.00	203,805.00	1,075,485.00
7/ 1/ 6	690,000.00	5.600000	203,805.00	893,805.00	
1/ 1/ 7			184,485.00	184,485.00	1,078,290.00
7/ 1/ 7	730,000.00	5.700000	184,485.00	914,485.00	
1/ 1/ 8			163,680.00	163,680.00	1,078,165.00
7/ 1/ 8	770,000.00	5.800000	163,680.00	933,680.00	
1/ 1/ 9			141,350.00	141,350.00	1,075,030.00
7/ 1/ 9	815,000.00	5.900000	141,350.00	956,350.00	
1/ 1/10			117,307.50	117,307.50	1,073,657.50
7/ 1/10	865,000.00	6.000000	117,307.50	982,307.50	
1/ 1/11			91,357.50	91,357.50	1,073,665.00
7/ 1/11	920,000.00	6.100000	91,357.50	1,011,357.50	
1/ 1/12			63,297.50	63,297.50	1,074,655.00
7/ 1/12	980,000.00	6.200000	63,297.50	1,043,297.50	
1/ 1/13			32,917.50	32,917.50	1,076,215.00
7/ 1/13	1,045,000.00	6.300000	32,917.50	1,077,917.50	
1/ 1/14					1,077,917.50
-----			5,105,775.00	15,355,775.00	
ACCRUED	10,250,000.00				
-----			5,105,775.00	15,355,775.00	
*****			*****	*****	

Dated 7/ 1/99 with Delivery of 7/ 1/99

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 11:58:02 Filename: AKGO Key: 7-1-99

State of Alaska
General Obligation Bonds-"AAA" Scale As Of March 4, 1996
(Construction of State Correctional Facilities)

=====

SOURCES AND USES OF FUNDS

=====

DELIVERY DATE: 7/ 1/ 0

Sources of Funds

=====

Par Amount of Bonds.....	\$9,000,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		9,000,000.00

		\$9,000,000.00

Uses of Funds

=====

Net Bond Proceeds.....	8,740,000.00	
Cost of Issuance.....	260,000.00	
Contingency.....	0.00	

		\$9,000,000.00

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 11:56:01 Filename: AKGO Key: 7-1-00

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

=====

DEBT SERVICE SCHEDULE

=====

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/ 1			253,403.75	253,403.75	253,403.75
7/ 1/ 1	490,000.00	4.450000	253,403.75	743,403.75	
1/ 1/ 2			242,501.25	242,501.25	985,905.00
7/ 1/ 2	515,000.00	4.850000	242,501.25	757,501.25	
1/ 1/ 3			230,012.50	230,012.50	987,513.75
7/ 1/ 3	540,000.00	5.150000	230,012.50	770,012.50	
1/ 1/ 4			216,107.50	216,107.50	986,120.00
7/ 1/ 4	570,000.00	5.300000	216,107.50	786,107.50	
1/ 1/ 5			201,002.50	201,002.50	987,110.00
7/ 1/ 5	600,000.00	5.400000	201,002.50	801,002.50	
1/ 1/ 6			184,802.50	184,802.50	985,805.00
7/ 1/ 6	635,000.00	5.500000	184,802.50	819,802.50	
1/ 1/ 7			167,340.00	167,340.00	987,142.50
7/ 1/ 7	675,000.00	5.600000	167,340.00	842,340.00	
1/ 1/ 8			148,440.00	148,440.00	990,780.00
7/ 1/ 8	710,000.00	5.700000	148,440.00	858,440.00	
1/ 1/ 9			128,205.00	128,205.00	986,645.00
7/ 1/ 9	755,000.00	5.800000	128,205.00	883,205.00	
1/ 1/10			106,310.00	106,310.00	989,515.00
7/ 1/10	800,000.00	5.900000	106,310.00	906,310.00	
1/ 1/11			82,710.00	82,710.00	989,020.00
7/ 1/11	850,000.00	6.000000	82,710.00	932,710.00	
1/ 1/12			57,210.00	57,210.00	989,920.00
7/ 1/12	900,000.00	6.100000	57,210.00	957,210.00	
1/ 1/13			29,760.00	29,760.00	986,970.00
7/ 1/13	960,000.00	6.200000	29,760.00	989,760.00	
1/ 1/14					989,760.00

ACCRUED	9,000,000.00		4,095,610.00	13,095,610.00	

	9,000,000.00		4,095,610.00	13,095,610.00	

Dated 7/ 1/ 0 with Delivery of 7/ 1/ 0

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micra-Muni Sizing Date: 03-08-1996 @ 11:56:11 Filename: AKGO Key: 7-1-00

State of Alaska
General Obligation Bonds-"AA" Scale As Of March 4, 1996
(Construction of State Correctional Facilities)

=====

SOURCES AND USES OF FUNDS

=====

DELIVERY DATE: 7/ 1/ 1

Sources of Funds

=====

Par Amount of Bonds.....	\$29,200,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		29,200,000.00

		\$29,200,000.00

Uses of Funds

=====

Net Bond Proceeds.....		28,760,000.00
Cost of Issuance.....		440,000.00
Contingency.....		0.00

		\$29,200,000.00

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 11:54:27 Filename: AKGO Key: 7-1-01

State of Alaska
 General Obligation Bonds-"AA" Scale As Of March 4, 1996
 (Construction of State Correctional Facilities)

 DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/ 2			812,162.50	812,162.50	812,162.50
7/ 1/ 2	1,785,000.00	4.450000	812,162.50	2,597,162.50	
1/ 1/ 3			772,446.25	772,446.25	3,369,608.75
7/ 1/ 3	1,870,000.00	4.850000	772,446.25	2,642,446.25	
1/ 1/ 4			727,098.75	727,098.75	3,369,545.00
7/ 1/ 4	1,965,000.00	5.150000	727,098.75	2,692,098.75	
1/ 1/ 5			676,500.00	676,500.00	3,368,598.75
7/ 1/ 5	2,075,000.00	5.300000	676,500.00	2,751,500.00	
1/ 1/ 6			621,512.50	621,512.50	3,373,012.50
7/ 1/ 6	2,185,000.00	5.400000	621,512.50	2,806,512.50	
1/ 1/ 7			562,517.50	562,517.50	3,369,030.00
7/ 1/ 7	2,310,000.00	5.500000	562,517.50	2,872,517.50	
1/ 1/ 8			498,992.50	498,992.50	3,371,510.00
7/ 1/ 8	2,440,000.00	5.600000	498,992.50	2,938,992.50	
1/ 1/ 9			430,672.50	430,672.50	3,369,665.00
7/ 1/ 9	2,585,000.00	5.700000	430,672.50	3,015,672.50	
1/ 1/10			357,000.00	357,000.00	3,372,672.50
7/ 1/10	2,735,000.00	5.800000	357,000.00	3,092,000.00	
1/ 1/11			277,685.00	277,685.00	3,369,685.00
7/ 1/11	2,900,000.00	5.900000	277,685.00	3,177,685.00	
1/ 1/12			192,135.00	192,135.00	3,369,820.00
7/ 1/12	3,080,000.00	6.000000	192,135.00	3,272,135.00	
1/ 1/13			99,735.00	99,735.00	3,371,870.00
7/ 1/13	3,270,000.00	6.100000	99,735.00	3,369,735.00	
1/ 1/14					3,369,735.00
	29,200,000.00		12,056,915.00	41,256,915.00	
ACCRUED	29,200,000.00		12,056,915.00	41,256,915.00	

Dated 7/ 1/ 1 with Delivery of 7/ 1/ 1

PREPARED BY: GOVERNMENT FINANCE ASSOCIATES, INC.

Micro-Muni Sizing Date: 03-08-1996 @ 11:54:46 Filename: AKGO Key: 7-1-01

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

SB 306

March 11, 1996

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

Dear President Pearce:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill providing for the issuance of general obligation bonds to finance the expansion of regional correctional facilities at several locations in Alaska. The bonds would be issued in the principal amount of \$148,500,000.

Alaska's jails and prisons are severely overcrowded. While we have put more police on the streets and rewritten the criminal code to produce longer and stronger sentences, we have not significantly increased the number of prison beds in Alaska's correctional system since Spring Creek Correctional Center opened in January 1988.

As a result, we now face substantial fines for any violation of court-ordered population limits at our correctional facilities. We are now also confronted by a new class action lawsuit related to the housing and program needs of female prisoners that promises to be just as costly and protracted as the Clery litigation if the issues it raises are not addressed swiftly.

My Administration inherited this problem, and we accept the responsibility of remedying it.

After several months of study and planning by the criminal justice mini-cabinet, we propose this bill as one part of a three-part plan to manage Alaska's growing prisoner population. Our approach to expanding capacity takes a statewide view and puts the jail and prison beds where they belong -- in the regional centers around the state where there are courts, prosecutors, defense attorneys, law enforcement resources, and existing correctional facilities suffering from overcrowding.

In addition to expansion, the Department of Corrections will pursue new initiatives to reduce the number of low-risk offenders entering correctional facilities, while increasing the number of low-risk offenders exiting our jails and prisons. These two parts of the plan are equally as critical as expansion. They will employ both programmatic efforts and increased use of private and non-profit halfway houses to ensure that beds in our secure facilities are available for dangerous offenders. A prisoner will not be released from a secure setting unless the prisoner is judged to be at low risk to reoffend; protecting the public will remain as the foremost concern as these parts of the plan are carried out.

I must note that even if this three-part plan is completely successful, Alaska will not have solved its prisoner problems. Our state population continues to grow; alcohol abuse continues to fuel a disproportionate growth in the crime rate; and tough new laws and enhanced law enforcement efforts are resulting in our criminal justice system apprehending, convicting, and incarcerating more offenders than at any time in our history.

If we are ever to stem this rising tide of prisoners, we must focus more resources on prevention and intervention, especially in programs aimed at our young people. Some 1,500 juveniles were arrested last year on felony charges and we know that many of these children eventually will appear in the adult corrections system. Clearly, we need stronger efforts in prevention, and I anticipate specific recommendations along these lines when the Youth and Justice Conference that I convened last fall issues its report later this year. Also, I again urge the legislature to work with me to endow, for the first time, the recently reconstituted Children's Trust Fund as a public-private partnership dedicated to meeting the needs of troubled children.

For now, we are obligated to provide more jail and prison space in which to house our prisoners. Construction and operation of these proposed correctional projects will represent a significant commitment of state revenue to support our criminal justice system and, in turn, protect the people of Alaska. But we believe that over the long term it will be the most cost-effective method of dealing with our growing prisoner population.

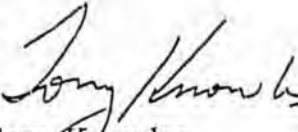
I have purposefully chosen general obligation bonds as the primary vehicle to finance expansion for two reasons. First, with revenue declining, it is more feasible to pay for these projects over a long term than it would be to fund them with direct capital appropriations. Second, the Alaska Constitution requires general obligation bonds to be submitted to the voters of the state for ratification and I strongly believe that such a substantial financial commitment deserves to be subjected to a vote of the people.

I have taken the additional step of including the costs of the first full year of operations once all of the projects in the ballot proposition are completed. We expect an estimated average annual debt service payment of \$13,423,000 through 2013 if the bonds are sold at

par. The Department of Corrections estimates that the operating costs for the first full year after all these projects are completed will be approximately \$28,000,000. Cost reductions made possible by the projects, such as closure of the 6th Avenue jail in Anchorage and the return of 206 prisoners from a contract facility in Arizona, are expected to produce a net operating cost of \$18,700,000 for these facilities in the first year that all of them are in use.

If approved by the voters, this commitment will then become an integral part of the state's long-range financial plan. I urge your support for this bill.

Sincerely,



Tony Knowles
Governor

SENATE COMMITTEE REPORT

DATE: 4/3/96

FURTHER: Finance

DATE TURNED INTO OFFICE: 5-2-96

The Judiciary Committee considered SB 306

Providing for the issuance of general obligation bonds for correctional facilities.

and recommends:

- be replaced with _____ CS SB 306 (JUD)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title
 House Bill:
 same title
 technical change
 new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
CHAIR: <i>[Signature]</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 3/12/96

FURTHER: Judiciary
Finance

Date of 5-Day Notice: 3/28/96
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/3/96

The State Affairs Committee considered SB 306

Providing for the issuance of general obligation bonds in the amount of \$148,500,000 for the purpose of paying the cost of design and construction of state correctional facilities.

and recommends:

- be replaced with CS SB 306 (STA)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by Committee
- further referral to the Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR#

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓	✓	
		<i>[Signature]</i>	✓		
CHAIR:		CHAIR: <i>[Signature]</i>			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
DIV. OF ELECTIONS	3/7/96		F97 2.2
OFFICE OF LT. GOV.			
Revenue	3/8/96		F97 35.7

apply to 51

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill