

ALASKA LEGISLATURE

2317

HOUSE and SENATE FINANCE COMMITTEE FILES,

2001 - 2002

U.S. Enabling Regulatory Legislation

What is it?

- Language currently contained in Senate Energy Bill
 - Amendments may add risk/costs
- Available to any sponsor
 - New legislation will not preclude ANGTS Group from proceeding under ANGTA
 - ANGTS Group or any other investors can also proceed under this legislation
- Creates market-driven, expedited regulatory process for any viable project(s)
 - Subject to FERC regulation; fair and reasonable terms; open access
 - Subject to all environmental laws / regulations; 18-month EIS completion
- Creates Office in executive branch to coordinate all related federal agency activity

Why is it needed?

- Provides for federal regulatory certainty
 - Establishes clear process to encourage competitive, market-driven (lowest cost) solutions
 - Allows any number of producer / pipeline partnerships to evolve
 - Current regulatory risk discourages investment
- Expedites environmental review and project authorization
- Provides timely judicial review to reduce uncertainty



Alaska Fiscal Certainty

What is it?

- Provides for certainty in State government take:
 - Predictable disposition of State royalty gas, consistent with firm transportation commitments
 - Clear, simple, predictable gas valuation for royalty / severance tax payments
 - Severance tax rates and Economic Limit Factor (ELF)
 - Ad valorem tax rates and valuation methodology
 - Corporate income taxes
- Ensures stable fiscal term. over life of pipeline project

Why is it needed?

- Potential for fiscal change creates risk that jeopardizes long payout projects
 - Project already holds significant capital, schedule and market risk
 - Stable fiscal environment encourages long-term investment
 - Avoid future disputes over interpretation



Predictable NEB / First Nations Regulatory Process

What is it?

- Establishes clear regulatory processes between NEB and First Nations.
- Detailed plans for cooperation among Canadian Federal, Provincial, Territorial and First Nations regulatory authorities.
- Predictable, expedited process that fully complies with all environmental and regulatory laws.

Why is it needed?

- Ensure timely completion of regulatory and environmental assessment process.
- Lack of clear NEB/First Nations permitting process increases project risk.
- Avoid duplication of environmental assessments and conflict among Canadian governmental agencies and First Nations.



Outline of Information

- Overview and Conclusions
- Project Design and Technology
- Updated Project Feasibility
- Wrap-up



Wrap-up

- **Project currently not commercially viable.**
 - Risk/reward balance
- **Viable government framework is essential.**
 - U.S. enabling regulatory legislation
 - Alaska fiscal certainty
 - Predictable Canadian regulatory process
- **Joint team resources have been redeployed.**
- **Companies will collaborate as appropriate on future work**
 - Trenching trials
 - Input to clear / predictable government framework
 - Cost reduction opportunities



22-LS1651\W
Chenoweth
4/25/02

*Adopted
4/25/02*

CS FOR HOUSE BILL NO. 519(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing priority treatment under the Right-of-Way Leasing Act for an
 2 Alaska North Slope natural gas project; authorizing the Alaska Railroad Corporation to
 3 provide financing for the acquisition, construction, improvement, maintenance,
 4 equipping, or operation of facilities for the transportation by others of natura' gas
 5 resources within and outside the state and to issue its bonds to finance those facilities;
 6 exempting an Alaska North Slope natural gas project from state and municipal property
 7 taxes during construction and initial operation, and eliminating the authority of a
 8 municipality to levy a sales or use tax on property or services used or to be used on the
 9 project; expanding the scope for the kinds of gas development projects that may become
 10 qualified projects under the Alaska Stranded Gas Development Act to natural gas
 11 projects, including an Alaska North Slope natural gas pipeline and any spurs; extending
 12 the deadline for submitting applications under the Alaska Stranded Gas Development

1 Act; and providing for an effective date."

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

3 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 **FINDINGS AND INTENT.** The legislature finds that

6 (1) a vast quantity of gas in Alaska is currently stranded from commercial
7 development, in part due to the cost associated with providing access to markets for that gas;
8 the Alaska North Slope has the largest known discovered natural gas resources, estimated to
9 be 35 trillion cubic feet, in the United States and has undiscovered gas resources estimated to
10 be in excess of 100 trillion cubic feet;

11 (2) demand for natural gas in the lower 48 states is expected to experience
12 record growth; the lower 48 states have an inadequate resource base to meet this expected
13 demand, and there is an urgency to make an Alaska natural gas pipeline project move forward
14 to fill this gap with North American gas rather than with gas from uncertain sources overseas;

15 (3) it is important for the United States to have a reliable and affordable source
16 of domestic natural gas for energy for its economy, for the well-being of its citizens, for the
17 growth of its businesses, and for the national security;

18 (4) the North Slope of Alaska is one of the few known locations in the United
19 States that can supply significant natural gas supplies to the lower 48 states for years to come;

20 (5) during the past three decades, several companies and entities have studied
21 different ways to commercialize Alaska North Slope gas and have been unsuccessful in
22 identifying an economic project; most recently, the three major producers, through their
23 Alaska Gas Producers Pipeline Team, have studied a southern route approximately following
24 a route along the Trans Alaska Pipeline System from Pump Station One to Delta Junction and
25 along the Alaska Highway through Alaska and Canada to the lower 48 states and a northern
26 route off the shore of the Arctic National Wildlife Refuge in the Beaufort Sea, and have
27 concluded that neither is sufficiently economic, given the magnitude of the risks associated
28 with the project; however, at least one producer has indicated a willingness to proceed further
29 if federal and state enabling legislation with provisions to mitigate long-term natural gas price
30 risks and for fiscal certainty and incentives is enacted;

1 (6) the major producers have proposed new federal enabling legislation that
2 they believe will expedite the construction and operation of a natural gas pipeline from the
3 North Slope to the lower 48 states;

4 (7) in addition to the state's receipt of revenue from taxes and royalties,
5 Alaskans will benefit from the commercialization of Alaska North Slope natural gas through
6 opportunities for in-state use of the natural gas and for participation by Alaskans in
7 construction, maintenance, and operation of a natural gas pipeline project;

8 (8) because of the high cost of providing access to markets for Alaska North
9 Slope gas, exploration efforts on the North Slope have historically focused on oil; recently,
10 some companies have expressed interest in gas exploration; if the infrastructure needed to
11 provide access to market for Alaska North Slope gas were available, new gas exploration
12 efforts might be initiated on the Alaska North Slope and in other basins that currently remain
13 largely unexplored for oil and gas; it is vital to the State of Alaska that there be continued and
14 robust exploration and development of natural gas resources on the Alaska North Slope;

15 (9) Alaskans need a portion of the gas from a natural gas pipeline project for
16 in-state use; however, it is unlikely that markets will develop within the state that would need
17 more than a relatively small portion of the volume of gas already discovered on the Alaska
18 North Slope; it is vital for economic development that Alaska communities and businesses
19 have access under fair and reasonable terms to the pipeline for in-state use of Alaska North
20 Slope natural gas;

21 (10) the construction and operation of a natural gas pipeline in the state and
22 the sale of Alaska North Slope gas is critical to the health and welfare of the state;

23 (11) for a natural gas pipeline project to become economically viable and
24 competitive, the estimated costs of constructing the project and the associated financial risk
25 must be reduced significantly; changes in the local, state, and federal tax structure may also be
26 necessary to make commercialization of the gas resources economically viable by, in part,
27 structuring tax and royalty incentives related to the project and providing as much clarity and
28 certainty as possible regarding the taxes that would apply to a project throughout its life;

29 (12) art. IX, sec. 4, Constitution of the State of Alaska, empowers the
30 legislature to create tax exemptions by general law, and the creation of tax exemptions to
31 make Alaska North Slope gas commercially viable and competitive is consistent with the

1 legislature's responsibility under art. VIII, sec. 2, Constitution of the State of Alaska;

2 (13) good faith efforts by producers and other companies engaged in the
3 design, construction, and operation of the natural gas pipeline voluntarily to provide
4 employment opportunities for Alaska residents and opportunities for Alaska businesses are in
5 the long-term interests of the state;

6 (14) there has been a history of costly disputes between producers of oil and
7 the state over the determination of the production taxes due for oil produced and sold, in part
8 because of disputes over the definition of terms pertinent to the calculation of the tax;

9 (15) it is in the state's best interest to provide clarity and certainty to the
10 process of determining a producer's tax and royalty liability, AS 43.82 (Alaska Stranded Gas
11 Development Act) provides, among other provisions, in AS 43.82.020, 43.82.200, and
12 43.82.210, mechanisms for the state and the sponsor of a North Slope natural gas pipeline
13 project to negotiate a contract that could provide that clarity and certainty and resolve other
14 important issues, including accommodating the interests of affected municipalities.

15 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 FINDINGS, INTENT, AND PURPOSE OF SECTIONS 4 - 6 AND 14. (a) The
18 Alaska State Legislature finds that

19 (1) the Alaska Railroad Corporation is uniquely suited to serve essential
20 functions of the state by providing financing for a facility for the transportation of certain
21 natural gas resources located within the state;

22 (2) providing financing for that facility furthers the purposes of both the state
23 and the Alaska Railroad Corporation by assuring that the state's natural gas resources will be
24 transported to their appropriate markets, thus creating revenue for the Alaska Railroad
25 Corporation and for the state and providing employment opportunities for residents of the
26 state;

27 (3) the facility also will enhance and improve the state's ability to develop and
28 transport other natural resources of the state, including oil and gas resources located off the
29 North Slope of this state; and

30 (4) these results are essential purposes of the state and the achievement of
31 these purposes is critical to the health and welfare of the state.

1 (b) A purpose of secs. 4 - 6 and 14 of this Act is to clarify the statutory functions and
2 powers of the Alaska Railroad Corporation by expressly including the power to provide
3 financing for transportation facilities as described in those sections of this Act.

4 (c) It is the intent of the legislature that

5 (1) secs. 4 - 6 and 14 of this Act be construed broadly to permit the Alaska
6 Railroad Corporation the greatest flexibility to accomplish the purpose described in (b) of this
7 section within the limitations set out in those sections of this Act; and

8 (2) other provisions of AS 42.40 in existence before the enactment of secs. 4 -
9 6 and 14 of this Act be similarly construed to complement the provisions of this Act.

10 * Sec. 3. AS 38.35 is amended by adding a new section to read:

11 **Sec. 38.35.240. Expeditious priority treatment by state officials and**
12 **agencies in support of development and construction of an Alaska North Slope**
13 **natural gas project under this chapter.** (a) In the development and construction of
14 an Alaska North Slope natural gas project that requires the grant of a right-of-way
15 lease under this chapter, every state official and agency shall give full cooperation to
16 the commissioner, or to any official to whom delegation of the authority of the
17 commissioner is made by or under law, consistent with the provisions of the law
18 administered by the official or agency, by issuing or granting necessary permits,
19 certificates, authorizations, and similar actions required to be taken at the earliest
20 practicable date, with action to be taken on an expedited basis and, notwithstanding
21 any other provision of law, having precedence over any like matter pending before the
22 official or agency.

23 (b) In the commissioner's consideration of an application under this chapter
24 for a lease for the Alaska North Slope natural gas project, the commissioner may limit
25 the scope of review, analysis, and finding for the applicant's proposed lease
26 application under this chapter to a particular phase of the project if, in the judgment of
27 the commissioner, the project is capable of proceeding in discrete phases and

28 (1) the uses and activities involving the project on the land for which
29 the approval is to be granted are part of that discrete phase;

30 (2) before the next phase of the project may proceed, the commissioner
31 gives public notice and opportunity for comment about that phase, unless the use or

1 activity to be approved is subject to a consistency determination under AS 46.40 and
2 public notice and the opportunity to comment are provided under AS 46.40.096(c);

3 (3) the commissioner's approval is required before the next phase of
4 the project may proceed; and

5 (4) the commissioner sets out the reasons for proceeding on the
6 application in discrete phases.

7 (c) In this section, "Alaska North Slope natural gas project" means "North
8 Slope natural gas pipeline" as set out in AS 38.35.120(a)(1)(B), including the facilities
9 that are necessary for, and to the extent used for, treating and conditioning the gas to
10 be transported, and the components of the processing plants associated with natural
11 gas conditioning, to be constructed or modified to follow generally a route that
12 parallels the Trans Alaska Pipeline System and the Alaska Highway to the Canadian
13 border, or to tidewater for liquefied natural gas, and any spur lines to serve people in
14 the state, to transport natural gas derived from the area of the state lying north of 64
15 degrees North latitude.

16 * Sec. 4. AS 42.40.250 is amended by adding a new paragraph to read:

17 (31) provide financing for the acquisition, construction, improvement,
18 maintenance, equipping, and operation of facilities for the transportation of natural gas
19 resources within and outside the state without regard to whether the facilities are or
20 will be owned in whole or in part by the corporation or located on land owned by the
21 corporation.

22 * Sec. 5. AS 42.40.630 is amended by adding a new subsection to read:

23 (b) Before issuing bonds to provide the financing described in
24 AS 42.40.250(31) for a facility to be owned in whole or in part by an entity other than
25 the corporation, the corporation shall enter into a contract, lease, or other form of
26 agreement that will, in the judgment of the corporation, provide sufficient
27 consideration to

28 (1) pay the principal of and interest on the bonds as they become due;

29 (2) create and maintain the reserves for the payments that the
30 corporation considers necessary or desirable; and

31 (3) pay all costs necessary to service or additionally secure the bonds,

1 including trustee's fees and bond insurance premiums, unless these costs are to be paid
2 by a party other than the corporation.

3 * Sec. 6. AS 42.40 is amended by adding a new section to read:

4 Sec. 42.40.695. **Public purpose of bonds.** Bonds of the corporation issued to
5 finance facilities described in AS 42.40.250(31) are issued by a public corporation and
6 an instrumentality of the state for an essential public and governmental purpose.

7 * Sec. 7. AS 43.56.020(a) is amended to read:

8 (a) The following are exempt from local taxes levied or authorized under
9 AS 43.56.010(b):

10 (1) property rights attached to or inherent in the right to explore for or
11 produce oil or gas;

12 (2) oil or gas leases or properties, whether producing or not;

13 (3) oil or gas in place;

14 (4) oil or gas produced or extracted in the state;

15 (5) the value of intangible drilling expenses and exploration expenses;

16 (6) an interest in property described in AS 43.55.017(a);

17 (7) an interest in taxable property that is part of an Alaska North
18 Slope natural gas project, whether or not, under AS 43.82, the project has been
19 determined by the commissioner of revenue to meet the requirements of
20 AS 43.82.100, from the project's construction commencement date, as determined
21 by the commissioner, until December 31 of the second calendar year after the
22 calendar year in which the project is placed in service, but not later than
23 December 31, 2015; for purposes of this paragraph, "Alaska North Slope natural
24 gas project" has the meaning given in AS 38.35.240.

25 * Sec. 8. AS 43.56.020(b) is amended to read:

26 (b) There is exempt from state taxes levied or authorized under
27 AS 43.56.010(a),

28 (1) before the construction commencement date, property that is
29 committed by contract or other agreement for use in this state primarily for the
30 production or pipeline transportation of gas or unrefined oil, or in the operation or
31 maintenance of facilities for the production or pipeline transportation of gas or

1 unrefined oil; and

2 (2) taxable property described in (a)(7) of this section, subject to
3 the procedures set out in (d) of this section.

4 * Sec. 9. AS 43.56.020 is amended by adding new subsections to read:

5 (d) For the Alaska North Slope natural gas project, the exemptions provided in
6 (a)(7) and (b)(2) of this section do not apply unless a taxpayer, or a person acting
7 under contract with the taxpayer or the project's sponsor,

8 (1) complies with all relevant requirements of 15 U.S.C. 717z (Natural
9 Gas Act) and 15 U.S.C. 719 - 719o (Alaska Natural Gas Transportation Act of 1976),
10 as applicable to the project;

11 (2) complies with all valid federal, state, and municipal laws relating to
12 hiring Alaska residents and contracting with Alaska businesses to work in the state in
13 the design construction, and operation of the project to the extent the residents and
14 businesses are available, competitively priced, and qualified, and the taxpayer or
15 project sponsor does not discriminate against Alaska residents or businesses;

16 (3) advertises for available positions in newspapers in the location
17 where the work is to be performed and in other publications distributed throughout the
18 state, including in rural areas, and uses Alaska job service organizations located
19 throughout the state and not just in the location where the work is to be performed in
20 order to notify Alaskans of work opportunities on the project;

21 (4) within the constraints of law, encourages the owner's contractors to
22 train and subsequently to hire state residents consistent with (2), (3), and (5) of this
23 subsection;

24 (5) recruits, within the constraints of law, and employs state residents
25 as workers on available jobs; the owner shall prepare and submit to the commissioner
26 of labor and workforce development

27 (A) on an annual basis, a report that sets out in detail the
28 specific measures that the owner and the owner's contractors have taken or are
29 planning to take

30 (i) to recruit qualified state residents for available jobs
31 and that describes job training opportunities; and

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(ii) to use Alaska businesses;

(B) on a quarterly basis, a report concerning the use of state residents, including the number of residents hired or employed during the previous period;

(6) makes, to the extent permitted by law, reasonable efforts

(A) to employ Alaska firms that are available and qualified to perform engineering and construction services; and

(B) to fabricate or manufacture in the state needed gas production and pipeline modules and other facilities;

(7) agrees to apply, and does apply the full value of the tax exemptions provided in (a)(7) and (b)(2) of this section and AS 43.55.030(2)(A) and (C) to reduce the natural gas pipeline tariff; and

(8) agrees to submit an application under AS 43.82.120.

(e) The provisions of (d) of this section do not create or abridge individual rights and do not create a private right of action or claim by any person.

* **Sec. 10.** AS 43.56.03 ; amended to read:

Sec. 43.56.030. In place of other taxes. Except for those taxes imposed under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of all other

(1) [ALL OTHER] ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by AS 43.56.020; and

(2) [ALL OTHER] taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020, including, but not limited to,

(A) taxes on the retail sale or use of the property except for the retail sales tax on the first \$1,000 of each sale; however, the exception for retail sales or use taxes on the first \$1,000 of each sale does not apply to a retail sale or use involving property used or committed by contract or other agreement for use in the development, construction, operation, or maintenance of an Alaska North Slope natural gas project as that term is

1 defined in AS 38.35.240:

2 (B) taxes on the sale or use of gas or unrefined oil;

3 (C) taxes on the sale or use of services used in or associated
4 with the property or in its maintenance or operation except for the sales tax on
5 the first \$1,000 of each sale; however, the exception for retail sales or use
6 taxes on the first \$1,000 of each sale does not apply to a retail sale or use
7 involving services used in or associated with the property used or
8 committed by contract or other agreement for use in the development,
9 construction, operation, or maintenance of an Alaska North Slope natural
10 gas project as that term is defined in AS 38.35.240;

11 (D) taxes on or measured by gross or net income from the
12 property, including income from the exploration for, production of, or pipeline
13 transportation of gas or unrefined oil or property; and

14 (E) any license, excise, fee, charge, or other tax on or
15 pertaining to the property or services.

16 * Sec. 11. AS 43.56.210(2) is amended to read:

17 (2) "construction commencement date" means, for property subject
18 to tax under this chapter used in the exploration for, production of, or pipeline
19 transportation of unrefined oil through a facility the construction of which was
20 begun before April 1, 1974, the earlier of April 1, 1974, or the date the following
21 occur, and, for property subject to tax under this chapter used in the exploration
22 for, production of, or pipeline transportation of North Slope natural gas through
23 an Alaska North Slope natural gas project, as that term is defined in
24 AS 38.35.240, the date on which all of the following have occurred:

25 (A) there has been issued to the owner or an agent of the owner
26 right-of-way permits, leases, and title and other rights in land, and other
27 approvals, permits, licenses, and certificates, by federal, state, and local
28 agencies that a reasonable and prudent person would consider adequate to
29 commence construction of the facilities in the expectation that all other
30 approvals, permits, licenses, and certificates necessary for the completion of
31 facilities will be obtained;

1 (B) all approvals, permits, licenses, and certificates are in full
2 force and effect, unrevoked and without any modification that might jeopardize
3 the completion or continued construction of the facilities; and

4 (C) no order, judgment, decree, determination, or award of a
5 federal, state, or local court or administrative or regulatory agency enjoining,
6 either temporarily or permanently, the construction or the continuation of
7 construction of the facilities is in effect;

8 * Sec. 12. AS 43.82.100 is amended to read:

9 **Sec. 43.82.100. Qualified project.** Based on information available to the
10 commissioner, the commissioner may determine that a proposal for new investment is
11 a qualified project under this chapter only if the project

12 (1) is a project that principally involves

13 (A) the transportation of natural gas by pipeline to one or
14 more markets outside the state, including an Alaska North Slope natural
15 gas project as that term is defined in AS 38.35.240; or

16 (B) [FOR] the export of liquefied natural gas from the state to
17 one or more other states or countries;

18 (2) would produce at least 500,000,000,000 cubic feet of stranded gas
19 within 20 years from the commencement of commercial operations; and

20 (3) is capable, subject to applicable commercial regulation and
21 technical and economic considerations, of making gas available to meet the reasonably
22 foreseeable demand in this state for gas within the economic proximity of the project.

23 * Sec. 13. AS 43.82.170 is amended to read:

24 **Sec. 43.82.170. Application deadline.** The commissioner of revenue or the
25 commissioner of natural resources may not act on an application for a contract
26 submitted under AS 43.82.120 unless the application is received by the Department of
27 Revenue no later than April 1, 2004 [JUNE 30, 2001].

28 * Sec. 14. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 LEGISLATIVE AUTHORIZATION AND APPROVAL. (a) Subject to the
31 requirements of AS 42.40.630(b), enacted by sec. 5 of this Act, the Alaska Railroad

1 Corporation is authorized to issue bonds under the power granted to it in AS 42.40 to finance
2 the construction of a natural gas pipeline and related facilities for the transportation of natural
3 gas recovered from the North Slope of this state. The maximum principal amount of bonds
4 that the Alaska Railroad Corporation may issue under this section is \$17,000,000,000. The
5 Alaska Railroad Corporation may issue the bonds in a single issuance or in several issuances,
6 without limitation as to number of issuances or timing, and as the Alaska Railroad
7 Corporation determines best furthers the purpose of financing the gas pipeline and related
8 facilities described in this section. The Alaska Railroad Corporation shall negotiate with the
9 producers of the gas or with one or more other entities as the Alaska Railroad Corporation
10 considers appropriate, and shall enter into agreements with those producers or one or more
11 other entities to provide revenue sufficient to accomplish the purposes described in
12 AS 42.40.630.

13 (b) This section constitutes the approval required by AS 42.40.285 for the issuance of
14 the bonds described in this section.

15 * **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 **RETROACTIVITY.** Sections 12 and 13 of this Act are retroactive to July 1, 2001.

18 * **Sec. 16.** Sections 7 - 11 of this Act are effective January 1, 2003.

19 * **Sec. 17.** Except as provided in sec. 16 of this Act, this Act takes effect immediately under
20 AS 01.10.070(c).

HB

521

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED BY:

MAY 09 2002

SENATE FINANCE
COMMITTEE

DATE: 5/8/02

FURTHER:

DATE TURNED
IN TO OFFICE: 9 May 2002

Finance Committee considered CS FOR HOUSE BILL NO. 521(CRA)

"An Act relating to municipal improvement areas."

and recommends:

- be replaced with S CS CS HB 521 (FIN)
- adopt previous CS CS forthcoming
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED	4/2/02		<input checked="" type="checkbox"/>	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
COCHAIR:				
COCHAIR: <i>[Signature]</i>			<input checked="" type="checkbox"/>	

MAY 09 2002

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 521(CRA)
(H) Publish Date: 4/23/02

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title An Act relating to municipal improvement areas BRU Community Asst & Econ.Dev (405)
Component Community & Business Development
Sponsor House Labor & Commerce Component No. 2486
Requester House Community & Regional Affairs

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would have no fiscal impact on this division.

Prepared by: Pat Poland, Director Phone 907-269-4580
Division Community & Business Development Date/Time 4/22/02 11:33 AM
Approved by: Deborah B. Sedwick, Commissioner Date 4/22/2002
Agency Department of Community & Economic Development

ADOPTED

FINANCE
COMMITTEE
Amendment Number: #2
Bill Number: HB 521
Sponsor: LEMAN Date: 5/9/02
Logged In By: Robin

22-LS1690\F.1
Cook
5/8/02

AMENDMENT

OFFERED IN THE SENATE

TO: CSHB 521(CRA)

- 1 Page 1, line 8:
- 2 Delete "and general obligation bonds"
- 3 Insert ", general obligation bonds, and other forms of indebtedness"



Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 9 May 2002 TIME: 6:20 pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please SCS CS-HB 521 (FIN)
22-LS1690\F

plus amendment F.1 Cook 5/8/02

Thx
Mindy
✍

Our Proof

Laura OK'd 5/11/02 11:10pm

22-LS1690V

SENATE CS FOR CS FOR HOUSE BILL NO. 521(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to municipal improvement areas."

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

3 * Section 1. AS 29.47.460 is repealed and reenacted to read:

4 Sec. 29.47.460. Debt for improvement area projects. (a) A municipality
5 may issue bonds to finance or to make loans to finance the acquisition, construction,
6 rehabilitation, or development of public improvements in improvement areas. The
7 municipality may issue the bonds as general obligation bonds or as revenue bonds or
8 as a combination of revenue bonds, general obligation bonds, and other forms of #2
9 indebtedness. The municipality may pledge revenues described in (b) of this section,
10 payments to be made by users and owners of the improvements, payments to be made
11 by borrowers of the proceeds of the bonds, and any other revenues available to the
12 municipality to the payment of bonds issued under this subsection. To the extent that
13 the municipality issues general obligation bonds under this subsection, the provisions
14 of AS 29.47.180 - 29.47.200 apply to the bonds. To the extent that the municipality
15 issues revenue bonds under this subsection, the provisions of AS 29.47.250 and

1 29.47.260 apply to the bonds.

2 (b) A municipality may provide by ordinance that the tax increment from the
3 taxes levied each year by or on behalf of the municipality on the property in an
4 improvement area shall be issued to pay the principal and interest on bonds issued
5 under (a) of this section for improvements in that improvement area, and may
6 irrevocably pledge the tax increment from the area for that purpose. The area
7 described in the ordinance may be a service area. Nothing in this section obligates a
8 municipality that has issued bonds under (a) of this section and pledged a tax
9 increment to the payment of those bonds under this subsection to levy any tax in the
10 improvement area or any other area or to levy a tax at any particular rate within the
11 improvement area or any other area.

12 (c) The power granted by this section is in addition to other powers granted to
13 municipalities and does not restrict or limit the powers municipalities may have under
14 other provisions of law.

15 (d) In this section,

16 (1) "bonds" means bonds, notes, and other forms of indebtedness;

17 (2) "improvement area" means an area that a municipality determines
18 to be

19 (A) a blighted area on the basis of the substantial presence of
20 factors such as excessive vacant land on which structures were previously
21 located, abandoned or vacant buildings, substandard structures, and
22 delinquencies in payment of real property taxes; or

23 (B) an area that is capable of being substantially improved
24 based on the property value within the area;

25 (3) "tax increment" means the portion of a tax that is attributable to the
26 difference between the value of property within an improvement area shown on the
27 taxing agency's assessment roll for the year when the taxes are levied and the value of
28 the property shown on the taxing agency's last assessment roll that was equalized
29 before the improvements in the improvement area were authorized.

WITHDRAWN
SK/02

SENATE FINANCE
COMMITTEE
Amendment Number: #1
Bill Number: HB 521
Sponsor: LEMAN Date: 5/8/02
Logged In By: Robin

AMENDMENT

OFFERED IN SENATE FINANCE
TO: CS HB 521 (CRA)

BY: SENATOR LEMAN

Page 1, Line 8:

Following "general obligation bonds" INSERT

or other forms of indebtedness

ALASKA STATE LEGISLATURE

Representative Lisa Murkowski Chair
Representative Andrew Halco Vice-Chair
Representative Pete Kott
Representative Kevin Meyer
Representative Norman Rokeberg
Representative Harry Crawford
Representative Joe Hayes



Alaska State Capitol
Juneau, AK 99801-1182
Telephone: (907) 465-4954
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Representative_Lisa_Murkowski@legis.state.ak.us

HOUSE LABOR AND COMMERCE COMMITTEE

Sponsor Statement House Bill 521 Municipal Improvement Areas

Tax increment financing (TIF) is a commonly accepted municipal planning and financial tool used to facilitate revitalization of blighted areas. Alaska adopted this tool for municipalities in 1988 with the adoption of AS 29.47.460. Essentially, the statute allows municipalities to issue bonds for improvement of blighted areas funded only by the tax revenues generated by the increased tax base that occurs as a result of the development. Consequently, other portions of the tax base are not called upon to subsidize such improvement, and the risk that the tax base will not increase is passed on to bondholders rather than to taxpayers when the bond is issued as a revenue bond.

House Bill 521 fine tunes current Alaska statute and makes it more useful under real life Alaska conditions. The new language clarifies whether TIF can be used only with general obligation bonds or with revenue bonds. The current provision is silent, leaving the matter to judicial interpretation. House Bill 521 makes clear that both methods can be used, and can be used in combination with the other.

House Bill 521 also newly defines "improvement area" to broaden the earlier restriction that TIF be used only with blighted areas. Blighted areas, as defined in existing law, are more of a "Rust Belt" concept of abandoned and vacant buildings, substandard structures, and tax delinquencies. In Alaska, some municipalities, like Anchorage, with its 2020 Comprehensive Plan, wish to shape development of town centers. The current definition of improvement area is too restrictive for such use. Anchorage's blighted areas are often areas of substandard improvement surrounded by vacant land or inappropriate grandfathered development. The new definition gives municipalities a much improved and more flexible financial tool to guide positive development into the future.

ALASKA STATE LEGISLATURE

Representative Lisa Murkowski Chair
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Representative Pete Kott
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Representative Norman Rokeberg
Representative Harry Crawford
Representative Joe Hayes



Alaska State Capitol
Juneau, AK 99801-1182
Telephone: (907) 465-4954
Fax: (907) 465-2293
Representative_Lisa_Murkowski@legis.state.ak.us

HOUSE LABOR AND COMMERCE COMMITTEE

Current Statute Municipal Programs

Sec. 29.47.460. Debt for development and redevelopment projects. (a) In undertaking a development or redevelopment project, a municipality may issue bonds to finance public improvements for the project, including bonds for development or redevelopment purposes in blighted areas. In this subsection

(1) "blighted area" means an area that the municipality determines to be a blighted area on the basis of the substantial presence of factors such as excessive vacant land on which structures were previously located, abandoned or vacant buildings, substandard structures, and delinquencies in payment of real property taxes;

(2) "redevelopment purposes" means the

(A) acquisition by the municipality of real property located in a blighted area;

(B) clearing and preparation for redevelopment of land acquired under (A) of this paragraph;

(C) rehabilitation of real property acquired under (A) of this paragraph; in this subparagraph, "rehabilitation" does not include construction, other than rehabilitation, of property or the enlargement of an existing building; and

(D) relocation of occupants of the real property acquired under (A) of this paragraph.

(b) A municipality may provide by ordinance that the tax increment from the taxes levied each year by or on behalf of the municipality on the property in an area described in the ordinance shall be used to repay the principal and interest on bonds, notes, or other indebtedness that is incurred for a development or redevelopment project, and may irrevocably pledge the tax increment from the area for that purpose. The area described in the ordinance may be a service area. In this subsection "tax increment" means the portion of the tax that is attributable to the difference between the value of the property shown on the taxing agency's assessment roll for the year when the taxes are levied and the value of the property shown on the taxing agency's last assessment roll that was equalized before the project was authorized.

SENATE COMMITTEE REPORT

DATE: 4/25/02

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5/3/02

Community and Regional Affairs Committee considered

CS FOR HOUSE BILL NO. 52 (CRA)

"An Act relating to municipal improvement areas."

and recommends:

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

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED	4/22		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>				
<i>[Signature]</i>				
CHAIR: <i>[Signature]</i>				

HB

524

HAFIN

FILE

Education GO Bonds CSHB 524 (FIN)

School District	Item		State Share	Running Total
Yupit	Tuluksak School		17,703,793	17,703,793
Yupit	Akiak School Improvement		13,228,730	30,932,523
Lower Yukon	Scammon Bay Replacement School		17,029,762	47,962,285
Bering Strait	Teller K-12 Remodel/Addition		9,426,570	57,388,855
Anchorage	Service High School Renewal, Phase 2A, 2B, & 3		17,000,000	74,388,855
Anchorage	East High School Phases 2 through 5		5,400,000	79,788,855
Anchorage	Bartlett High School Phase 2 & 3		1,900,000	81,688,855
Anchorage	Chugiak High School Phase 4		3,655,728	85,344,583
Fairbanks	Central Kitchen/Operations & Maintenance Facility		9,800,000	95,144,583
Mat- Su	Nutrition Services Facility		8,330,000	103,474,583
	Total Schools	103,474,583		
University of Alaska	BioScience Class/Laboratory - Phase 1 (Fairbanks)		12,000,000	115,474,583
University of Alaska	Integrated Science Facility - Phase 1 (Anchorage)		8,400,000	123,874,583
University of Alaska	Lena Point fisheries laboratory (Juneau)		9,000,000	132,874,583
University of Alaska	Prince William Sound Building Acquisition (Valdez)		1,500,000	134,374,583
University of Alaska	Kenai Classroom Expansion		850,000	135,224,583
University of Alaska	Sitka Classroom Completion		540,000	135,764,583
University of Alaska	Homer Classroom Addition/Land Acquisition Phase 1		1,500,000	137,264,583
University of Alaska	Biomedical Facility Addition (Anchorage)		4,750,000	142,014,583
University of Alaska	West Ridge Research Addition (Fairbanks)		2,000,000	144,014,583
University of Alaska	Paul/Ziegler Classroom Renovation (Ketchikan)		3,900,000	147,914,583
	Total University		44,440,000	
Municipality of Anchorage	Anchorage Museum of History & Art		5,000,000	152,914,583
	Total Muesums		5,000,000	
	Total Bill			152,914,583

Adopted

22-LS1725\F
Utermohle
5/2/02

CS FOR HOUSE BILL NO. 524(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the issuance of general obligation bonds for the purpose of paying**
2 **the cost of design, construction, and major maintenance of educational and museum**
3 **facilities; and providing for an effective date."**

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **GENERAL OBLIGATION BONDS.** For the purpose of paying the cost of design,
8 construction, and major maintenance of educational and museum facilities, general obligation
9 bonds of the state in the principal amount of not more than \$152,914,583, if ratified by a
10 majority of the qualified voters of the state who vote on the question, shall be issued and sold.
11 The full faith, credit, and resources of the state are pledged to the payment of the principal of
12 and interest and redemption premium, if any, on the bonds. The bonds shall be issued under
13 the provisions of AS 37.15 as those provisions read at the time of issuance.

14 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 EDUCATIONAL AND MUSEUM FACILITY DESIGN, CONSTRUCTION, AND
3 MAJOR MAINTENANCE FUND. If the issuance of the bonds is ratified by a majority of
4 the qualified voters of the state who vote on the question, a special fund of the state to be
5 known as the "educational end museum facility design, construction, and major maintenance
6 fund" shall be established, to which shall be credited the proceeds of the sale of the bonds
7 described in sec. 1 of this Act except for the accrued interest and premiums.

8 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The amount of
11 \$103,474,583 is appropriated from the educational and museum facility design, construction,
12 and major maintenance fund to the Department of Education and Early Development to be
13 awarded as grants for design, construction, and major maintenance for public schools, subject
14 to reallocation between projects in accordance with AS 37.07.080(e), for the following
15 projects and estimates:

PROJECT	MUNICIPALITY OR REAA LOCATION	AMOUNT
(1) Tuluksak School improvement	Yupiit	\$17,703,793
(2) Akiak School improvement	Yupiit	13,228,730
(3) Scammon Bay replacement school	Lower Yukon	17,029,762
(4) Teller K-12 remodel/addition	Bering Strait	9,426,570
(5) Service High School renewal, Phases 2A, 2B, and 3	Anchorage	17,000,000
(6) East High School, Phases 2 - 5	Anchorage	5,400,000
(7) Bartlett High School, Phases 2 and 3	Anchorage	1,900,000
(8) Chugiak High School, Phase 4	Anchorage	3,655,728
(9) Central kitchen/operations and maintenance facility	Fairbanks	9,800,000
(10) Nutrition services facility	Matanuska-Susitna	8,330,000

31 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 UNIVERSITY OF ALASKA. The amount of \$44,440,000 is appropriated from the
3 educational and museum facility design, construction, and major maintenance fund to the
4 University of Alaska for the following design, construction, and major maintenance projects.
5 subject to reallocation between projects in accordance with AS 37.07.080(e):

6 PROJECT	LOCATION	AMOUNT
7 (1) BioScience class/laboratory, 8 Phase 1	Fairbanks	\$12,000,000
9 (2) Integrated science facility, 10 Phase 1	Anchorage	8,400,000
11 (3) Lena Point fisheries laboratory	Juneau	9,000,000
12 (4) Prince William Sound building 13 acquisition	Valdez	1,500,000
14 (5) Classroom expansion	Kenai	850,000
15 (6) Classroom completion	Sitka	540,000
16 (7) Classroom addition/land 17 acquisition, Phase 1	Homer	1,500,000
18 (8) Biomedical facility addition	Anchorage	4,750,000
19 (9) West Ridge research addition	Fairbanks	2,000,000
20 (10) Paul/Ziegler classroom 21 renovation	Ketchikan	3,900,000

22 * Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT. The
25 amount of \$5,000,000 is appropriated from the educational and museum facility design,
26 construction, and major maintenance fund to the Department of Community and Economic
27 Development to be awarded as a grant to the Municipality of Anchorage for renovation of the
28 Anchorage Museum of History and Art.

29 * Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 STATE BOND COMMITTEE. If the issuance of the bonds is ratified by a majority

under 37.05.315

under AS 37.05.315

1 of the qualified voters of the state who vote on the question, the amount of \$535,201 or as
2 much of that amount as is found necessary is appropriated from the proceeds of the sale of the
3 bonds authorized by this Act to the state bond committee to carry out the provisions of this
4 Act and to pay expenses incident to the sale and issuance of the bonds authorized by this Act.

5 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 ADVANCE PLANNING. Any amount withdrawn from the public facility planning
8 fund (AS 35.10.135) for the purpose of advance planning for the capital improvements
9 financed under this Act shall be reimbursed to the fund from the proceeds of the sale of bonds
10 authorized by this Act.

11 * Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 LAPSE; REDEMPTION; REIMBURSEMENT. The unexpended and unobligated
14 balances of the appropriations made in secs. 3 - 5 of this Act lapse under AS 37.25.020 and
15 are appropriated to the state bond committee to redeem bonds sold under this Act. The
16 amounts expended from the general fund to pay the principal, interest, and redemption
17 premium on bonds issued under this Act shall be reimbursed to the general fund from the
18 appropriation made under this section to the extent that the money is not needed to redeem the
19 bonds.

20 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 BALLOT QUESTION. The question whether the bonds authorized by this Act are to
23 be issued shall be submitted to the qualified voters of the state at the next general election and
24 shall read substantially as follows:

25 PROPOSITION

26 State General Obligation Educational and
27 Museum Facility, Design, Construction,
28 and Major Maintenance Bonds \$152,914,583
29 Shall the State of Alaska issue its general obligation bonds in
30 the principal amount of not more than \$152,914,583 for the
31 purpose of paying for the cost of design, construction, and

1
2
3
4

major maintenance of educational and museum facilities?

Bonds Yes []

Bonds No []

* Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

Education GO Bonds HB 524\F

<i>Italics show changes from original CS</i>				
School District	Item		State Share	Running Total
Yupiit	Tuluksak School		17,703,793	17,703,793
Yupiit	Akiak School Improvement		13,228,730	30,932,523
Lower Yukon	Scammon Bay Replacement School		17,029,762	47,962,285
Bering Strait	Teller K-12 Remodel/Addition		9,426,570	57,388,855
Anchorage	Service High School Renewal, Phase 2A, 2B, & 3		17,000,000	74,388,855
Anchorage	East High School Phases 2 through 5		5,400,000	79,788,855
Anchorage	Bartlett High School Phase 2 & 3		1,900,000	81,688,855
Anchorage	Chugiak High School Phase 4		3,655,728	85,344,583
Fairbanks	Central Kitchen/Operations & Maintenance Facility		9,800,000	95,144,583
Mat- Su	Nutrition Services Facility		8,330,000	103,474,583
Total Schools		103,474,583		
University of Alaska	BioScience Class/Laboratory - Phase 1 (Fairbanks)		12,000,000	115,474,583
University of Alaska	Integrated Science Facility - Phase 1 (Anchorage)		8,400,000	123,874,583
University of Alaska	Lena Point fisheries laboratory (Juneau)		9,000,000	132,874,583
University of Alaska	Prince William Sound Building Acquisition (Valdez)		1,500,000	134,374,583
University of Alaska	Kenai Classroom Expansion		850,000	135,224,583
University of Alaska	Sitka Classroom Completion		540,000	135,764,583
University of Alaska	Homer Classroom Addition/Land Acquisition Phase 1		1,500,000	137,264,583
University of Alaska	Biomedical Facility Addition (Anchorage)		4,750,000	142,014,583
University of Alaska	West Ridge Research Addition (Fairbanks)		2,000,000	144,014,583
University of Alaska	Paul/Ziegler Classroom Renovation (Ketchikan)		3,900,000	147,914,583
Total University			44,440,000	
Municipality of Anchorage	Anchorage Museum of History & Art		5,000,000	152,914,583
Total Muesums			5,000,000	
Total Bill				152,914,583

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB524(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: General Obligation Bonds: BRU Revenue Operations
Schools and State Facilities Component: Treasury Division
Sponsor: House Finance Committee
Requester: House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel		15.0				
Contractual		525.2	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		11,780.5	11,779.6	11,780.9	11,780.2	11,782.9
TOTAL OPERATING		12,320.7	11,794.6	11,795.9	11,795.2	11,797.9

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		11,785.5	11,794.6	11,795.9	11,795.2	11,797.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		535.2				
TOTAL		12,320.7	11,794.6	11,795.9	11,795.2	11,797.9

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the issuance of \$152,914,583 in general obligation bonds to pay for the cost of design, construction and maintenance of public schools and state facilities.

If approved by the legislature this session, the proposal would be on the November 2002 general election ballot for voter authorization. Assuming voter approval, the intent is to issue the \$152,914,583 of bonds in the spring of 2003. However, the State Bond Committee would determine the actual timing, amount and term of the bond sales based on project demand and market conditions. As much as \$535,201 of the bond issue will be used to pay the costs of issuing the bonds including rating agency, printing, public notice, travel, financial adviser and bond counsel fees.

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750
Division: Treasury Division Date/Time 5/3/02 8:45 AM
Approved by: Larry Persily, Deputy Commissioner Date 05/03/2002
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB524(FIN)

ANALYSIS CONTINUATION

It is anticipated that these bonds will be sold on a competitive basis, with the bonds being awarded to the bidder with the lowest true interest cost. As this structure almost always results in a net premium bond position, it is expected the bonds will be remarketed and the premium used to pay the underwriter's sales force and expenses. The cost of remarketing these bonds is estimated at \$760,000.

Assuming an interest rate of 4.85% (approximately 25 basis points higher than current rates), and a 20-year term, the annual debt service would be approximately \$11.8 million per year beginning in FY2004. If this rate increases by 1% prior to selling bonds, the annual cost would increase to \$13.0 million.

REPRESENTATIVE
BILL WILLIAMS
Co-Chair
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Alaska State Legislature
House Finance Committee

State Capitol, Juneau, Alaska 99801-1182

REPRESENTATIVE
ELDON MULDER
Co-Chair
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HOUSE BILL 524

General Obligation Bonds for Education Facility Construction

Finance Committee Substitute for House Bill 524 authorizes a vote of the people on general obligation bonds issued by the State of Alaska for the construction of educational facilities.

The proposal, totaling \$149,795,595, provides for new schools, University of Alaska projects and a portion of a museum expansion in Anchorage.

The new school projects include facilities in Tuluksak, Akiak, Scammon Bay, Teller and Anchorage.

The University of Alaska funding includes projects on campuses in Fairbanks, Juneau, Homer, Valdez, Anchorage, Kenai, Sitka, Homer, and Ketchikan.

The bond question would be on the November ballot. If approved by the voters, projects could commence early in 2003.

Education GO Bonds HB 524

District	Item		State Share	running total
Yupitit	Tuluksak School		17,703,793	17,703,793
Yupitit	Akiak School Improvement		13,228,730	30,932,523
Lower Yukon	Scammon Bay Replacement School		17,029,762	47,962,285
Bering Strait	Teller K-12 Remodel/Addition		9,426,570	57,388,855
Anchorage	Service High School Renewal, Phase 2A, 2B, & 3		17,000,000	74,388,855
Anchorage	East High School Phases 2 through 5		5,400,000	79,788,855
Anchorage	Bartlett High School Phase 2 & 3		19,000,000	98,788,855
Anchorage	Chugiak High School Phase 4		1,566,740	100,355,595
	Total Schools			
University of Alaska	BioScience Class/Laboratory - Phase 1 (Fairbanks)		12,000,000	112,355,595
University of Alaska	Integrated Science Facility - Phase 1 (Anchorage)		8,400,000	120,755,595
University of Alaska	Lena Point Fisheries Laboratory (Juneau)		9,000,000	129,755,595
University of Alaska	Prince William Sound Building Acquisition (Valdez)		1,500,000	131,255,595
University of Alaska	Kenai Classroom Expansion		850,000	132,105,595
University of Alaska	Sitka Classroom Completion		540,000	132,645,595
University of Alaska	Homer Classroom Addition/Land Acquisition Phase 1		1,500,000	134,145,595
University of Alaska	Biomedical Facility Addition (Anchorage)		4,750,000	138,895,595
University of Alaska	West Ridge Research Addition (Fairbanks)		2,000,000	140,895,595
University of Alaska	Paul/Ziegler Classroom Renovation (Ketchikan)		3,900,000	144,795,595
Municipality of Anchorage	Anchorage Museum of History & Art		5,000,000	149,795,595
	Total University & Muesums			
	Total Bill			149,795,595

22-LS1725\C
Utermohle
4/29/02

CS FOR HOUSE BILL NO. 524(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the issuance of general obligation bonds for the purpose of paying
2 the cost of design, construction, and major maintenance of educational and museum
3 facilities; and providing for an effective date."

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 GENERAL OBLIGATION BONDS. For the purpose of paying the cost of design,
8 construction, and major maintenance of educational and museum facilities, general obligation
9 bonds of the state in the principal amount of not more than \$149,795,595, if ratified by a
10 majority of the qualified voters of the state who vote on the question, shall be issued and sold.
11 The full faith, credit, and resources of the state are pledged to the payment of the principal of
12 and interest and redemption premium, if any, on the bonds. The bonds shall be issued under
13 the provisions of AS 37.15 as those provisions read at the time of issuance.

14 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 EDUCATIONAL AND MUSEUM FACILITY DESIGN, CONSTRUCTION, AND
3 MAJOR MAINTENANCE FUND. If the issuance of the bonds is ratified by a majority of
4 the qualified voters of the state who vote on the question, a special fund of the state to be
5 known as the "educational and museum facility design, construction, and major maintenance
6 fund" shall be established, to which shall be credited the proceeds of the sale of the bonds
7 described in sec. 1 of this Act except for the accrued interest and premiums.

8 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The amount of
11 \$100,355,595 is appropriated from the educational and museum facility design, construction,
12 and major maintenance fund to the Department of Education and Early Development to be
13 awarded as grants for design, construction, and major maintenance for public schools, subject
14 to reallocation between projects in accordance with AS 37.07.080(e), for the following
15 projects and estimates:

PROJECT	MUNICIPALITY OR REAA LOCATION	AMOUNT
(1) Tuluksak School improvement	Yupiit	\$17,703,793
(2) Akiak School improvement	Yupiit	13,228,730
(3) Scammon Bay replacement school	Lower Yukon	17,029,762
(4) Teller K-12 remodel/addition	Bering Strait	9,426,570
(5) Service High School renewal, Phases 2A, 2B, and 3	Anchorage	17,000,000
(6) East High School, Phases 2 - 5	Anchorage	5,400,000
(7) Bartlett High School, Phases 2 and 3	Anchorage	19,000,000
(8) Chugiak High School, Phase 4	Anchorage	1,566,740

3,055,928
~~1,566,740~~

28 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 UNIVERSITY OF ALASKA. The amount of \$44,440,000 is appropriated from the
31 educational and museum facility design, construction, and major maintenance fund to the

1 University of Alaska for the following design, construction, and major maintenance projects,
2 subject to reallocation between projects in accordance with AS 37.07.080(e):

3 PROJECT	LOCATION	AMOUNT
4 (1) BioScience class/laboratory, 5 Phase 1	Fairbanks	\$12,000,000
6 (2) Integrated science facility, 7 Phase 1	Anchorage	8,400,000
8 (3) Lena Point fisheries laboratory	Juneau	9,000,000
9 (4) Prince William Sound building 10 acquisition	Valdez	1,500,000
11 (5) Classroom expansion	Kenai	850,000
12 (6) Classroom completion	Sitka	540,000
13 (7) Classroom addition/land 14 acquisition, Phase 1	Homer	1,500,000
15 (8) Biomedical facility addition	Anchorage	4,750,000
16 (9) West Ridge research addition	Fairbanks	2,000,000
17 (10) Paul/Ziegler classroom 18 renovation	Ketchikan	3,900,000

19 * Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to
20 read:

21 DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT. The
22 amount of \$5,000,000 is appropriated from the educational and museum facility design,
23 construction, and major maintenance fund to the Department of Community and Economic
24 Development to be awarded as a grant to the Municipality of Anchorage for renovation of the
25 Anchorage Museum of History and Art.

26 * Sec. 6. The uncoded law of the State of Alaska is amended by adding a new section to
27 read:

28 STATE BOND COMMITTEE. If the issuance of the bonds is ratified by a majority
29 of the qualified voters of the state who vote on the question, the amount of \$524,285 or as
30 much of that amount as is found necessary is appropriated from the proceeds of the sale of the
31 bonds authorized by this Act to the state bond committee to carry out the provisions of this

1 Act and to pay expenses incident to the sale and issuance of the bonds authorized by this Act.

2 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 ADVANCE PLANNING. Any amount withdrawn from the public facility planning
5 fund (AS 35.10.135) for the purpose of advance planning for the capital improvements
6 financed under this Act shall be reimbursed to the fund from the proceeds of the sale of bonds
7 authorized by this Act.

8 * Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 LAPSE; REDEMPTION; REIMBURSEMENT. The unexpended and unobligated
11 balances of the appropriations made in secs. 3 - 5 of this Act lapse under AS 37.25.020 and
12 are appropriated to the state bond committee to redeem bonds sold under this Act. The
13 amounts expended from the general fund to pay the principal, interest, and redemption
14 premium on bonds issued under this Act shall be reimbursed to the general fund from the
15 appropriation made under this section to the extent that the money is not needed to redeem the
16 bonds.

17 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 BALLOT QUESTION. The question whether the bonds authorized by this Act are to
20 be issued shall be submitted to the qualified voters of the state at the next general election and
21 shall read substantially as follows:

22 PROPOSITION

23 State General Obligation Educational and
24 Museum Facility, Design, Construction,
25 and Major Maintenance Bonds \$149,795,595

26 Shall the State of Alaska issue its general obligation bonds in
27 the principal amount of not more than \$149,795,595 for the
28 purpose of paying for the cost of design, construction, and
29 major maintenance of educational and museum facilities?

30 Bonds Yes []

31 Bonds No []

1

* **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

HB

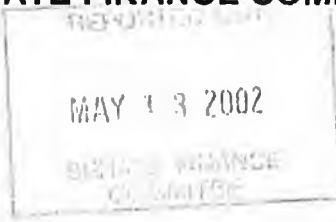
524

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/6/02



FURTHER:

DATE TURNED IN TO OFFICE: 13 May 2002

Finance Committee considered **CS FOR HOUSE BILL NO. 524(FIN)**
HB 524 G.O. BONDS: SCHOOLS & STATE FACILITIES

"An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of design, construction, and major maintenance of educational and museum facilities; and providing for an effective date."

and recommends:

- be replaced with S CS CS HB 524 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	7/02	12,320.7		#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Linda Green</i>			✓	
<i>Wm. Custer</i>			✓	
<i>Bob...</i>				✓
<i>Gary...</i>			✓	
<i>Henry...</i>			✓	
<i>Larry...</i>				✓
COCHAIR: <i>Jeff...</i>				✓
COCHAIR: <i>Kate...</i>	✓			

FISCAL NOTE

MAY 3 2002

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: CSHB 524(FIN)
 (H) Publish Date: 5/3/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title General Obligation Bonds: BRU Revenue Operations
Schools and State Facilities Component Treasury Division
 Sponsor House Finance Committee
 Requester House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel		15.0				
Contractual		525.2	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		11,780.5	11,779.6	11,780.9	11,780.2	11,782.9
TOTAL OPERATING		12,320.7	11,794.6	11,795.9	11,795.2	11,797.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		11,785.5	11,794.6	11,795.9	11,795.2	11,797.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		535.2				
TOTAL		12,320.7	11,794.6	11,795.9	11,795.2	11,797.9

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the issuance of \$152,914,583 in general obligation bonds to pay for the cost of design, construction and maintenance of public schools and state facilities.

If approved by the legislature this session, the proposal would be on the November 2002 general election ballot for voter authorization. Assuming voter approval, the intent is to issue the \$152,914,583 of bonds in the spring of 2003. However, the State Bond Committee would determine the actual timing, amount and term of the bond sales based on project demand and market conditions. As much as \$535,201 of the bond issue will be used to pay the costs of issuing the bonds including rating agency, printing, public notice, travel, financial adviser and bond counsel fees.

Prepared by: Deven Mitchell, State Debt Manager
 Division: Treasury Division
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 465-3750
 Date/Time 5/3/02 8:45 AM
 Date 05/03/2002

FISCAL NOTE #1

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

BILL NO. CSHB 524(FIN)

ANALYSIS CONTINUATION

It is anticipated that these bonds will be sold on a competitive basis, with the bonds being awarded to the bidder with the lowest true interest cost. As this structure almost always results in a net premium bond position, it is expected the bonds will be remarketed and the premium used to pay the underwriter's sales force and expenses. The cost of remarketing these bonds is estimated at \$760,000.

Assuming an interest rate of 4.85% (approximately 25 basis points higher than current rates), and a 20-year term, the annual debt service would be approximately \$11.8 million per year beginning in FY2004. If this rate increases by 1% prior to selling bonds, the annual cost would increase to \$13.0 million.

SENATE CS FOR CS FOR HOUSE BILL NO. 524(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the issuance of general obligation bonds for the purpose of paying
2 the cost of design, construction, and major maintenance of educational and museum
3 facilities; and providing for an effective date."

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

5 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 GENERAL OBLIGATION BONDS. For the purpose of paying the cost of design,
8 construction, and major maintenance of educational and museum facilities, general obligation
9 bonds of the state in the principal amount of not more than \$201,166,746, if ratified by a
10 majority of the qualified voters of the state who vote on the question, shall be issued and sold.
11 The full faith, credit, and resources of the state are pledged to the payment of the principal of
12 and interest and redemption premium, if any, on the bonds. The bonds shall be issued under
13 the provisions of AS 37.15 as those provisions read at the time of issuance.

14 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 EDUCATIONAL AND MUSEUM FACILITY DESIGN, CONSTRUCTION, AND
3 MAJOR MAINTENANCE FUND. If the issuance of the bonds is ratified by a majority of
4 the qualified voters of the state who vote on the question, a special fund of the state to be
5 known as the "educational and museum facility design, construction, and major maintenance
6 fund" shall be established, to which shall be credited the proceeds of the sale of the bonds
7 described in sec. 1 of this Act except for the accrued interest and premiums.

8 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The amount of
11 \$134,462,746 is appropriated from the educational and museum facility design, construction,
12 and major maintenance fund to the Department of Education and Early Development to be
13 awarded as grants for design, construction, and major maintenance for public schools, subject
14 to reallocation between projects in accordance with AS 37.07.080(e), for the following
15 projects and estimates:

PROJECT	MUNICIPALITY OR REAA LOCATION	AMOUNT
(1) Tuluksak School improvement	Yupiit	\$17,703,793
(2) Akiak School improvement	Yupiit	13,228,730
(3) Akiachak School improvement	Yupiit	19,099,094
(4) Scammon Bay replacement school	Lower Yukon	17,029,762
(5) Teller K-12 remodel/addition	Bering Strait	9,426,570
(6) Hooper Bay addition/renovation	Lower Yukon	24,423,467
(7) Circle School replacement	Yukon Flats	4,068,521
(8) Naukati School replacement	Southeast Island	4,018,031
(9) Sheldon Point (Nunam Iqua) school improvement	Lower Yukon	7,285,492
(10) White Mountain K-12 remodel/ addition	Bering Strait	11,387,668
(11) Arctic Village addition/renovation	Yukon Flats	6,791,618

31 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 UNIVERSITY OF ALASKA. The amount of \$61,704,000 is appropriated from the
3 educational and museum facility design, construction, and major maintenance fund to the
4 University of Alaska for the following design, construction, and major maintenance projects,
5 subject to reallocation between projects in accordance with AS 37.07.080(e):

6	PROJECT	LOCATION	AMOUNT
7	(1) BioScience class/laboratory,	Fairbanks	\$21,500,000
8	infrastructure design, buildout,		
9	and site development		
10	(2) Integrated science facility,	Anchorage	8,400,000
11	Phase 1		
12	(3) Lena Point fisheries laboratory	Juneau	9,000,000
13	(4) Prince William Sound building	Valdez	1,500,000
14	acquisition		
15	(5) Classroom expansion	Kenai	850,000
16	(6) Classroom completion	Sitka	540,000
17	(7) Classroom addition/land	Homer	3,000,000
18	acquisition, Phase 1		
19	(8) Biomedical facility addition	Anchorage	4,750,000
20	(9) West Ridge research addition	Fairbanks	2,000,000
21	(10) Paul/Ziegler classroom	Ketchikan	3,900,000
22	renovation		
23	(11) Prince William Sound	Valdez	835,000
24	classroom building renovation		
25	(12) Matanuska-Susitna classroom	Palmer	650,000
26	building renovation		
27	(13) Robertson classroom/parking	Ketchikan	385,000
28	lot renovations		
29	(14) Classroom building renovations	Kodiak	500,000
30	(15) Tanana Valley space renovation	Fairbanks	2,000,000
31	(16) Chukchi classroom building	Kotzebue	580,000

1	renovation		
2	(17) Interior/Aleutians classroom	Interior/Aleutians	240,000
3	building renovation		
4	(18) Northwest College classroom	Nome	190,000
5	building renovation		
6	(19) Kuskokwim College classroom	Bethel	180,000
7	building renovation		
8	(20) Bristol Bay Campus addition	Dillingham	704,000

9 * Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT. The
12 amount of \$5,000,000 is appropriated from the educational and museum facility design,
13 construction, and major maintenance fund to the Department of Community and Economic
14 Development to be awarded as a grant under AS 37.05.315 to the Municipality of Anchorage
15 for renovation of the Anchorage Museum of History and Art.

16 * Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 STATE BOND COMMITTEE. If the issuance of the bonds is ratified by a majority
19 of the qualified voters of the state who vote on the question, the amount of \$1,005,834 or as
20 much of that amount as is found necessary is appropriated from the proceeds of the sale of the
21 bonds authorized by this Act to the state bond committee to carry out the provisions of this
22 Act and to pay expenses incident to the sale and issuance of the bonds authorized by this Act.

23 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 ADVANCE PLANNING. Any amount withdrawn from the public facility planning
26 fund (AS 35.10.135) for the purpose of advance planning for the capital improvements
27 financed under this Act shall be reimbursed to the fund from the proceeds of the sale of bonds
28 authorized by this Act.

29 * Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 LAPSE; REDEMPTION; REIMBURSEMENT. The unexpended and unobligated

1 balances of the appropriations made in secs. 3 - 5 of this Act lapse under AS 37.25.020 and
2 are appropriated to the state bond committee to redeem bonds sold under this Act. The
3 amounts expended from the general fund to pay the principal, interest, and redemption
4 premium on bonds issued under this Act shall be reimbursed to the general fund from the
5 appropriation made under this section to the extent that the money is not needed to redeem the
6 bonds.

7 * **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 **BALLOT QUESTION.** The question whether the bonds authorized by this Act are to
10 be issued shall be submitted to the qualified voters of the state at the next general election and
11 shall read substantially as follows:

12 **PROPOSITION**

13 State General Obligation Educational and
14 Museum Facility, Design, Construction,
15 and Major Maintenance Bonds \$201,166,746

16 Shall the State of Alaska issue its general obligation bonds in
17 the principal amount of not more than \$201,166,746 for the
18 purpose of paying for the cost of design, construction, and
19 major maintenance of educational and museum facilities?

20 Bonds Yes []

21 Bonds No []

22 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

Amend #1
Failed

22-LS1725\O

1 read:

2 EDUCATIONAL AND MUSEUM FACILITY DESIGN, CONSTRUCTION, AND
3 MAJOR MAINTENANCE FUND. If the issuance of the bonds is ratified by a majority of
4 the qualified voters of the state who vote on the question, a special fund of the state to be
5 known as the "educational and museum facility design, construction, and major maintenance
6 fund" shall be established, to which shall be credited the proceeds of the sale of the bonds
7 described in sec. 1 of this Act except for the accrued interest and premiums.

8 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The amount of
11 \$134,462,746 is appropriated from the educational and museum facility design, construction,
12 and major maintenance fund to the Department of Education and Early Development to be
13 awarded as grants for design, construction, and major maintenance for public schools, subject
14 to reallocation between projects in accordance with AS 37.07.080(e), for the following
15 projects and estimates:

PROJECT	MUNICIPALITY OR REAA LOCATION	AMOUNT
(1) Tuluksak School improvement	Yupitit	\$17,703,793,000
(2) Akiak School improvement	Yupitit	13,228,730,000
(3) Akiachak School improvement	Yupitit	19,099,894,000
(4) Scammon Bay replacement school	Lower Yukon	17,029,762,000
(5) Teller K-12 remodel/addition	Bering Strait	9,426,570,000
(6) Hooper Bay addition/renovation	Lower Yukon	24,423,467,000
(7) Circle School replacement	Yukon Flats	4,068,521,000
(8) Naukati School replacement	Southeast Island	4,018,031,000
(9) Sheldon Point (Nunam Iqua) school improvement	Lower Yukon	7,285,492,000
(10) White Mountain K-12 remodel/ addition	Bering Strait	11,387,668,000
(11) Arctic Village addition/renovation	Yukon Flats	6,791,618,000

31 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to

change total amount accordingly

SENATE FINANCE COMMITTEE
5/13/2002 COMMITTEE ACTION

Bill Number	SB 524		
Amendment	Amend #1		
Motion	adopt		
<u>Motion by</u>			
<u>Objection by</u>			
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Austerman			✓
Senator Green	✓		
Senator Hoffman			✓
Senator Leman	✓		
Senator Olson			✓
Senator Ward			✓
Senator Wilken			✓
Co-Chair Donley			✓
Co-Chair Kelly			✓
<u>Tally</u>			
Yea	2		
Nay	7		
Absent	1		
<u>MOTION</u>		FAIL	

HB

525

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB525(FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: General Obligation Bonds: BRU Revenue Operations
Maintenance of Public Facilities Component Treasury Division
 Sponsor: House Finance Committee
 Requester: House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel		15.0				
Contractual		687.6	20.0	20.0	20.0	20.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		15,335.2	15,357.1	15,357.0	15,356.5	15,355.7
TOTAL OPERATING		16,037.8	15,377.1	15,377.0	15,376.5	15,375.7

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1002 Federal Receipts						
1003 GF Match						
1004 GF		15,340.2	15,377.1	15,377.0	15,376.5	15,375.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		697.6				
TOTAL		16,037.8	15,377.1	15,377.0	15,376.5	15,375.7

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the issuance of \$199,317,717 in general obligation bonds to pay for the cost of deferred maintenance of public facilities.

If the legislature approves this measure this session, the bond issue would be placed before voters in the November 2002 general election. Assuming voter approval, the intent is to issue the \$199,317,717 of bonds in the spring of 2003. However, the State Bond Committee would determine the actual timing, amount and term of the bond sales based on project demand and market conditions. As much as \$697,612 of the bond issue would be used to pay the costs of issuing the bonds including rating agency, printing, public notice, travel, financial adviser and bond counsel fees.

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750
 Division: Treasury Division Date/Time 5/3/02 8:32 AM
 Approved by: Larry Persily, Deputy Commissioner Date 05/03/2002
 Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB525(FIN)

ANALYSIS CONTINUATION

It is anticipated that these bonds will be sold on a competitive basis, with the bonds being awarded to the bidder with the lowest true interest cost. As this structure almost always results in a net premium bond position, it is expected the bonds will be remarketed and the premium used to pay the underwriter's sales force and expenses. The cost of remarketing these bonds is estimated at \$997,000.

Assuming an interest rate of 4.85% (approximately 25 basis points higher than current rates), and a 20-year term, the annual debt service would be approximately \$15.4 million per year beginning in FY2004. If the interest rate increases by 1% prior to selling bonds, the annual debt service cost would increase to \$16.9 million.

Deferred Maint GC Bonds HB 525\F

Italics show changes from original CS			
School		State Share	Aggregate
District	Project Name	Bond Amount	Bond Amount
Anchorage	Wendler Middle School Building Renovation Phase 2	12,821,521	12,821,521
Lower Yukon	Hooper Bay Structural Repairs	258,901	13,080,422
Sitka City Borough	Blatchley Waterline Emergency Repair	79,170	13,159,592
Chatham	Gustavus Gymnasium Renovation	394,065	13,553,657
Ketchikan	Schoenbar Renovation	5,522,692	19,076,349
Copper River	Glennallen Elementary School Upgrade	927,069	20,003,418
Petersburg City	District-Wide Major Maintenance	1,001,662	21,005,080
Hoonah City	Hoonah Elementary Major Maintenance	1,805,501	22,810,581
<i>Yupit</i>	<i>Akiak Elementary School Repairs</i>	0	22,810,581
Chatham	Angoon ADA Access Renovation	134,806	22,945,387
Copper River	Glennallen High School Gym Renovation	152,709	23,098,096
Valdez City	Hermon Hutchens Elementary School Roof Repair	1,282,453	24,380,549
North Slope Borough	Tikigaq School Renovation	3,741,661	28,122,210
<i>Iditarod Area</i>	<i>Holy Cross School Bathroom & Shower Deterioration</i>	0	28,122,210
Hydaburg City	Hydaburg School Renovation	5,822,106	33,944,316
Northwest Arctic	Kobuk School Boiler Upgrade	176,418	34,120,734
Mat-Su Borough	Palmer Junior Middle School Sprinklers & Piping	839,416	34,960,150
Northwest Arctic	Shungnak K-12 Renovation	2,809,962	37,770,112
Haines	Haines Drainage	308,123	38,078,235
Cordova	Mt. Eccles Roof Replacement	269,442	38,347,677
Galena	Galena High School Floor Renovation	154,841	38,502,518
Skagway City	Skagway Roof Replacement	177,756	38,680,274
Nenana City	Nenana Kitchen/Cafeteria Renovation	324,287	39,004,561
Wrangell City	Wrangell District-Wide Major Maintenance	1,015,852	40,020,413
St Marys	Elicavicular Elementary Boiler Replacement	161,346	40,181,759
Anchorage	King Career Center Code Upgrade & Renovation	5,110,000	45,291,759
Yukon-Koyukuk	Kaltag School Renovation	2,461,577	47,753,336
Tanana City	Tanana Major Maintenance	2,606,707	50,360,043
<i>Fairbanks</i>	<i>District-Wide Fire Protection System Upgrades</i>	0	50,360,043

Deferred Maint GO Bonds HB 525\F

School District	Project Name	State Share Bond Amount	Aggregate Bond Amount
Yakutat City	Yakutat High School Gymnasium Structural Repair	125,801	50,485,844
Kodiak Island Kuspuk	Ouzinkie School Gym Renovation Chuathbaluk Crow Village Sam School Sewage System Replacement	660,874 0	51,146,718 51,146,718
Anchorage Fairbanks	Chester Valley Elementary School Renovation & Addition Salcha Elementary Fire Sprinkler Replacement	5,611,743 0	56,758,461 56,758,461
Mat-Su Borough	Su-Valley High School, Iditarod, Snowshoe Fire Alarms	326,239	57,084,700
Dillingham City Lake & Peninsula	Dillingham Elementary School Weatherization Chignik Lake & Kokhanok Power Production Upgrade	107,928 0	57,192,628 57,192,628
Craig City	Craig Elementary School Renovation	1,377,669	58,570,297
Sitka City Borough	Blatchley Water System Upgrades	253,381	58,823,678
Chatham	Klukwan Mechanical System Renovation	138,137	58,961,815
Chugach	Chenegga Bay Major Maintenance	10,520	58,972,335
Yukon Flats	Chalkyitsik Sewage Lagoon & Water Tank Project	156,249	59,128,584
Kake City	Kake Middle School Renovation	470,415	59,598,999
Denali Borough	Cantwell School Sprinkler Installation & Heating System Upgrade	699,201	60,298,200
St Marys	Elicavicular Elementary Tank Farm Upgrades	218,035	60,516,235
Sitka City Borough	District-Wide Lighting Retrofit	674,113	61,190,248
Kuspuk	Kalskag George Morgan Sr. High School Sewage System Replacement	452,647	61,642,995
Yupit Iditarod Area	Akiak High School Access Ramp Innoko River School Welding Shop/Structural Emergency	0 0	61,642,995 61,642,995
Kodiak Island	Old Harbor Gym Voc-Ed Renovation	1,096,001	62,738,996
Kenai Peninsula	Kenai Schools Fire Alarm Upgrades	1,500,000	64,238,996
Denali Borough Fairbanks	Cantwell School Roof Replacement & Code Upgrade Joy Elementary Roof Repair/Replacement	367,833 0	64,606,829 64,606,829

Deferred Maint (O Bonds HB 525\F

School District	Project Name	State Share Bond Amount	Aggregate Bond Amount
Lake & Peninsula	District-Wide Roofing, Siding & Window Replacement	1,757,158	66,363,987
Nenana City	Nenana Vocational Education Building Renovation	494,205	66,858,192
Fairbanks	District-Wide Heating & Ventilation Upgrades	0	66,858,192
Haines	Haines High School Exterior Major Maintenance & Repairs	153,051	67,011,243
Anchorage	District-Wide Roof Replacement & Repairs	1,302,000	68,313,243
Dillingham City	Dillingham Central Administration Roof	0	68,313,243
Denali Borough	Anderson School Heating & Ventilation Upgrade	1,305,934	69,619,177
Lower Kuskokwim	Kilbuck School Boiler Replacement	0	69,619,177
Alaska Gateway	Northway School Structural Upgrade	956,636	70,575,813
Alaska Gateway	Terrill Sewer Line Project	77,081	70,652,894
Nenana City	Nenana ADA Access	173,195	70,826,089
Lake & Peninsula	Newhalen School Bathroom Remodel	0	70,826,089
Northwest Arctic	Deering Improvements Phase I	1,801,553	72,627,642
Yukon-Koyukuk	District-Wide Structural Repairs	474,162	73,101,804
Fairbanks	Elevator Modification & Sprinklers-Administration Center	0	73,101,804
Fairbanks	District-Wide Roofing Replacement/Major Repair	0	73,101,804
Yukon-Koyukuk	District-Wide Fuel Tank Upgrades	5,066,932	78,168,736
Fairbanks	District-Wide Traffic Safety Upgrades	0	78,168,736
Dillingham City	Dillingham High School Gym Roof	158,151	78,326,887
Yakutat City	Yakutat High School Interior Renovation	72,258	78,399,145
Chugach	District-Wide Fuel Tank Upgrade	133,428	78,532,573
Craig City	Craig Middle School Renovation	2,209,245	80,741,818
Fairbanks	District-Wide Safety System Upgrades	0	80,741,818
Iditarod Area	Innoko River School Vocational Education Code Upgrade	0	80,741,818
Chugach	Tatitlek Generator Replacement	154,312	80,896,130
Denali Borough	Anderson School Septic Leach-Field Replacement	134,660	81,030,790
Yukon-Koyukuk	District-Wide ADA Code Upgrades	981,036	82,011,826
Anchorage	District-Wide Mechanical Projects	10,150,000	92,161,826

Deferred Maint GO Bonds HB 525\F

School District	Project Name	State Share Bond Amount	Aggregate Bond Amount
Anchorage	District-Wide Minor Building Renewal Projects	3,513,627	95,675,453
Anchorage	District-Wide Traffic Safety Upgrades	787,500	96,462,953
Anchorage	Birchwood and Girdwood Elementary Schools and Chugiak High School Public Water/Sewer Service	3,710,000	100,172,953
Anchorage	District Electrical Projects	864,500	101,037,453
Anchorage	District-Wide Hazardous Materials/ADA Code Issues	997,013	102,034,466
Kenai Peninsula	District wide Asbestos Abatement	2,000,000	104,034,466
Kenai Peninsula	District wide Electrical upgrades	2,000,000	106,034,466
Juneau	Juneau Douglas High School Renovation	2,700,000	108,734,466
Nome	Beltz High School Renovations	2,691,000	111,425,466
Kenai Peninsula	Sterling Elementary improvements	91,000	111,516,466
Kenai Peninsula	Ninilchik School upgrades & Repairs	301,000	111,817,466
Kenai Peninsula	Nikolaevsk School upgrades & Repairs	35,000	111,852,466
Kenai Peninsula	Nikiski Elementary upgrades & Repairs	231,000	112,083,466
Kenai Peninsula	North Star Elementary Upgrades & Repairs	35,000	112,118,466
Kenai Peninsula	Nikiski High School repairs	35,000	112,153,466
Yukon-Koyukuk	District-Wide ADA Code Upgrades	\$981,036	113,134,502
Dillingham City	Dillingham High School Fire Panel Replacement	\$64,623	113,199,125
Hoonah City	Hoonah Pool Upgrades	\$171,092	113,370,217
School Subtotals		113,370,217	
University of Alaska	Prince William Sound Classroom Building Renovation (Valdez)	835,000	114,205,217
University of Alaska	Mat-Su Classroom Building Renovation (Palmer)	650,000	114,855,217
University of Alaska	Robertson Classroom/Parking lot Renovations (Ketchikan)	385,000	115,240,217
University of Alaska	Kodiak Classroom Building Renovations	500,000	115,740,217
University of Alaska	Tanana Valley Space Renovation (Fairbanks)	2,000,000	117,740,217
University of Alaska	Chukchi Classroom Building Renovation (Kotzebue)	580,000	118,320,217

Deferred Maint GO Bonds HB 525\F

School District	Project Name	State Share Bond Amount	Aggregate Bond Amount
University of Alaska	Interior/Aleutians Classroom Building Renovation	240,000	118,560,217
University of Alaska	Northwest College Classroom Building Renovation (Nome)	190,000	118,750,217
University of Alaska	Kuskokwim College Classroom Building Renovation (Bethel)	180,000	118,930,217
University Subtotal	5,560,000		
DOT/PF	Whittier Harbor Renovation	2,449,000	121,379,217
DOT/PF	Seldovia Harbor Renovation	2,628,000	124,007,217
DOT/PF	Petersburg (North Middle & South Harbors) Renovation	3,729,000	127,736,217
DOT/PF	Juneau (Auke Bay Harbor, Aurora Harbor, Harris Harbor, Douglas Harbor and Dock, North Douglas Launch Ramp, Taku Harbor) Renovation	7,119,000	134,855,217
DOT/PF	Ketchikan (Thomas Basin Harbor, Ryus Float, Bar Harbor North, Hole-in-the-Wall Harbor, Knudson Cove Harbor) Renovation	3,938,000	138,793,217
DOT/PF	Sitka (Thomas Harbor, Crescent Harbor, Sealing Cove Harbor) Renovations	2,234,500	141,027,717
DOT/PF	Cordova (Cordova Harbor) Renovation	4,876,000	145,903,717
DOT/PF	Wrangell (Standard Harbor, Reliance Float, Inner Harbor Fish and Game Dock, Shoemaker Harbor) Renovation	3,492,000	149,395,717
DOT/PF	Yakutat (Yakutat Harbor) Renovation	526,000	149,921,717
DOT/PF	Klawock (Klawock Harbor and Seaplane Float) Renovation	896,000	150,817,717
Docks & Harbors Subtotal	31,887,500		
	Major Deferred Maintenance Projects are renovations and improvements to facilities that are necessary to preserve the permanence of the facilities.		
Administration	Major Deferred Maintenance of state owned office buildings	8,000,000	158,817,717

Deferred Maint GO Bonds HB 525\F

School District	Project Name	State Share Bond Amount	Aggregate Bond Amount
Administration	Pioneers' Homes Facility Major Deferred Maintenance	6,000,000	164,817,717
Corrections	Correctional Facility Major Deferred Maintenance	9,500,000	174,317,717
Education	Mt Edgecombe High School and Alaska Vocational Technical Center Major Deferred Maintenance	3,000,000	177,317,717
Fish & Game	Buildings Major Deferred Maintenance	1,400,000	178,717,717
Transportation And Public Facilities	State Wide ADA Compliance	2,500,000	181,217,717
Health & Social Services	Youth Facility Repairs and Renovation, including the Nome Youth Facility, Health Clinics and Facilities and Other Building Major Deferred Maintenance	6,000,000	187,217,717
Military & Veterans Affairs	Military Facility Renovation at Camp Carroll, Kulis, Eielson, and Armory Major Deferred Maintenance	1,000,000	188,217,717
Natural Resources	Major Deferred Maintenance at State Parks and Forestry Stations,	1,000,000	189,217,717
Public Safety	Major Deferred Maintenance on Hangers, Public Safety Offices and Housing, including Roof Replacements and Weatherization Enhancements	2,100,000	191,317,717
Transportation And Public Facilities	Major Deferred Maintenance of State Offices and Facilities	6,000,000	197,317,717
Court System	Major Deferred Maintenance of Court Facilities	2,000,000	199,317,717
State Facilities Subtotal	48,500,000		
	Total Bill		199,317,717

Deferred Maint GO Bonds CSHB 525(FIN)

Major Deferred Maintenance Projects are renovations and improvements to facilities that are necessary to preserve the permanence of the facilities.			
District/Agency	Project Name	State Share Bond Amount	Aggregate Bond Amount
Anchorage	Wendler Middle School Building Renovation Phase 2	12,821,521	12,821,521
Lower Yukon	Hooper Bay Structural Repairs	258,901	13,080,422
Sitka City Borough	Blatchley Waterline Emergency Repair	79,170	13,159,592
Chatham	Gustavus Gymnasium Renovation	394,065	13,553,657
Ketchikan	Schoenbar Renovation	5,522,692	19,076,349
Copper River	Glennallen Elementary School Upgrade	927,069	20,003,418
Petersburg City	District-Wide Major Maintenance	1,001,662	21,005,080
Hoonah City	Hoonah Elementary Major Maintenance	1,805,501	22,810,581
Chatham	Angoon ADA Access Renovation	134,806	22,945,387
Copper River	Glennallen High School Gym Renovation	152,709	23,098,096
Valdez City	Hermon Hutchens Elementary School Roof Repair	1,282,453	24,380,549
North Slope Borough	Tikigaq School Renovation	3,741,661	28,122,210
Hydaburg City	Hydaburg School Renovation	5,822,105	33,944,316
Northwest Arctic	Kobuk School Boiler Upgrade	176,418	34,120,734
Mat-Su Borough	Palmer Junior Middle School Sprinklers & Piping	839,416	34,960,150
Northwest Arctic	Shungnak K-12 Renovation	2,809,962	37,770,112
Haines	Haines Drainage	308,123	38,078,235
Cordova	Mt. Eccles Roof Replacement	269,442	38,347,677
Galena	Galena High School Floor Renovation	154,841	38,502,518
Skagway City	Skagway Roof Replacement	177,756	38,680,274
Nenana City	Nenana Kitchen/Cafeteria Renovation	324,287	39,004,561
Wrangell City	Wrangell District-Wide Major Maintenance	1,015,852	40,020,413
St Marys	Elicavicular Elementary Boiler Replacement	161,346	40,181,759
Anchorage	King Career Center Code Upgrade & Renovation	5,110,000	45,291,759
Yukon-Koyukuk	Kaltag School Renovation	2,461,577	47,753,336
Tanana City	Tanana Major Maintenance	2,606,707	50,360,043
Yakutat City	Yakutat High School Gymnasium Structural Repair	125,801	50,485,844
Kodiak Island	Ouzinkie School Gym Renovation	660,874	51,146,718
Anchorage	Chester Valley Elementary School Renovation & Addition	5,611,743	56,758,461
Mat-Su Borough	Su-Valley High School, Iditarod, Snowshoe Fire Alarms	326,239	57,084,700
Dillingham City	Dillingham Elementary School Weatherization	107,928	57,192,628
Craig City	Craig Elementary School Renovation	1,377,669	58,570,297
Sitka City Borough	Blatchley Water System Upgrades	253,381	58,823,678