

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2546 SCOMM 111: DEFERRED MAINTENANCE TASK FORCE, 1997

Capital Facilities Fund Balances & Capacity

\$1.125 Billion Scenario

12-Year Bond Maturities

<u>Year</u>	<u>Beginning Balance</u>	<u>Earnings</u>	<u>Capital Facilities Bonds</u>	<u>Debt Service</u>	<u>Ending Balance</u>	<u>Available for Re-Deposit</u>	<u>Remaining Capacity</u>
1999	\$1,500,000	\$127,500	\$250,000	\$28,161	\$1,599,339		\$881,874
2000	\$1,599,339	\$135,944	\$250,000	\$56,323	\$1,678,960		\$706,833
2001	\$1,678,960	\$142,712	\$250,000	\$84,484	\$1,737,188	\$892,350	\$516,914
2002	\$1,737,188	\$147,661	\$250,000	\$112,645	\$1,772,204	\$645,753	\$310,852
2003	\$1,772,204	\$150,637	\$125,000	\$126,726	\$1,796,115	\$528,859	\$212,274
2004	\$1,796,115	\$152,670	\$0	\$126,726	\$1,822,060	\$554,803	\$230,318
2005	\$1,822,060	\$154,875	\$0	\$126,726	\$1,850,209	\$582,952	\$249,895
2006	\$1,850,209	\$157,268	\$0	\$126,726	\$1,880,751	\$613,495	\$271,136
2007	\$1,880,751	\$159,864	\$0	\$126,726	\$1,913,889	\$646,633	\$294,182
2008	\$1,913,889	\$162,681	\$0	\$126,726	\$1,949,844	\$682,588	\$319,188
2009	\$1,949,844	\$165,737	\$0	\$126,726	\$1,988,855	\$721,599	\$346,319
2010	\$1,988,855	\$169,053	\$0	\$126,726	\$2,031,182	\$763,926	\$375,756
2011	\$2,031,182	\$172,651	\$0	\$98,564	\$2,105,268	\$1,119,624	\$657,695
2012	\$2,105,268	\$178,948	\$0	\$70,403	\$2,213,813	\$1,509,782	\$963,599
2013	\$2,213,813	\$188,174	\$0	\$42,242	\$2,359,745	\$1,937,326	\$1,295,505
2014	\$2,359,745	\$200,578	\$0	\$14,081	\$2,546,243	\$2,405,437	\$1,655,623
2015	\$2,546,243	\$216,431	\$0	\$0	\$2,762,674	\$2,762,674	\$1,921,351
2016	\$2,762,674	\$234,827	\$0	\$0	\$2,997,501	\$2,997,501	\$2,084,666

Assumes: \$1.125 Billion construction/major maintenance financed over first five years, at 0% local match.

12-year series of AA- bonds yield what they did week of October 3, 1997 (4.97% avg. to maturity).

Fund earnings average 8.5% during period.

CAPITAL FACILITIES FUND Case Study -- \$1.125 billion over 5 years

Advantages of Leveraging Invested Funds for Present Value Construction & Maintenance

YEAR	<u>Capital Facilities Fund/2</u>			<u>Cash Case I/1</u>		<u>Cash Case II/2</u>		
	Construction/ Maintenance (000\$nominal)	Fund Balance - Year end /4	Available for Fiscal Gap or Op. Budget/3	Construction/ Maintenance (000\$nominal)	Fund Balance - Year end /4	Construction/ Maintenance (000\$nominal)	Fund Balance - Year end /4	Available for Fiscal Gap or Op. Budget/3
1998	\$250,000	\$1,599,339	\$99,339	\$250,000	\$1,307,000	\$250,000	\$1,377,500	(\$122,500)
1999	\$250,000	\$1,678,960	\$71,177	\$250,000	\$1,106,666	\$250,000	\$1,244,588	(\$132,913)
2000	\$250,000	\$1,737,188	\$43,016	\$250,000	\$898,719	\$250,000	\$1,100,377	(\$144,210)
2001	\$250,000	\$1,772,204	\$14,855	\$250,000	\$682,871	\$250,000	\$943,910	(\$156,468)
2002	\$125,000	\$1,796,115	\$774	\$125,000	\$583,820	\$125,000	\$899,142	(\$44,768)
2003		\$1,822,060	\$774		\$606,005		\$975,569	\$76,427
2004		\$1,850,209	\$774		\$629,033		\$1,058,492	\$82,923
2005		\$1,880,751	\$774		\$652,936		\$1,148,464	\$89,972
2006		\$1,913,889	\$774		\$677,748		\$1,246,084	\$97,619
2007		\$1,949,844	\$774		\$703,502		\$1,352,001	\$105,917
2008		\$1,988,855	\$774		\$730,235		\$1,466,921	\$114,920
2009		\$2,031,182	\$774		\$757,984		\$1,591,609	\$124,688
2010		\$2,105,268	\$28,936		\$786,788		\$1,726,896	\$135,287
2011		\$2,213,813	\$57,097		\$816,686		\$1,873,682	\$146,786
2012		\$2,359,745	\$85,258		\$847,720		\$2,032,945	\$159,263
Net Present Value 1998\$:	\$1,023,516	\$1,408,510		\$1,023,516	\$505,996	\$1,023,516	\$1,213,446	
		\$2,432,026			\$1,529,512		\$2,236,962	
Value received \$nom	\$1,125,000	\$2,359,745		\$1,125,000	\$847,720	\$1,125,000	\$2,032,945	
		\$3,484,745	\$405,873		\$1,972,720		\$3,157,945	\$532,945

Footnotes

/1 Historic CBR yield: 3.80%

/2 Projected CBR yield 8.50%

** Permanent Fund Corp./Dept. Revenue Projection

/3 Excess of earnings over debt service or capital spending. Balance is maintained at \$1.5 billion if no more than these amounts are removed.

/4 If excess earnings are reinvested

NOTE: THIS CASE ASSUMES 0% LOCAL MATCH.

ATTACHMENT 1: CAPITAL FACILITIES FINANCING CORPORATION STRUCTURE -- EFFECTS ON THE FISCAL GAP AND THE FIVE-YEAR BUDGET STRATEGY

ALASKA LEGISLATIVE MAJORITY - FIVE YEAR BUDGET STRATEGY as of October 2, 1996
With Capital Facilities Fund

10/19/97

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
<u>Revenues</u>						
1/Unrestricted Revenues	2,042.0	1,910.0	1,844.0	1,890.2	1,886.1	1,846.7
1/Other Sources/Adjustments	101.7	33.5	30.0	30.0	30.0	39.0
1/AHFC Dividend	70.0	50.0	72.1	74.3	76.5	78.8
1/AIDEA Dividend	0.0	15.0	25.6	26.5	28.0	28.4
2/CFFC Dividend (line 6b)	0.0	0.0	0.0	0.0	52.2	24.1
3/Projected CBRF Earnings	0.0	125.0	184.1	185.0	92.8	104.6
1/New Revenues	0.0	5.0	66.0	68.0	70.0	72.0
<u>Total Revenues</u>	<u>2,213.7</u>	<u>2,138.5</u>	<u>2,221.8</u>	<u>2,274.0</u>	<u>2,235.6</u>	<u>2,193.6</u>
(Total Revenues Projected in Five Year Budget Strategy)	2,213.7	2,138.5	2,221.8	2,274.0	2,270.0	2,240.0
<u>Expenditures</u>						
1/Operating	2,218.1	2,192.2	2,131.5	2,089.7	2,066.4	2,053.6
1/Debt Service	109.4	93.1	91.0	82.8	66.1	48.1
1/Capital	116.0	100.1	100.0	100.0	100.0	100.0
4/(Less) Programmed Capital Projects of CFFC	0.0	0.0	0.0	(100.0)	(100.0)	(100.0)
1/Specials/Transfers/Fund Capitalizations	18.6	15.4	17.5	17.5	17.5	17.5
1/Revised Programs/Supplementals	43.0	19.2	20.0	20.0	20.0	20.0
<u>Total Expenditures</u>	<u>2,505.1</u>	<u>2,420.0</u>	<u>2,360.0</u>	<u>2,210.0</u>	<u>2,170.0</u>	<u>2,140.0</u>
(Total On-Budget Expenditures Projected in Five Year Budget Strategy)	2,505.1	2,420.0	2,360.0	2,310.0	2,270.0	2,240.0
<u>1/Expenditure Reduction from Previous FY</u>		<u>(85.1)</u>	<u>(60.0)</u>	<u>(150.0)</u>	<u>(40.0)</u>	<u>(30.0)</u>
1/As a % of Total Expenditures		-3.40%	-2.48%	-6.36%	-1.81%	-1.38%
<u>1/Projected Fiscal Gap/(Surplus) - from/(to) CBRF</u>	<u>291.4</u>	<u>281.5</u>	<u>138.2</u>	<u>-64.0</u>	<u>-65.6</u>	<u>-53.6</u>
<u>CBRF Beginning Balance</u>						
1/Projected Earnings	2,135.4	2,499.6	2,568.1	2,579.9	1,293.9	1,459.5
1/Transfers to General Fund	124.6	125.0	184.1	185.0	92.8	104.6
1/Transfers to Capital Facilities Fund	0.0	(125.0)	(184.1)	(185.0)	(92.8)	(104.6)
5/Transfers to Capital Facilities Fund	0.0	0.0	0.0	(1,500.0)	0.0	0.0
1/Additional Settlement Deposits	551.5	350.0	150.0	150.0	100.0	100.0
1/Net of Sweep Provisions	(20.5)	0.0	0.0	0.0	0.0	0.0
1/Principal to Full Fiscal Gap [Transfers (to)/from budget]	(291.4)	(281.5)	(138.2)	64.0	65.6	53.6
<u>CBRF Ending Balance</u>	<u>2,499.6</u>	<u>2,568.1</u>	<u>2,579.9</u>	<u>1,293.9</u>	<u>1,459.5</u>	<u>1,613.1</u>
<u>6/Capital Facilities Fund</u>						
a/Beginning Balance	0.0	0.0	0.0	0.0	1,471.8	1,471.8
b/Transfers From CBRF/(To) Revenues, CFFC Dividend [line 2]	0.0	0.0	0.0	1,500.0	(52.2)	(24.1)
c/Earnings	0.0	0.0	0.0	0.0	108.5	108.5
d/Bond Proceeds	0.0	0.0	250.0	250.0	250.0	250.0
e/Debt Service	0.0	0.0	0.0	(28.2)	(56.3)	(84.5)
f/Capital Construction/Maintenance	0.0	0.0	(250.0)	(250.0)	(250.0)	(250.0)
<u>Capital Facilities Fund Ending Balance</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,471.8</u>	<u>1,471.8</u>	<u>1,471.8</u>
7/Consolidated CBRF/Cap. Fac. Fund Balances	2,499.6	2,568.1	2,579.9	2,765.8	2,931.4	3,085.0
(1/CBRF End Balance projected in 10/96 Budget Strategy)	2,499.6	2,568.1	2,579.8	2,693.8	2,807.5	2,933.7
8/Cumulative Gain/(Loss) net Revenues w/ CF Fund	0.0	0.0	0.1	72.0	123.9	151.3
9/Cumulative Capital Assets Acquired (Construction/Def. Maint.)	0.0	0.0	250.0	500.0	750.0	1,000.0
<u>10/Total Capital and Cash Assets / CBRF</u>	<u>2,499.6</u>	<u>2,568.1</u>	<u>2,829.9</u>	<u>3,265.8</u>	<u>3,681.4</u>	<u>4,085.0</u>
(1/CBRF End Balance projected in 10/96 Budget Strategy)	2,499.6	2,568.1	2,579.8	2,693.8	2,807.5	2,933.7
<u>11/Cumulative Gain/(Loss) with CF Fund</u>	<u>+0.0</u>	<u>+0.0</u>	<u>+250.1</u>	<u>+572.0</u>	<u>+873.9</u>	<u>+1,151.3</u>

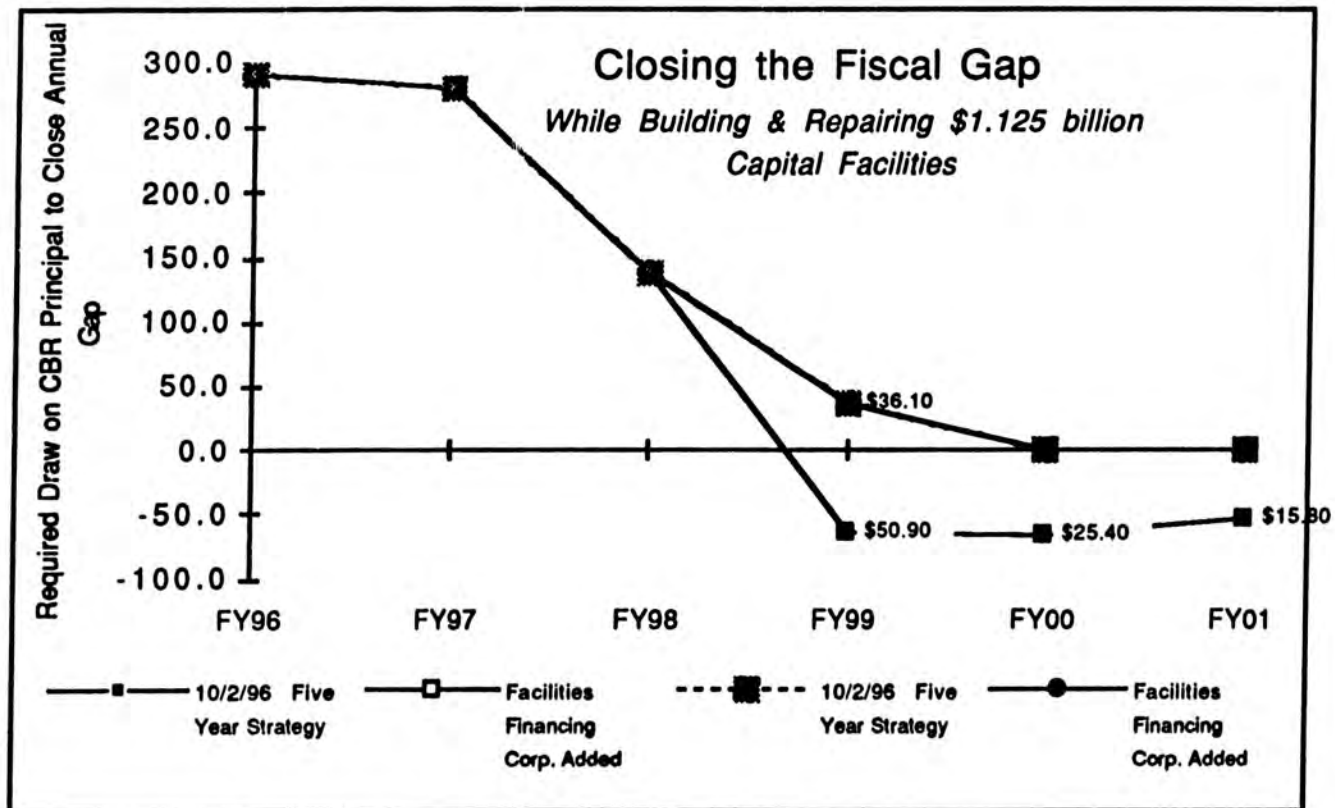
ALASKA LEGISLATIVE MAJORITY FIVE YEAR BUDGET STRATEGY
as of October 2, 1996

**Modified to Include \$1.125 billion New Construction and Deferred Maintenance
Using Capital Facilities Financing Corporation Methodology**

Noteworthy Results:

• Adding the Capital Facilities Financing Corporation methodology does not significantly slow the reduction of the "fiscal gap." In fact, it provides a surplus in FY99. In short, CFFC methodology can be readily meshed with the Five Year Strategy, without causing noticeable changes -- while providing \$1.25 billion in construction & major maintenance at the same time.

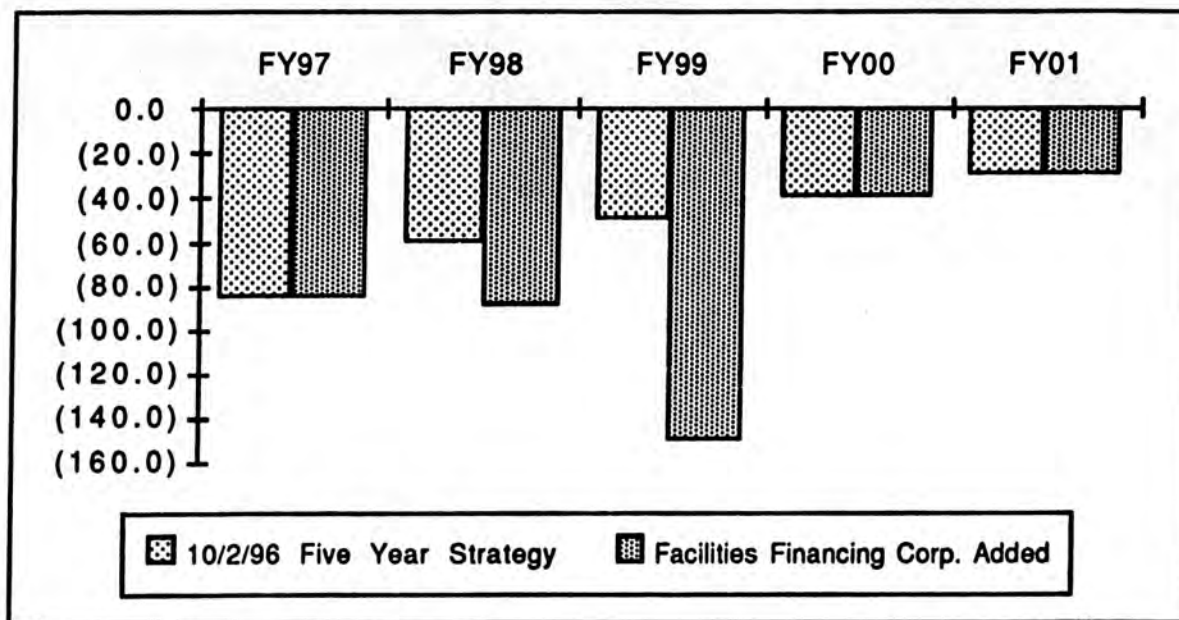
	Annual Fiscal Gap					
	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
10/2/96 Five Year Strategy	291.4	281.5	138.2	36.1	0.0	0.0
Facilities Financing Corp. Added	291.4	281.5	138.2	-64.0	-65.6	-53.6



- Adding the CFFC methodology allows the FY98 budget to be cut by more than the Five Year Strategy, while still providing the identical operating services (because the Capital Facilities Finance Corporation provides deferred maintenance and construction that would otherwise be funded by the Capital budget).

Annual Budget Cuts - Same Services Provided

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
10/2/96 Five Year Strategy	(85.1)	(60.0)	(50.0)	(40.0)	(30.0)
Facilities Financing Corp. Added	(85.1)	(88.6)	(150.0)	(40.0)	(30.0)



Annual Percent Budget Cuts - Same Operating Services Provided

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Five Year Strategy	-3.40%	-2.48%	-2.12%	-1.73%	-1.32%
Facilities Financing Corp. Added	-3.40%	-3.66%	-6.36%	-1.81%	-1.38%

MUNICIPAL BOND BASICS AND COMMON TERMINOLOGY

TYPES OF BONDS

There are several general types of bonds, usually referred to according to the security the issuer offers to guarantee payment.

GO -- General obligation bonds, are secured by the full faith and credit of the issuing entity. In the case of the State of Alaska, this security cannot be offered without a vote of the people in a general election. The State of Alaska has not issued a GO bond since the last Hammond administration, although Alaska municipalities issue them regularly.

Corporate Bonds -- These bonds are secured by the promise of a corporation (including a public corporation or authority) to pay. The credit markets analyze the creditworthiness of the corporation and lend money based upon the entity's entire holdings. Both AIDEA and AHFC have corporate bonds outstanding.

Revenue Bonds -- These bonds are secured by whatever revenues are assigned. These revenues may be anticipated taxes, or revenues from sale of electric power (Bradley Lake), use fees (Red Dog) or other enterprises financed by bonds.

State and municipal agencies often issue "conduit" bonds. These bonds are not secured by the issuer (unless the moral obligation is attached), but rather are corporate or revenue bonds of the owner of the project financed. The issuer merely serves as a "conduit" between the borrower and the lender. The purpose of a governmental instrumentality issuing the bonds is usually to secure tax-exempt status for the bonds (below), or to provide a easier entry into the bond market. AIDEA acts as the conduit issuer for many financings, as has the Bond Bank for Alaska municipalities' bonds.

Mortgage bonds -- These bonds are secured by deeds of trust on the facility or equipment bought with the bond proceeds. Most AHFC bonds are mortgage-backed securities.

Certificates of Participation ("COP's") -- Certificates of Participation are secured by revenues from leases entered into to pay for use of the financed facility. The issuer provides no promise of payment to the bondholder, whose sole security is the lease. In some cases, the lease itself is subject to legislative appropriation. The Seward prison bonds (issued by the City of Seward, secured by a State lease) and the Wildwood property are examples of this type of financing.

CREDIT RATINGS

Investment grade bonds are "rated" by one or more of several Rating Agencies (Moody's and Standard & Poor's are the two most common ratings). Basically, the rating agencies do the credit-investigation homework for potential investors. Their ratings are largely determinative of what interest rates the bonds will bear (what their "yield" will be) in the market at the time the bonds are sold. However, there is a slim range of interest rate differences

between similarly rated bonds, as the large institutional investors refine their due diligence investigations beyond those of the rating agencies.

The rating agencies generally rate each bond issue, based on its unique credit features. However, the agencies also periodically rate large corporations and government agencies, based upon their full faith and credit, even when bonds are not being sold. The State of Alaska presently is rated Aa by Moody's, equivalent to a AA Standard & Poor's rating. This rating predicts that Alaska GO bonds will sell at the yields common to other AA credits at the time of the sale, and that bonds carrying the moral obligation of the state will carry a AA- rating and be priced accordingly. Bonds issued by the State or state agencies other than State GO or Moral Obligation bonds would be rated according to their individual credit characteristics.

Major institutional investors give little consideration to rating differences in investment-grade securities. Because of this, the difference, or "quality spread" between interest rates paid on bonds of different credit ratings has narrowed greatly in recent years. At the moment, a 30-year bond rated A will yield about 5.45% interest, a 30-year AA will pay about 5.23%, and an AAA-rated 30-year bond about 5.14%. This narrow spread results in the difference paid on a \$1,000,000 bond by an A-rated entity being only about \$2,200 annually.

For reference, credit rating criteria by Moody's and Standard & Poor's are summarized below:

Moody's	Standard & Poor's	General Criteria	
Aaa	AAA	Extremely strong capacity to pay debt service. Low risk of changes in this capacity	Investment Grade
Aa	AA	Very strong capacity. Slightly lower margins of protection or slightly higher risks than AAA.	Investment Grade
A	A	Strong capacity to pay debt service. More susceptible to changes in circumstances & economic	Investment Grade
Baa	BBB	Adequate capacity to pay debt service. More susceptible to changes in economic environment.	Investment Grade
Ba	BB	Moderate capacity to pay debt service. Likely to be affected by adverse conditions. Cannot be considered	NOT Investment Grade
B	B	Light capacity to pay debt service. Assurance of payment over any length of time is small.	NOT Investment Grade
Caa	CCC	Not relevant	
Ca	CC		
C	C		
N/A	D		

Note: S&P may add a (+) or a (-) to the letter rating in order to show finer distinctions within each grade. Moody's recently began using a numerical modifier system (1, 2, and 3, 1 being at the high end of the grade).

CREDIT ENHANCEMENT

A bond's credit strength may be enhanced through several means. Credit enhancement is often beneficial to the issuer, since it leads to higher bond ratings, thus a lower risk of default in the investor's eyes. This leads to lower interest rates on the bonds. In certain cases, credit enhancement is not just beneficial, but is necessary to make the bonds marketable at all. Types of credit enhancement include:

Bond Insurance -- Bond insurance policies are sold by large companies specializing in this product. The issuer pays the premium, and the insurer is obligated to make all interest and principal payments as and when due. The insurer then recovers any payments it has made from the issuer. Insured bonds are as a matter of course rated AAA, based upon the insurer's credit rating.

Letters of Credit -- Letters of credit are guarantees of banks that they will make all interest and principal payments as and when due, very similar to the obligation of a bond insurer. They are essentially short-term loans to the bond issuer to enable it to avoid default on the bonds. Letters of credit are most commonly used to support variable-rate bonds, which investors may sell on a daily, weekly, or other short-term basis.

Corporate Guarantee -- On occasion, a private or public corporation will strengthen a revenue-based credit by also providing the full credit of the corporation as back-up security for a bond. AIDEA and AHFC have both done this in the past. This results in a "double-barreled" credit, with the characteristics of both a revenue and a corporate bond.

State Moral Obligation -- This is merely a promise from the issuer (usually a government or public corporation) that, in the event anticipated revenues of the issuer do not materialize, the legislature will be notified of any shortfall in the reserve funds that are used to pay principal and interest on the bonds. The moral obligation does not obligate the State to make bond payments, but investors rely on their belief that the State will find it politically expedient to make them whole. Moral Obligation bonds are generally rated a half rating below the entity that provides the moral obligation (AA- in the case of Alaska).

TAX EXEMPT BONDS

Bonds are sometimes referred to according to whether or not the investor is subject to Federal or State income tax on the interest earned from the bonds. The tax consequences of owning bonds do not affect the bonds ratings -- a credit is the same whether it's interest is taxed or not. However, tax exempt bonds always carry lower interest rates than identical taxable securities, because the investor invests for after-tax yield. (For example, if an investor earns 10% on a taxable bond and is in the 30% tax bracket, his net earnings are 7%, which is about the interest rate he would accept for a tax exempt bond with identical credit features.)

Public purpose bonds -- Bonds issued for facilities constructed, owned and operated by government or non-profit entities, and which serve a public purpose, are tax-exempt bonds. The issuer/owner may not be the same government entity which uses the facilities for the public purpose, as in the case of the Seward COP-financed prison and the Wildwood facility.

Private activity bonds -- The tax code allows issuance of a limited principal amount (\$150 million annually) of "private activity" bonds by instrumentalities of each state every year for facilities operated primarily for the benefit of non-governmental entities. The types of facilities that qualify for these bonds are greatly restricted by the tax code, and include facilities for waste disposal, ports & harbors, and electric generation facilities provided that the energy generated is used in no more than two contiguous counties. Before the 1986 tax code revisions, there was no limit on the amount of private activity bonds that could be sold, and restrictions on purpose were very broad. Before the tax change, AIDEA issued many tax exempt "industrial development" revenue bonds, and AHFC was allowed to issue tax-exempt bonds to purchase home mortgages.

Alaska's annual private activity "cap" has been allocated in recent years to projects such as the Healy Clean Coal plant (to that portion qualified as waste disposal facilities), the Snettisham hydroelectric project (the power is sold within one county), and smaller projects that qualify under the restrictions.

INTEREST RATES and THE "YIELD CURVE"

Interest rates paid on bonds depend upon the type of credit backing the bond (GO, revenue), the credit rating of the issuer (in the case of GO, corporate and moral obligation bonds) or the specific bond, the interest rate market at the time, and the term (length or "maturity") of the bond.

Longer term bonds pay higher interest rates than shorter bonds, because the investor must tie up his money further out into the future. Thus, during normal market conditions, short term notes (seen as variable-rate bonds by the issuer) bear the lowest interest rates and 30-year bonds (the longest term bond commonly available) bear the highest interests rates. Most bond issues are structured to include a set of "serial" bonds, maturing in one, two, three, etc. ...10 years, and one or more "term" bonds maturing in 15, 20, and 30 years. A bond issued with a shorter longest maturity (e.g.: 15 years) will require higher annual debt service payments, but will cost the issuer less interest due both to the yield curve and to the shorter time interest is being paid.

The next page shows a recent schedule of interest rates (yields) of tax-exempt bonds, and demonstrates how interest rates are affected by quality (rating), tax exempt characteristics, and term.

REPRESENTATIVE TAX-EXEMPT YIELDS
Based on Major General Obligation Offerings
Week Ending October 3, 1997

Maturity	AAA	AA	A
1998	3.65	3.70	3.95
1999	3.85	3.95	4.10
2000	4.00	4.10	4.25
2001	4.00	4.10	4.40
2002	4.05	4.15	4.50
2003	4.15	4.25	4.60
2004	4.25	4.35	4.65
2005	4.30	4.40	4.75
2006	4.40	4.50	4.80
2007	4.45	4.55	4.80
2012	4.90	5.00	5.25
2017	5.13	5.23	5.48

MUNICIPAL BOND AVERAGES *
30-Year Bonds by Type & Rating

	A Revenue	AAA Insured	BB20 Index
October 3, 1997	5.87	5.6	5.44

TREASURY BOND RATES **
According to Maturity

Maturity	Yield
90 Day Bills	5.062
90 Day CD's	5.590
3 years	5.781
5 years	5.893
30 years	6.302

* Tax-exempt

** Interest earned on Treasury Securities is taxable.

MEMORANDUM**State of Alaska**

**Office of the Governor
Office of Management and Budget
Telephone: 465-4660**

October 9, 1997

TO: Administrative Service Directors
Facility Advisory Council Members
DOT/PF Facility Maintenance Employees

FROM: Annalee McConnell, Director, Office of Management and Budget
Mark Boyer, Commissioner, Department of Administration
Joe Perkins, Commissioner, Department of Transportation
and Public Facilities

RE: Facility Update

To some this is an update, while to others this memorandum outlines the Knowles administration's long and short-term goals to effectively manage the state's major fixed assets — facilities. First, we would like to thank everyone who has assisted us throughout this project. We are well aware that without each agency's support, we could not have recognized progress toward these goals.

Long-term Goals

- **Rental Rate Methodology** — A rent structure for facilities would enable the state to receive reimbursement for facilities costs from the federal government and other fund sources, and would provide an incentive for more efficient utilization of facilities. The rate would recover the full costs of operating and maintaining state facilities in accordance with applicable Generally Accepted Accounting Principles, federal guidelines and state policies. We hired an independent consultant who helped us identify the elements needed to develop a facilities chargeback methodology.

We hope to work with the legislature during the 1998 session to establish a Facilities Internal Service Fund (ISF) to implement this rental concept. A facilities fund would isolate facilities financial activity, allow fund balances to carryforward into the next fiscal year and recover sufficient funds to maintain the facilities. The rate would be based on prior year costs plus anticipated repairs divided by square footage. Thus the critical need to capture accurate cost data now.

- **Deferred Maintenance Backlog** — Another advantage of an ISF is to build funds so we can prevent future accumulation of deferred maintenance projects.
- **Consolidate Facility Functions** — Ultimately we think it will be advantageous to merge the facilities functions of the Department of Transportation and Public Facilities (DOT/PF) with

Facility Update
October 9, 1997
Page 2

the leasing and space planning functions of the Department of Administration (DOA). At one point we considered consolidating these functions in the Department of Administration this year. However, given the major initiatives currently underway in both DOA and DOT/PF, we now believe that it is not advisable to proceed with a transfer of facilities responsibilities from DOT/PF to DOA at this time. DOT/PF will continue its current facilities functions for at least the next twelve months. During this time we intend to move forward with the following initiatives to improve facilities operations and maintenance.

Short-term Goals

- **Nome Pilot Project** — This pilot is testing the use of a coordinated maintenance team, the effects of performing scheduled preventative maintenance, and application of an automated maintenance management system to improve the efficiency and effectiveness of facility maintenance. It began July 1 with three participating departments: DOT/PF, Military and Veterans' Affairs, and Corrections.
- **AKSAS Account Structure** — Departments were to begin tracking facility costs in the five work categories identified by the Facility Council no later than August 1, 1997. These categories are Operations, Leasing, Routine Maintenance and Repair, Renewal and Replacement, and Renovation and Remodeling. Accurately tracking costs in these categories by building or other Facility Council approved method is vital to the rate development process.
- **Facilities Rent Structure Pilot** — As the first phase of establishing a rent structure for state facilities, we are developing a simulated rate on one facility using the rate methodology established by the independent consultant. Our objective is to establish a rent structure that can be evaluated for possible incorporation in the FY 2000 budget cycle.

We hope this facility update clarifies our goals and objectives for improving the maintenance of our state facilities. If you have any questions or comments, contact Keith Gerken (DOA) at 465-5683, Rod Wilson (DOT/PF) at 465-6962 or Kym Gertner (OMB) at 465-4666.

Transportation Maintenance and Funding

Department of Transportation
Presentation to Deferred Maintenance
Task Force
October 20, 1997

Purpose of Presentation

- ◆ To address questions about federal funding of deferred maintenance projects
- ◆ To present funding options for maintenance including:
 - tax increases
 - dedicated fund

Background/History

- ◆ With decline in funds for maintenance of roads, airfields, and harbors the facilities are gradually deteriorating and the state will lose valuable assets
- ◆ Continued lack of adequate state funded maintenance will directly affect the public's use of the facilities
- ◆ DOT&PF continues to work to increase efficiencies
 - Internal Effectiveness Review
- ◆ DOT&PF lacks a stable and reliable funding source to maintain our transportation system

Types of DOT Maintenance

- ◆ Highways
- ◆ Airports
- ◆ Public Facilities
- ◆ Harbors

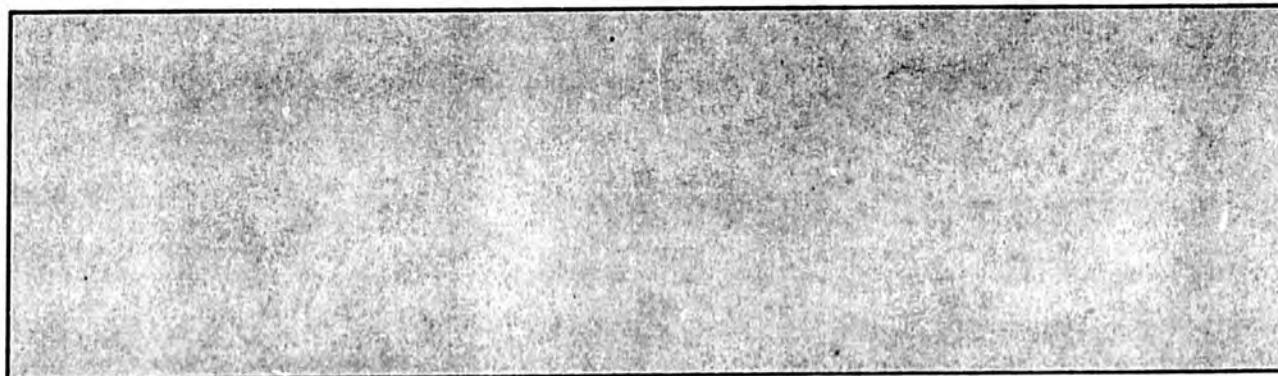
Deferred Maintenance Backlog

◆ How does it happen?

Annual Maintenance Costs

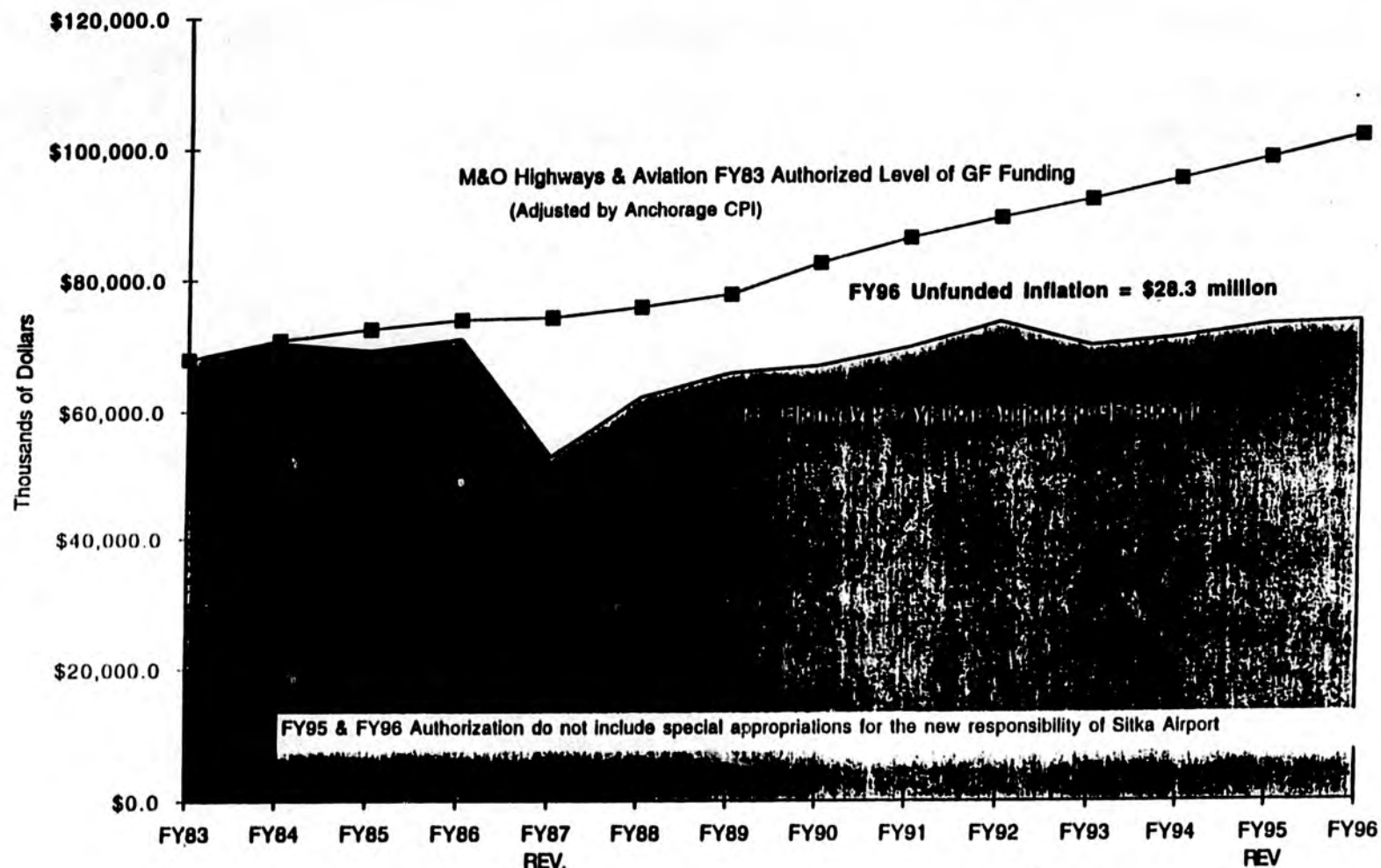
Health/Safety Maintenance (operational) - Snow Plowing - Lights - Traffic Signs	- Pot Holes - Brush Cutting - Sealing - Ditch Cleaning
---	--

Annual Maintenance Budget

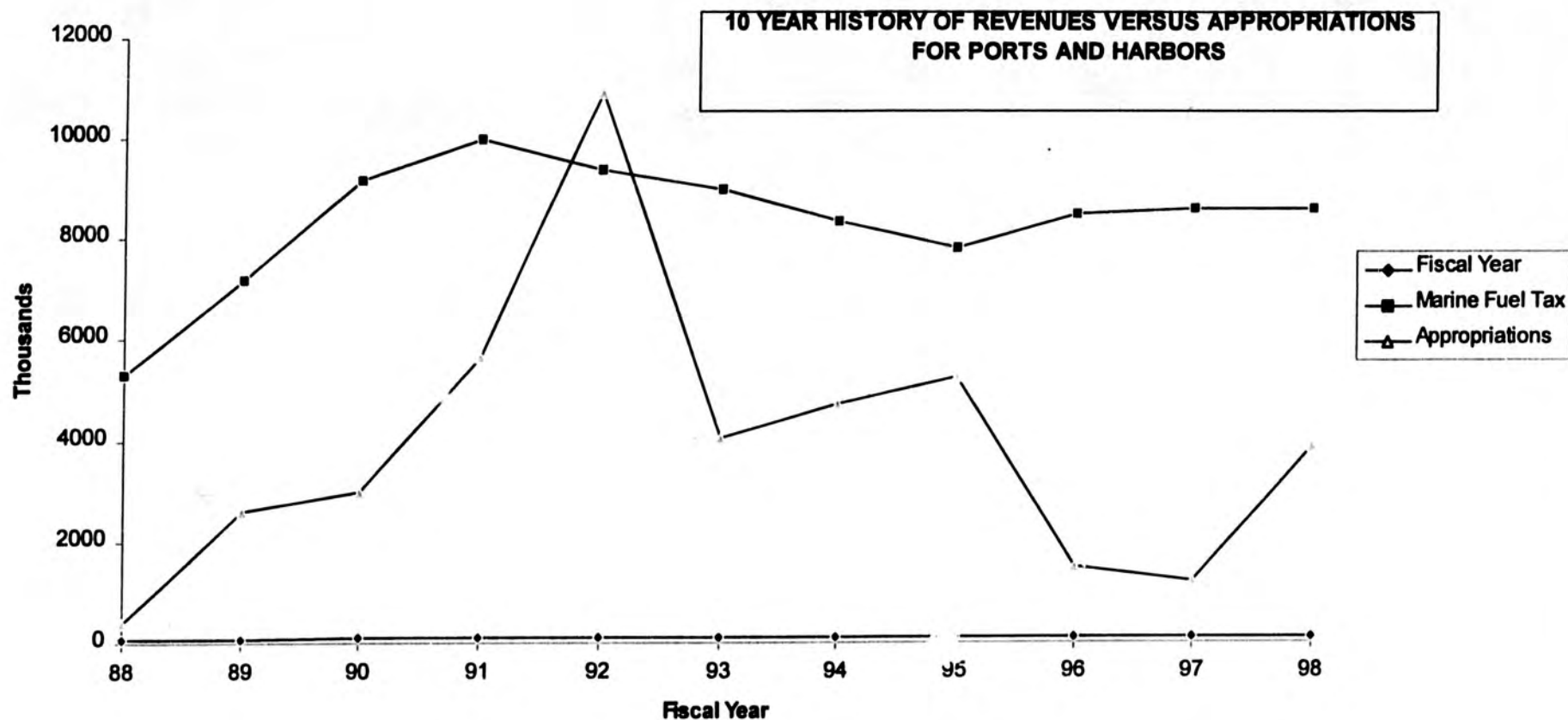


Revenues vs. Appropriations for Highways and Airports

DOT&PF Highways & Aviation Maintenance GF Comparison
FY83 Funding Level vs. Authorized Budget



Revenues vs. Appropriations for Ports and Harbors



Fuel Tax Increases

- ◆ Revenue Generated per \$0.01 increase for each tax type

<u>MODE</u>	<u>Revenue per Cent Increase</u>
Highway	\$2.6 million
Off-Highway	\$1.6 million
Aviation Gasoline	\$210.0 thousand
Jet Fuel	\$2.5 million
Marine	\$1.3 million
Marine Off-Highway	\$29.4 thousand

State Comparisons for Motor Fuel Tax Rates

Comparison of Highway Gasoline Tax Rates
October 1997

State	Rate (¢ per gallon)	Other Tax ⁽¹⁾ (¢ per gallon)	Total (¢ per gallon)	Rank	Last Change
Alabama	16	4.4	20.4	27	6/1/92
ALASKA	8	0	8	50	5/28/70
Arizona	18	1	19	36	7/1/90
Arkansas	18.5	0.1	18.6	39	4/1/91
California	18	11.9	29.9	4	1/1/94
Colorado	22	0	22	20	1/1/91
Connecticut ⁽²⁾	36	4.3	40.3	1	4/1/96
Delaware	23	0	23	17	1/1/95
Florida	12.5	13.5	26	10	1/1/95
Georgia	7.5	4.4	11.9	48	7/1/71
Hawaii	16	19.4	35.4	2	7/1/91
Idaho	25	0	25	12	4/1/96
Illinois	19	5.7	24.7	13	1/1/90
Indiana	15	4.2	19.2	35	4/1/88
Iowa	20	1	21	25	1/1/89
Kansas	18	1	19	36	7/1/92
Kentucky	15	1.4	16.4	45	7/15/94
Louisiana	20	0	20	29	1/1/90
Maine	19	0	19	36	7/17/91
Maryland	23.5	0	23.5	15	5/1/92
Massachusetts	21.5	0	21.5	23	1/1/91
Michigan	15	6	21	25	1/1/84
Minnesota	20	2	22	20	5/1/88
Mississippi	18	2.4	20.4	27	7/1/93
Missouri	17	0	17	42	4/1/96
Montana	27	0.8	27.8	7	7/1/94

State Comparisons for Motor Fuel Tax Rates Continued...

Nebraska	25.7	0.8	26.5	9	4/1/96
Nevada	23	7.2	30.2	3	10/1/92
New Hampshire	18	1.7	19.7	33	6/7/93
New Jersey	10.5	4	14.5	47	7/1/88
New Mexico	17	1	18	40	7/1/95
New York	8	21.9	29.9	4	6/1/94
North Carolina ⁽³⁾	22	0.3	22.3	19	1/1/95
North Dakota	20	0	20	29	1/1/96
Ohio	22	0	22	20	7/1/93
Oklahoma	17	0	17	42	7/1/89
Oregon	24	0	24	14	1/1/93
Pennsylvania	12	11.4	23.4	16	9/1/91
Rhode Island	28	1	29	6	7/8/94
South Carolina	16	0.8	16.8	44	1/1/89
South Dakota	18	2	20	29	4/1/88
Tennessee	20	1.4	21.4	24	4/1/89
Texas	20	0	20	29	10/1/91
Utah	19	0.5	19.5	34	4/1/87
Vermont	15	1	16	46	7/1/89
Virginia	17.5	0.2	17.7	41	7/1/92
Washington	23	0	23	17	4/1/91
West Virginia	20.5	4.9	25.4	11	5/1/93
Wisconsin	23.7	3	26.7	8	4/1/96
Wyoming	9	0	9	49	7/1/89
Federal	18.3	N/A	18.3	N/A	1/1/96
U.S. Median	17.6	4.9	22.5	N/A	N/A

⁽¹⁾ Includes state sales tax, gross receipts tax and underground storage tank taxes.

State sales taxes are based on the national retail price of gasoline as of May 10, 1996.

⁽²⁾ Tax rate will increase to 37¢ on 7/1/96; 38¢ on 10/1/96; and 39¢ on 1/1/97.

⁽³⁾ Tax rate will decrease to 21.7¢ on 7/1/96.

SOURCE: American Petroleum Institute, *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of May 1997*.

State Comparisons for Aviation Fuel Tax Rates

Comparison of Aviation Fuel Tax Rates
October 1997

State	Jet Fuel (\$ per gallon)	Rank ¹	Aviation Gas (\$ per gallon)	Rank ²	Dedicated to Aviation
Alabama	1.2	27	3.6	31	Yes
ALASKA	3.2	17	4.7	28	No
Arizona	1.5	26	5.0	22	Yes
Arkansas	Sales Tax	N/A	Sales Tax	N/A	Yes
California	2.0	22	18.0	2	Yes
Colorado	4.0	13	6.0	16	Yes
Connecticut	None	N/A	None	N/A	N/A
Delaware	None	N/A	None	N/A	N/A
Florida	6.9	3	6.9	15	Yes
Georgia	Sales Tax	N/A	1.0	36	No
Hawaii	1.0	28	1.0	36	Yes
Idaho	4.5	12	5.5	20	Yes
Illinois	Sales Tax	N/A	Sales Tax	N/A	No
Indiana	Sales Tax	N/A	15.0	4	No
Iowa	3.0	18	8.0	11	No
Kansas	Sales Tax	N/A	Sales Tax	N/A	No
Kentucky	Sales Tax	N/A	15.0	4	No
Louisiana	Sales Tax	N/A	Sales Tax	N/A	Yes
Maine	3.4	16	19.0	1	No
Maryland	None	N/A	7.0	14	No
Massachusetts	5.0	7	10.0	9	Yes
Michigan	3.0	18	3.0	33	Yes
Minnesota	5.0	7	5.0	22	Yes
Mississippi	5.25	6	6.0	16	Yes
Missouri	Sales Tax	N/A	9.0	10	Yes
Montana	3.0	18	3.0	33	Yes

State Comparisons for Aviation Fuel Tax Rates Continued...

Nebraska	3.0	18	5.0	22	Yes
Nevada	1.0	28	10.5	8	Yes
New Hampshire	2.0	22	4.0	29	No
New Jersey	2.0	22	12.5	7	Yes
New Mexico	Sales Tax	N/A	17.0	3	Yes
New York	8.0	1	8.0	11	No
North Carolina	Sales Tax	N/A	Sales Tax	N/A	No
North Dakota	8.0	1	8.0	11	Yes
Ohio	Sales Tax	N/A	Sales Tax	N/A	No
Oklahoma	0.08	32	0.08	39	No
Oregon	0.5	31	3.0	33	Yes
Pennsylvania	1.7	25	3.5	32	Yes
Rhode Island	None	N/A	None	N/A	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A	No
South Dakota	4.0	13	6.0	16	Yes
Tennessee	1.0	28	1.0	36	Yes
Texas	None	N/A	None	N/A	N/A
Utah	4.0	13	4.0	29	Yes
Vermont	Sales Tax	N/A	15.0	4	No
Virginia	5.0	7	5.0	22	Yes
Washington	5.5	5	5.5	20	Yes
West Virginia	4.85	11	4.85	27	Yes
Wisconsin	6.0	4	6.0	16	No
Wyoming	5.0	7	5.0	22	Yes
Federal	4.3	N/A	19.3	N/A	Yes
U.S. Median	3.5	N/A	5.2	N/A	N/A

¹Out of 32 states with tax rates

²Out of 39 states with tax rates

SOURCE: National Business Aircraft Association, Inc.
1997-98 State Aviation Tax Report

Dedicated Funds

- ◆ One option for funding annual maintenance
- ◆ One of only two states that does not have a dedicated fund
- ◆ Several States include license fees in fund
- ◆ Could include revenue sharing for local governments that take over state maintained facilities

Testimony by Walter J. Hickel
Legislative Task Force on Deferred Maintenance
Anchorage, Monday October 20, 1997

Good morning Mr. Chairman and members of the Task Force.

I'm pleased to be here following the presentation made by the Alaska Municipal League and the Alaska Conference of Mayors.

In just a few minutes, I'd like to lay out our proposal to establish a Community Dividend program with the Permanent Fund.

As you might have heard, after leaving Juneau as your Governor in 1994, I went back to school. We founded an Institute of the North at Alaska Pacific University.

The Institute will focus on management of commonly owned resources -- lands and oceans -- and how democracies respond to the obligations of ownership.

In our research, we've looked closely at the terms of Alaska statehood.

We got 103 million acres to select, and 90 percent of the revenue from federal lands.

The lands and resources of the state were given to our state government so they could pay the bill the federal government had been paying.

Congress knew we could not run this state --as big and as undeveloped as it is -- on taxes alone.

It was conservative Republicans who insisted we get what we have so we wouldn't be on federal welfare forever.

And that resource wealth was not given to be given away.

In fact, since 1921, when the Land Act was passed after the so-called Teapot Dome scandal, there was no way the subsurface resources of this state could be owned by anyone except the government.

Now let's skip forward 40 years. Here we are today, a model of an owner state. We manage our resources for the benefit of the total. Prudhoe Bay is the best example I know of a commonly owned resource being put to work not for the benefit of a few, but for the many.

In Alaska, we established the Permanent Fund. It has grown now to over \$22 billion, and it is growing still. The money from the Permanent Fund has yet to be used, however, for any public purpose.

Yes, we pay ourselves a dividend. But we don't use the income in any way collectively to accomplish our common mission as Alaskans.

I'm here today to propose a new approach to the revenue -- not the corpus -- of the Permanent Fund.

I believe we should keep building the Permanent Fund, and I believe we should continue to pay the dividend. But I also believe we should look down the road at the expected growth of the dividend, and channel some of that money into a new program.

I call that program the Community Dividend.

The idea is this. A few weeks ago in Fairbanks, the Permanent Fund Board threw a dinner and announced that we're going to each get almost \$1300 this year.

Suppose that a year or two from now, the announcement is that we'll each get that same amount, and our local governments will also get a check of --maybe-- \$200 per person.

As the revenue from the Fund available for dividends grows, the numbers would soon be equal. My estimate, based on the current returns the Fund is getting, would put the two checks about equal in seven to ten years. And then income to both dividends would take off and grow together.

In a place like Kodiak, with 7,300 people, a community dividend the size of this year's individual dividend would equal almost \$9.5 million dollars. And the same amount, given the population, could be distributed through the rest of the Kodiak Borough.

By giving a dividend to local governments, we put the money where the people are. If Kodiak wants to fix a school, it can. If Ketchikan wants to expand the harbor, you've got the capability. If people in Stevens Village want a dock or a boardwalk, they've got the means to do it.

Most important, like the existing dividend program, communities would be able to plan for it ahead of time.

Mr. Chairman, how often do the cities and boroughs in your district, and every other, have to send someone to Juneau just to get basic funding for maintenance of infrastructure, much less an important capital project?

The hallways in Juneau are crawling with lobbyists, sent there by Alaska's voters, to get money for their cities and towns. It's awful.

The community dividend program would put the decision in the hands of the people.

The state's capital budget for the last few years has leveled out at \$100 million. That's barely enough to make a dent in our needs for maintaining our roads and schools and water and sewer. It means little or nothing to beautification, enhancement of our environment where we live.

In the meantime, this year, the dividend paid out was over \$700 million. I don't fault that, but we can do more.

When I left office, the University of Alaska alone had a maintenance backlog of \$160 million. The needs for basic water and sewer in our rural communities were calculated to cost \$1 billion. Not much has changed. The community dividend could be structured to help both these problems.

I believe the community dividend program is the most viable funding option to meet our capital and deferred maintenance needs.

Let's talk about the money that will be available.

If you've been counting since we started paying dividends in this state, you know that by the end of last year we've distributed over \$6 billion. That's over a 17 year period.

Now the Permanent Fund has estimated how much money will be available to distribute over the next 17 years if the Fund returns a conservative four percent after inflation.

That number is close to \$19 billion -- three times what has been given out in the last generation.

What's more, if the Fund continues to make a return of eight percent after inflation like it does today, over \$38 billion would be available.

The story those numbers tell is this: we will have enough growth in our revenue to keep paying the dividend we are, and to pay communities a like amount in a very short time.

Besides, the money we pay out in community dividends will not be taxed like the individual dividend.

Finally, in this pioneering country, we need to remember that we must allocate resources to capital. It is the common infrastructure -- our roads, schools, harbors -- that bring us the common wealth.

I believe 25 to 30 percent of state spending should be in capital -- and the community dividend program will get us there. That's not building for the sake of building -- that's meeting our needs and maintaining what we have.

The most important part of this proposal is that it gets us to a public purpose for the Permanent Fund that meets Alaskans needs, does not inflate the size of government.

Finally, Mr. Chairman, there are many politicians afraid to touch the earnings of the Permanent Fund. There are all sorts of "don't touch the Fund" measures headed for next year's ballot.

I've discussed with Senator Green the idea that a constitutional amendment would promise Alaskans both the dividend they have, inflation proofing, and the community dividend -- and I urge consideration of that idea.

By keeping the dividend we have, and sharing some of the growth with a community dividend, we've got a great chance to meet our common needs even as we feed our individual desires.

Thank you very much, and please ask questions.



LAWS OF ALASKA

1993

Source
HCS CSSB 60(FIN) am H

Chapter No.
83

AN ACT

Making appropriations for school construction projects and making an appropriation of \$1,066,280 from the general fund to the Department of Education for payment as grants for additional district support for the fiscal year ending June 30, 1994; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

Approved by the Governor: July 16, 1993
Actual Effective Date: July 17, 1993

AN ACT

1 Making appropriations for school construction projects and making an appropriation of
2 \$1,066,280 from the general fund to the Department of Education for payment as grants for
3 additional district support for the fiscal year ending June 30, 1994; and providing for an
4 effective date.

5
6 * Section 1. Contingent upon the establishment of an educational facilities maintenance
7 and construction fund by the Eighteenth Alaska State Legislature, the sum of \$192,408,894
8 is appropriated from the general fund to the educational facilities maintenance and construction
9 fund (AS 37.16.010).

10 * Sec. 2. Contingent upon the establishment of an educational facilities maintenance and
11 construction fund by the Eighteenth Alaska State Legislature, the sum of \$150,970,794 is
12 appropriated from the educational facilities maintenance and construction fund (AS 37.16.010)
13 to the school construction grant fund (AS 14.11.005) and is allocated for payment as grants
14 under AS 14.11.005 by the Department of Education to the following school districts and

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Chapter 83

1	regional educational attendance areas (REAA) for the projects described in the amounts listed:		
2	SCHOOL DISTRICT/REAA	PROJECT	ALLOCATION
3	Ketchikan Gateway		
4	Borough Schools	Ketchikan High final phase	\$ 9,501,600
5	Juneau Borough Schools	Juneau-Douglas High School	
6		structural repair	152,600
7	Juneau Borough Schools	New elementary school	9,940,000
8	Yakutat City Schools	Elementary school repair	523,100
9	Kake City Schools	Elementary and high school	
10		life/safety	1,738,500
11	Annette Island Schools	Elementary/middle school repair	706,400
12	Craig City Schools	Craig High School roof replacement	491,100
13	Craig City Schools	Elementary portable classrooms/	
14		expansion design	392,400
15	Kenai Peninsula Borough		
16	Schools	Tustumena elementary addition	3,822,100
17	Kenai Peninsula Borough		
18	Schools	Portable classrooms district wide	298,400
19	Anchorage Schools	District wide school design and	
20		construction	27,171,600
21	Matanuska-Susitna Borough		
22	Schools	Swanson Elementary	8,190,000
23	Matanuska-Susitna Borough		
24	Schools	Palmer middle school addition	5,400,000
25	Matanuska-Susitna Borough		
26	Schools	Mat-Su Borough alternate school	
27		replacement	400,000
28	Fairbanks North Star		
29	Borough Schools	New high school/new elementary	
30		school/Lathrop renovation projects	20,000,000
31	Fairbanks North Star		

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Chapter

1	Borough Schools	Eielson elementary school design/	
2		bid preparation	600,000
3	Denali Borough Schools	Tri-valley fire separation	94,500
4	Delta/Greely Schools	Delta school roof replacement	1,483,300
5	Copper River Schools	Glennallen Secondary School final phase	3,045,800
6	Alaska Gateway Schools	Tok school replacement	8,505,300
7	Yukon-Koyukuk Schools	Nulato vocational education upgrade	274,600
8	Tanana City Schools	Heat exchanger and storage tank	86,400
9	Kuspuk Schools	Sleetmute foundation and roof repair	372,400
10	North Slope Borough Schools	Point Lay Cully school drinking water	86,500
11	North Slope Borough Schools	Point Hope entryways and roof renovation	172,300
12	North Slope Borough Schools	District wide renovations	72,800
13	Northwest Arctic Borough		
14	Schools	Selawik school replacement	12,930,000
15	Northwest Arctic Borough		
16	Schools	Buckland school addition design	595,400
17	Bering Strait Schools	Gambell elementary addition	12,334,700
18	Kashunamiut Schools	Replacement school facility design	771,600
19	Lower Yukon Schools	Mt. Village elementary replacement,	
20		phase II	3,229,700
21	Lower Yukon Schools	Hooper Bay classroom addition	610,200
22	Lower Kuskokwim Schools	New Bethel middle school design	926,700
23	Lower Kuskokwim Schools	Newtok Elementary School addition	
24		design	500,000
25	Yupit Schools	Akiachak elementary replacement/	
26		upgrade design	269,500
27	Lake and Peninsula Schools	Chignik Bay school addition	1,494,000
28	Southwest Region Schools	New Stuyahok roof and wall replacement	747,500
29	Pribilof Islands Schools	St. Paul roofing and siding	
30		replacement	1,198,200
31	Pribilof Islands Schools	St. George roof and exterior repair	350,400

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1	Aleutians East Borough		
2	Schools	King Cove elementary life/safety	910,000
3	Unalaska City Schools	Unalaska elementary addition	3,552,900
4	Denali Borough Schools	Tri-Valley school replacement/renovation	3,325,000
5	~~Kenai Peninsula Borough~~	~~Pedro Bay school replacement~~	~~2,303,200~~
6	~~Schools~~	~~West High School electrical repair~~	~~1,400,000~~
7	Anchorage Schools	West High School electrical repair	1,400,000
8	* Sec. 3. Contingent upon the establishment of an educational facilities maintenance and		
9	construction fund and a major maintenance grant fund by the Eighteenth Alaska State		
10	Legislature, the sum of \$21,198,500 is appropriated from the educational facilities maintenance		
11	and construction fund (AS 37.16.010) to the major maintenance grant fund (AS 14.11.007) and		
12	is allocated for payment as grants under AS 14.11.007 by the Department of Education to the		
13	following school districts and regional educational attendance areas (REAA) for the projects		
14	described in the amounts listed:		
15	SCHOOL DISTRICT/REAA	PROJECT	ALLOCATION
16	Wrangell City Schools	Intermediate school drainage	\$ 42,000
17	Petersburg City Schools	Elementary school code upgrades	105,000
18	Mt. Edgecumbe High School	Deferred maintenance projects	303,800
19	Juneau Borough Schools	Juneau-Douglas High School roof repairs	116,200
20	Juneau Borough Schools	Glacier Valley roof replacement	769,300
21	Kenai Peninsula Borough		
22	Schools	Seward Jr/Sr high school restroom	
23		renovations	19,600
24	Kenai Peninsula Borough		
25	Schools	Soldotna elementary gym roof replacement	113,400
26	Kenai Peninsula Borough		
27	Schools	Seward Jr/Sr high school roof renovations	42,000
28	Kenai Peninsula Borough		
29	Schools	Homer junior high handicap access	28,200
30	Kenai Peninsula Borough		
31	Schools	Nikiski elementary roof replacement	90,900

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1	Kenai Peninsula Borough		
2	Schools	Kenai junior high handicap access	28,200
3	Anchorage Schools	Dimond heat/ventilation/public address/	
4		clock system upgrade	1,557,500
5	Anchorage Schools	District wide traffic safety upgrade	1,648,500
6	Anchorage Schools	District wide restroom safety upgrade	140,000
7	Anchorage Schools	King Career Center heat/life safety	
8		renovations/asbestos abatement	1,190,000
9	Anchorage Schools	District wide Americans with Disabilities	
10		Act compliance	700,000
11	Anchorage Schools	District wide fire code upgrade	1,645,000
12	Anchorage Schools	District wide kitchen code upgrade	700,000
13	Anchorage Schools	District wide roof replacement	6,622,000
14	Anchorage Schools	District wide heating system upgrade	612,500
15	Anchorage Schools	District wide electrical system upgrade	728,000
16	Denali Borough Schools	Anderson school old gym upgrade	96,000
17	Chugach Schools	Whittier school roof repairs	47,000
18	Lower Kuskokwim Schools	Bethel High School major maintenance/	
19		roof replacement	551,700
20	Lower Kuskokwim Schools	Napakiak school relocation	540,000
21	Lower Kuskokwim Schools	District wide water treatment	2,184,200
22	Dillingham Schools	Dillingham Elementary School roof repair	192,500
23	Anchorage Schools	Mt. Spurr roof replacement	385,000
24	~~Sec. 4. If the First Session of the Eighteenth Alaska State Legislature does not pass and~~		
25	~~enact into law an appropriation to the Department of Education for additional district support~~		
26	~~for school districts at Ozona, Hoonah, Hydaburg, Kake, Klawock, Pelican, Skagway, Tanana,~~		
27	~~and Yakutat in the amount of \$1,066,280 or more, then the sum of \$1,066,280 is appropriated~~		
28	~~from the general fund to the Department of Education for payment as grants for additional~~		
29	~~district support for the fiscal year ending June 30, 1994, and is further allocated to the~~		
30	~~following school districts in the amounts listed:~~		
31	~~SCHOOL DISTRICT~~	~~ALLOCATION AMOUNT~~	

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Chapter 83

1	~~WJH~~ Galena City School District	~~\$139,080~~
2	Hoonah City School District	125,660
3	Hydaburg City School District	103,090
4	Kake City School District	134,200
5	Klawock City School District	147,010
6	Pelican City School District	57,950
7	Skagway City School District	124,440
8	Tanana City School District	115,900
9	~~WJH~~ Valdez City School District	~~118,950~~

10 * Sec. 5. The appropriations made by secs. 2 and 3 of this Act are for capital projects and
 11 are subject to AS 37.25.020.

12 * Sec. 6. This Act takes effect July 1, 1993.

1	Department of Transportation/Public Facilities (cont.)	
2	General Fund Receipts	\$60,500
3	*** Total Funding ***	\$60,500
4	Department of Environmental Conservation	
5	General Fund Receipts	\$20,000
6	*** Total Funding ***	\$20,000
7	Department of Community & Regional Affairs	
8	General Fund Receipts	\$1,126,300
9	*** Total Funding ***	\$1,126,300
10	University of Alaska	
11	General Fund Receipts	\$3,652,500
12	*** Total Funding ***	\$3,652,500
13	Grants to Municipalities (AS 37.05.315)	
14	General Fund Receipts	\$2,139,400
15	*** Total Funding ***	\$2,139,400
16	Unincorporated Community Grants (AS 37.05.317)	
17	General Fund Receipts	\$1,896,300
18	*** Total Funding ***	\$1,896,300
19	• • • • • Total Budget • • • • •	\$80,000,000
20	(SECTION 23 OF THIS ACT BEGINS ON PAGE 119)	

* Sec. 23. The sum of \$906,403 is appropriated from the general fund for payment of the judgment, interest, and attorney fees in Frontier Flying Service v. Turpin, Case No. 3AN-91-8086 Civil to be paid as follows:

(1) the sum of \$406,000 is appropriated for deposit in the International Airports Revenue Fund (AS 37.15.430(a)) on behalf of Markair, Inc., and Markair, Express, Inc., to reimburse the International Airports Revenue Fund for a debt owed to the state by Markair, Inc., and Markair Express, Inc; and

(2) the sum of \$500,403 is appropriated to the Department of Law as payment, after credit for the payments made in (1) of this section, of the judgment, interest, and attorney fees in Frontier Flying Service v. Turpin.

* Sec. 24. Contingent upon the establishment of an educational facilities maintenance and construction fund by the Eighteenth Alaska State Legislature, the sum of \$20,239,600 is appropriated from the educational facilities maintenance and construction fund (AS 37.16.010) to the University of Alaska and is allocated for the following projects in the amounts listed:

PROJECT	ALLOCATION
Deferred maintenance projects	\$14,239,600
Fairbanks fire code compliance	6,000,000

* Sec. 25. (a) The unexpended and unobligated balance of a grant funded by an appropriation made by secs. 2, 9, and 11 of this Act lapses into the fund from which the appropriation was made if work on the grant project has not begun by December 1, 1999.

(b) The unexpended and unobligated balances of the appropriations made by secs. 2, 9, 11, and 12 of this Act lapse into the fund from which the appropriations were made December 1, 1997.

* Sec. 26. The appropriations made in secs. 3 - 8, 10, 13 - 17, 19 - 22, and 24 of this Act are for capital projects and are subject to AS 37.25.020.

* Sec. 27. Sections 1 - 15, 23, and 25 - 26 of this Act take effect immediately under AS 01.10.070(c).

* Sec. 28. Except as provided by sec. 27 of this Act, this Act takes effect July 1, 1993.

HISTORY OF CONSTRUCTION BOND VOTES SINCE 1978.

election year	proposed bond issue	No./% in favor		No./% opposed	
1978	Flood Control & Port Facilities (\$33,290,000)	70,207	58%	50,156	42%
1978	Recreational Facilities Construction (\$5,850,000)	63,455	53%	57,034	47%
1978	Health Facilities & Senior Citizen Centers/Pioneers Homes Construction (\$25,000,000)	86,099	71%	35,054	29%
1978	Educational Facilities Construction (\$33,656,000)	65,211	53%	57,896	47%
1978	Tranportation Projects (\$88,450,000)	75,454	61%	47,600	39%
1978	Public Safety Facilities Construction (\$30,504,000)	61,071	50%	60,561	50%
1978	Fish Facilities Construction (\$29,965,000)	68,128	56%	54,229	44%
1978	National Guard Facilities Construction (\$3,645,000)	41,001	35%	77,789	65%
1978	Water Supply & Sewage System (\$27,640,000)	68,746	58%	50,525	42%
1978	New State Capital Construction (\$966,000,000)	31,491	26%	88,783	74%
1980	Fisheries Facilities Construction (\$7,718,800)	91,091	60%	60,342	40%
1980	Water Supply & Sewer System Construction (\$33,000,000)	84,650	56%	66,668	44%
1980	Facilities Upgrade Construction (\$18,787,500)	64,978	44%	84,187	56%
1980	Correctional Facilities Construction (\$28,350,000)	77,816	52%	72,090	48%
1980	Cultural Facilities Construction (\$20,000,000)	62,545	41%	90,255	59%
1980	Transportation Construction (\$156,992,700)	105,122	68%	48,726	32%
1980	Education, Library & University Facilities Construction (\$63,651,000)	86,958	57%	66,718	43%

Please note that percentages are rounded to the closest whole number.

HISTORY OF NON-CONSTRUCTION BOND VOTES SINCE 1978.

election year	proposed bond issue	No./% in favor		No./% opposed	
1982	veterans' residential mortgage (\$400,000,000)	118,914	64%	67,168	36%
1983	veterans' residential mortgage (\$500,000,000)	24,167	75%	8,243	25%
1984	veterans' residential mortgage (\$700,000,000)	145,258	73%	53,548	27%
1986	veterans' residential mortgage (\$600,000,000)	112,672	65%	59,482	35%

Please note that percentages are rounded to the closest whole number.



LEGISLATIVE TELECONFERENCE I

SIGN-IN SHEET

70928

SPONSOR: Defined Mnt.

SUBJECT: _____

START/END TIME: 9am DATE: 10-20

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify
1.	Forrest Browne DOR	11th - 50 B - Juneau		465-3750	
2.	Mike Scott	Kotzebue - AMK		414-2401	X
3.	Dennis Poshard - DOT & PF	Juneau		465-3904	X
4.					
5.					
6.					
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10.					
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SCOMM

111:15

NOTICE

SPONSOR:

DEFERRED MAINTENANCE TASK FORCE

TOPIC:

**Final Meetings of the Task Force and
Adoption of Final Report.**

DATE: 11-5-97
TIME: 1:30 pm
PLACE: Room 670, 6th floor
TESTIMONY: Will be Taken

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Report

1. Introduction
2. Summary of Recommendations
3. Travel of Task Force
4. Inventory of needs
5. Financing recommendations
6. Recommendations for Legislation
7. Appendix
 - a) Summary of Hearings
 - b) Summary of Site Visits Including Photographs
 - c) Written Testimony
 - d) Activities in Other States

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

DRAFT

Deferred Maintenance

The aggregation of unfunded routine maintenance and repair and replacement, but not preventive maintenance, which was not performed in a timely manner due to lack of available funding, lower priority or other recognized delaying factors. Deferred maintenance shall be defined as routine maintenance and repair and replacement included in past budgets but not yet accomplished due to recognized delaying factors.

DRAFT

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

ISSUES TO RESOLVE

1. Financing Plan
2. Level of Local Financial Responsibility
3. Legislation
 - a) Corporation Concept
 - b) Required Maintenance Program
 - c) Separate Appropriation for Maintenance
 - d) Ballot Measure - Advisory Vote
 - e) Dedicated Funds
 - f) Use of Prototypical Models for Schools
 - g) Expand DOE Ability to Review and Alter Proposed School Siting and Design
 - h) Eliminate hard metal studs in tires
4. Transferring State Ownership of Harbors
5. Transferring Highway Ownership
6. Rent Concept
7. Reduce Unnecessary Regulatory Requirements on State Construction
8. Prioritization
 - a) Components of each year's funding
 - b) Within each category
 - i) Water & Sewer
 - ii) Harbors
 - iii) University
 - iv) Public Facilities
 - v) Roads & Airports
 - vi) Schools
 - vii) New Construction

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
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Sen. Tim Kelly, Co-Chair
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DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Building an Alaska for the 21st Century **Task Force Unveils Deferred Maintenance Recommendations**

Anchorage – Members of the Legislative Deferred Maintenance Task Force Friday unveiled several recommendations to address Alaska's ongoing maintenance needs.

The Deferred Maintenance Task Force visited 16 communities, 16 schools, 3 University campuses, 3 prisons, 3 harbors, 8 airports, 13 other public buildings and hundreds of miles of state highways. The Task force held over 60 hours of public hearings. In addition, the Task Force members visited with hundreds of Alaskans during various site visits.

The Deferred Maintenance Task Force Thursday concluded a heavy schedule of public hearings, public testimony, and site visits throughout the state. The Task Force tentatively adopted several recommendations along with a six-year a plan to finance the needs to repair Alaska's infrastructure for the 21st Century.

"This has been the most active interim task force I've ever served on," Representative Eldon Mulder, Co-Chair of the Task Force said. "We have been able to see much of what needs repair and heard reasons why our facilities have gotten into such bad repair. Finger pointing won't solve this problem. We have a solid financing plan for legislative consideration along with recommendations to prevent the problem happening again."

The Deferred Maintenance Task Force developed criteria for prioritizing almost \$1.5 billion of projects over a six-year period. The criteria includes health and safety concerns, preservation of educational programs, economic development, history of maintenance and other criteria. The criteria will be used to create a list of projects to be funded by the "Build Alaska - Public Facilities Construction Fund".

"I am encouraged by the bipartisan cooperation shown to address this major problem," said Senator Tim Kelly, Task Force Co-Chair. "We have identified over \$1 billion of needs for repair of our schools, highways, airports, buildings and the University of Alaska. Our financing proposal - "Build Alaska" - addresses these critical needs over a six year period. The plan protects the Permanent Fund and doesn't require any new state taxes. We can use the investment opportunities of the Constitutional Budget Reserve without reducing the principal in the fund."

-more-

①

The Task Force tentatively adopted a list of recommendations including a \$1.42 billion Build Alaska - Public Facilities Financing Plan, draft legislation to require maintenance programs for public facilities, separate budget appropriations for maintenance, and the use of prototypical schools. The task force will ask several standing committees to review issues such as lighter weight studs in tires and their impact on maintenance of our roads, and regulatory standards that unnecessarily increase the cost of construction.

"As sponsor of the Resolution that created the Task Force and as a member, I can tell you that it has responded to its charter. We have developed a list of what needs repair, recommendations to keep from falling back into the same quagmire of not maintaining our facilities, and recommendations for financing repairing our public assets," House Speaker Gail Phillips said.

The Task Force will recommend the administration continue moving toward establishing a rental concept for agencies using state buildings. The concept has been under consideration since the Hickel Administration and is almost ready for a pilot program. The concept will help deal with maintenance responsibility and force a more serious consideration of space needs and use.

"We have identified the problem, we have reviewed the needs, and we have proposed a workable solution," said Representative Mulder. "It is a large problem and includes some of the less popular needs like prisons and state buildings along with schools, the University, and roads. This Task Force addressed a large range of problems, not just the "Photo Opportunity" projects and is recommending a plan to address the full scope."

"I am proud to be the Co-Chair of this Task Force," said Senator Kelly. "This Task Force has been willing to tackle the whole problem and do the "heavy lifting" that actually gets improvements off the planning boards and onto the ground." The work of the Deferred Maintenance Task Force will serve to make Alaska in the 21st century a safer and better place to live."

Legislative leaders have said that consideration of the Deferred Maintenance Task Force's proposal will be one of the top priorities for the next legislative session.

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ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
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Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

ACTION AND RECOMMENDATIONS

The Deferred Maintenance Task Force Tentatively adopted the following for inclusion in its final report. Staff will refine proposals and prepare final draft for final approval on January 10, 1998.

ISSUE	TASK FORCE ACTION
1. Financing Plan	Tentative Adoption
2. Level of Local Financial Responsibility	Tentative use of current match rates
3. Legislation	
a) Build Alaska -	
Public Facilities Financing Corporation	Prepare draft legislation
b) Required Maintenance Program	Prepare draft legislation
c) Separate Appropriation for Maintenance	Prepare draft legislation
d) Ballot Measure - Advisory Vote	Prepare draft legislation
e) Use of Prototypical Models for Schools	Prepare draft resolution
f) Expand DOE Ability to Review and Alter Proposed School Site and Design	Refer to HES Com
g) Eliminate hard metal studs in tires	Refer to Transportation Com
4. Transferring State Ownership of Harbors	Include in plan
5. Transferring Highway Ownership	Refer to Transportation Com
6. Rent Concept	Support Pilot Project
7. Reduce Unnecessary Regulatory Requirements on State Construction	Refer to Regulation Review Jt. Com
8. Prioritization	Use Draft
a) Components of each year's Funding	Work on Six Year schedule
b) Within each category	Continue work with Administration

11/7/97
9:41 AM

WORKING DRAFT

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Deferred Maintenance Task Force
BUILDING ALASKA FOR THE 21ST CENTURY

Expenditures for Public Facility Repair and Replacement Construction

SIX-YEAR Build Alaska financing plan will support:

Repair

Schools	\$296,000,000
University	\$188,000,000
Highways, Marine	
Highway, Airports	\$299,000,000
Harbors	\$55,000,000
Public Facilities	\$173,000,000
Water & Sewers	\$105,000,000
Subtotal	<u>\$1,116,000,000</u>

Replacement

Schools and University	
Buildings	\$304,000,000
Subtotal	<u>\$1,420,000,000</u>

Total available in financing plan

Schools, University	
Buildings, and Other	\$80,000,000
Construction	
Total	<u>\$1,500,000,000</u>

**NOTE: Sale of the Four Dam Pool and a
blend of 15 and 20 year bonds could easily
net an extra \$200 million from the
proposed funding plan.**

Deferred Maintenance Task Force
Building Alaska for the 21Century

(5)

New Build Alaska Spending and Debt Service							
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	TOTAL
Build Alaska Debt Service	30,000.0	25,000.0	25,000.0	25,000.0	20,000.0	17,000.0	142,000.0
Cumulative Annual New Debt Service	30,000.0	55,000.0	80,000.0	105,000.0	125,000.0	142,000.0	537,000.0
Build Alaska Funds Available from Debt	300,000.0	250,000.0	250,000.0	250,000.0	200,000.0	170,000.0	1,420,000.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	540,000.0
Totals	390,000.0	340,000.0	340,000.0	340,000.0	290,000.0	260,000.0	1,960,000.0

Deferred Maintenance Task Force

Building Alaska for the 21st Century

BUILD ALASKA FINANCING PLAN INTEGRATION INTO FIVE YEAR BUDGET STRATEGY

	FY 1998	FY 1999	FY 2000	FY2001	FY 2002	FY 2003				
Revenues										
Unrestricted Revenues	2,080.9	2,000.4	1,976.1	1,979.0	1,959.7	1,919.8				
Adjustments	(58.7)	(56.1)	(63.8)	(63.8)	(60.0)	(60.0)				
AHFC Dividend	70.0	72.1	74.3	76.5	78.8	81.1				
AIDEA Dividend	16.0	15.0	15.0	15.0	15.0	15.0				
General Fund Balance Forward	66.8									
CBRF Appropriated to Gen. Fund	161.1	204.7	200.0	203.3	205.4	239.8				
Revenue from Tobacco Tax	17.8	32.0	32.0	32.0	31.0	31.0				
Remaining New Revenues	40.6	46.0	38.4							
Total Revenues	2,394.5	2,314.1	2,272.0	2,242.0	2,229.9	2,226.7				
Expenditures										
Operating	2,151.5	2,096.5	2,071.6	2,058.2	2,058.2	2,058.2				
Debt Service	87.4	85.5	68.3	51.7	39.8	36.4				
Capital - Cash	100.0	90.0	90.0	90.0	90.0	90.0				
Capitol to Bond Debt Service		10.0	10.0	10.0	10.0	10.0				
Special/Transfers/Fund Capitalization	15.5	15.1	15.1	15.1	15.1	15.1				
Supplementals	16.5	17.0	17.0	17.0	17.0	17.0				
Total Expenditures	2,370.9	2,314.1	2,272.0	2,242.0	2,229.9	2,226.7				
Expenditure Reduction		56.8	42.1	30.0	12.1	3.2				
							FY 2004	FY 2005	FY 2006	FY 2007
CBRF Beginning Balance	3,297.4	3,515.1	3,805.6	4,100.9	4,161.1	4,175.8	4,151.4	4,167.9	4,185.7	4,204.7
Projected Earnings	236.1	251.7	272.5	293.6	297.9	299.0	297.2	298.4	299.7	301.1
Transfers to General Fund	(161.1)	(204.7)	(200.0)	(203.3)	(205.4)	(239.8)	(165.9)	(165.9)	(165.9)	(165.9)
Transfers to Build Alaska Fund	(17.8)	(26.5)	(47.2)	(55.1)	(102.8)	(108.6)	(139.8)	(139.8)	(139.8)	(139.8)
Additional Settlement Deposits	160.5	270.0	270.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
CBRF Fund Ending Balance	3,515.1	3,805.6	4,100.9	4,161.1	4,175.8	4,151.4	4,167.9	4,185.7	4,204.7	4,225.0
Build Alaska Fund Beginning Balance	0.0	17.8	24.3	26.5	11.4	18.4	11.0	6.5	2.0	0.4
Revenue from Tobacco Tax	17.8	32.0	32.0	32.0	31.0	31.0	31.0	30.0	30.0	30.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from CBRF and operations	87.4	90.0	93.5	84.6	120.6	123.0	139.8	139.8	139.8	139.8
Build Alaska Fund Debt Service		(30.0)	(55.0)	(80.0)	(105.0)	(125.0)	(142.0)	(142.0)	(142.0)	(142.0)
Current Debt Service	(87.4)	(85.5)	(68.3)	(51.7)	(39.8)	(36.4)	(33.3)	(32.3)	(29.4)	(21.9)
Capital Fund Ending Balance	17.8	24.3	26.5	11.4	18.4	11.0	6.5	2.0	0.4	0.3

Deferred Maintenance Task Force

Building Alaska for the 21st Century

Notes and Assumptions

②

- 1 Debt service was adjusted to reflect the latest Alaskan Public Debt Report information less Bank of America income offset
- 2 Capital (cash) was reduced from operating expenditure budget by \$10 million annually. Beginning in FY 1999 that will be used for debt service. (Possible from savings on cash appropriations to Water & Sewer and schools and funded in new bonding proposal.)
- 3 The CBRF rate of return was calculated at 7.16% beginning in FY 1998, reflecting Dept. of Revenue's latest projections.
- 4 Tobacco tax revenue will be used in the Build Alaska Fund to support school bonds
- 5 Tobacco tax revenues utilize Department of Revenue's latest projections
- 6 No interest earnings were calculated on the Build Alaska Fund balance.
- 7 The CBRF principal is not reduced by the Build Alaska program in this scenario
- 8 A blend of 15 and 20 year bonds and/or more favorable rates could net nearly \$1.5 billion from \$125 million in debt service
- 9 Sale of the Four Dam Pool at \$100 million, deposited in the CBRF, could generate an additional \$7 million in earnings to service \$70 million in debt in the Build Alaska Fund.

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
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Rep. Gail Phillips



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Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Criteria For Consideration And Prioritization

The Deferred Maintenance will use the following criteria for prioritizing the almost \$ 1.5 billion of deferred maintenance and replacement needs over a six year period. The Task Force will use these criteria and work with the administration to create a list of projects to be funded by the Build Alaska - Public Facilities Construction Fund

1. Health and safety effects
2. Preservation of educational programs
3. Impact on program operation
4. Economic development
5. Feasibility, including public support and project readiness
6. Existence and implementation of a maintenance program
7. Historical maintenance of facility
8. Use of available prototypical facilities
9. Fiscal impacts on costs and revenues
10. Distributional effects
11. Ability to transfer ownership
12. Advantages accruing from relationships to other project proposals

Working Definition of Deferred Maintenance

The Task Force uses the following definition in collecting its data and considering projects for funding as deferred maintenance needs.

"The aggregation of unfunded routine maintenance and repair and replacement which was not performed in a timely manner due to lack of available funding, lower priority, management decisions to use maintenance funds for other purposes or other recognized delaying factors. "

07 November, 1997
10:48 AM

WORKING DRAFT

②

State of Alaska

Office of the Governor

Tony Knowles
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001
NEWS RELEASE



Bob King
Press Secretary
Claire Richardson
Deputy Press Secretary
907-465-3500
FAX: 907-465-3533

FOR IMMEDIATE RELEASE: Oct. 27, 1997

97.319

KNOWLES INTRODUCES SCHOOL CONSTRUCTION AND REPAIR PLAN
Urban, Rural School Needs Addressed in \$850 Million Package

ANCHORAGE—Gov. Tony Knowles today unveiled a long-range statewide plan to build new schools and repair, maintain and expand existing schools. The package, funded in part by revenues from the newly increased tobacco tax, will authorize approximately \$850 million for school projects over the next decade.

"School construction and repair needs have been neglected for too long," Knowles said. "Enough is enough - parents, educators and students need to know there's a long-term plan in place to meet the needs in their school districts. As we improve the quality of Alaska's schools inside the classroom, this plan will ensure the buildings themselves are safe, sturdy and adequate for learning."

The plan will be funded by combining general funds for debt reimbursement and revenues from last year's tobacco tax increase to cover the cost of revenue bonds.

Speaking to the state Board of Education and a coalition of education leaders at Anchorage's 4th Avenue Theater, Knowles said his plan will make available \$80 million to \$100 million annually for school construction and repair over the next decade. By comparison, just \$4.7 million was authorized this fiscal year and \$6.9 million last year for school repairs.

The state Department of Education is currently scoring and ranking school projects for next year's new construction and major maintenance lists. By law, those lists are made public each year on Nov. 5.

Typically, 150-200 projects make the DOE lists each year, but only a total of 12 have been funded since fiscal 1996. By comparison, the governor's plan will fund every project on the current list within 10 years.

-MORE-
2-2-2-2

School Construction Release

Oct. 27, 1997

The plan addresses needs in both urban and rural Alaska. The package will balance the distribution of money between municipalities and REAAs (Rural Education Attendance

Areas) to complete projects in approximately the same time period. A sliding scale, based on a district's ability to pay, will be used to determine what percentage of each project is funded by the state. REAA schools have received essentially no funding since 1993.

"I'll introduce a bill on Day One of the next legislative session to put this plan in place," Knowles said. "Finally, we'll have long-term stability. School districts and REAAs will know where their projects fall on the lists and when they can expect work to begin."

The governor said he is also looking forward to the recommendations of an interim legislative committee studying Alaska's deferred maintenance needs.

Among the most sorely needed schools to be addressed by Knowles' plan include:

- Talkeetna Elementary, 32 years old, is severely overcrowded at 142 percent over capacity and suffers from a leaking roof. During rainy weather, students must dodge buckets in their classrooms. The governor heard details of Talkeetna's problems Friday when he met with affected parents at Wasilla High School.
- Kenny Lake Elementary in the Copper River District, 43 years old, where mechanical systems like water and heat fail regularly. Periodically, elementary students are escorted through the weather to the high school to use rest rooms.
- Kiana Elementary, 35 years old, and at 113 percent over capacity. The school suffers from foundation problems and does not meet fire codes.
- Arctic Village Elementary, 37 years old at 181 percent over capacity. The school also suffers from foundation problems and students must use honey buckets behind curtains for restrooms.

"School administrators across Alaska support additional state funds to meet what have grown to be huge needs, so this plan will help in a big way," said Juneau Superintendent Mary Rubadeau. "In Juneau, our top priority is a new high school, so I'm pleased the governor's plan will address that need."

Knowles made today's announcement after visiting Anchorage's Taku Elementary School, which is scheduled to undergo renovation and expansion next summer. Taku was built in the mid 1970s and is currently at 136 percent over capacity. It suffers from leaks in the library and hallways, breakfast is served in the halls and the multi-purpose room is used as a gym so all students at the school can have access to exercise.

-MORE-

School Construction Release

3-3-3-3

Oct. 27, 1997

Anchorage voters approved bonds for Taku this spring, but under the governor's plan the Anchorage School District will be able to apply for partial reimbursement from the state.

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0-LS/217E

Cook

11/4/97

HOUSE BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTIETH LEGISLATURE - SECOND SESSION****BY****Introduced:****Referred:****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to preventive maintenance programs required for certain state
2 grants; and providing for an effective date."

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

4 * **Section 1.** AS 14.11.011(b) is amended to read:

5 (b) For a municipality that is a school district or a regional educational
6 attendance area to be eligible for a grant under this chapter, the district shall submit

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

12 (2) evidence that the district has secured and will maintain adequate
13 property loss insurance for the replacement cost of all facilities for which state funds
14 are available under AS 14.11.005 or 14.11.007 or has a program of insurance

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0-LS1217H

1 acceptable to the department; [AND]

2 (3) evidence acceptable to the department that the proposed project
3 should be a capital improvement project and not part of a preventive maintenance
4 program or regular custodial care program; and

5 (4) evidence acceptable to the department that the district

6 (A) has a preventive maintenance plan that

7 (i) includes a computerized maintenance management
8 program;

9 (ii) addresses energy management for all buildings
10 owned or operated by the district;

11 (iii) includes a regular custodial care program for all
12 buildings owned or operated by the district;

13 (iv) includes preventive maintenance training for
14 facility managers and employees with maintenance duties;

15 (v) includes renewal and replacement schedules for
16 electrical, mechanical, structural, and other components of all
17 facilities owned or operated by the district; and

18 (B) is adequately adhering to the preventive maintenance
19 plan.

20 * Sec. 2. AS 37.06.010 is amended by adding a new subsection to read:

21 (j) Before the department may pay a draw under this section to a municipality,
22 the department shall have evidence acceptable to the department that the municipality

23 (1) has a preventive maintenance plan that

24 (A) includes a computerized maintenance management program;

25 (B) addresses energy management for all buildings owned or
26 operated by the municipality;

27 (C) includes a regular custodial care program for all buildings
28 owned or operated by the municipality;

29 (D) includes preventive maintenance training for facility
30 managers and employees with maintenance duties;

31 (E) includes renewal and replacement schedules for electrical,

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0-LS1217E

- 1 mechanical, structural, and other components of all facilities owned or operated
2 by the municipality; and
3 (2) is adequately adhering to the preventive maintenance plan.
- 4 * Sec. 3. AS 37.06.020 is amended by adding a new subsection to read:
5 (1) Before the department may pay a draw under this section to an entity, the
6 department shall have evidence acceptable to the department that the entity
7 (1) has a preventive maintenance plan that
8 (A) includes a computerized maintenance management program;
9 (B) addresses energy management for all public buildings
10 owned or operated by the entity;
11 (C) includes a regular custodial care program for all public
12 buildings owned or operated by the entity;
13 (D) includes preventive maintenance training for managers of
14 public facilities owned or operated by the entity and employees with
15 maintenance duties;
16 (E) includes renewal and replacement schedules for electrical,
17 mechanical, structural, and other components of all public facilities owned or
18 operated by the entity; and
19 (2) is adequately adhering to the preventive maintenance plan.
- 20 * Sec. 4. This Act takes effect July 1, 1998.

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0-LS1218\A

Cook

11/3/97

HOUSE BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTIETH LEGISLATURE - SECOND SESSION****BY****Introduced:****Referred:****A BILL****FOR AN ACT ENTITLED**

1 "An Act authorizing an advisory vote on the issuance of revenue bonds for
2 certain capital projects and the establishment of a capital bond redemption fund;
3 and providing for an effective date."

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

5 * **Section 1.** The lieutenant governor shall place before the qualified voters of the state at
6 the next general election a question advisory to the legislature of whether the legislature
7 should enact laws to provide for the issuance of revenue bonds over a six-year period in a
8 total amount not to exceed \$1,500,000,000 for the construction, renovation, repair, and
9 replacement of school, university, and other public facilities, including roads, water or sewer
10 systems, airports, and harbors; and whether the legislature should establish a capital bond
11 redemption fund with assets that may be pledged as security for the bonds and used for the
12 payment of the principal, interest, and other expenses associated with the bonds. The question
13 shall appear on the ballot in the following form:

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0-LS1218A

QUESTION

Shall the Legislature of the State of Alaska enact laws to provide for the issuance of revenue bonds over a six-year period in a total amount not to exceed \$1,500,000,000 for the construction, renovation, repair, and replacement of school, university, and other public facilities, including roads, water or sewer systems, airports, and harbors; and shall the legislature establish a capital bond redemption fund with assets that may be pledged as security for the bonds and used for the payment of the principal, interest, and other expenses associated with the bonds?

Yes []

No []

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

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0-LS1219A
Utermohle
11/3/97

HOUSE BILL NO.**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTIETH LEGISLATURE - SECOND SESSION****BY REPRESENTATIVE MULDER**

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to operating appropriations for annual maintenance and repair
2 and periodic renewal and replacement of public buildings and facilities; and
3 providing for an effective date."

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

5 * Section 1. AS 37.07.020 is amended by adding a new subsection to read:

6 (e) The budget prepared under (a) of this section must present the proposed
7 operating expenditures for each agency for annual maintenance and repair and periodic
8 renewal and replacement of public buildings and facilities separately from the other
9 proposed operating expenditures by the agency. Proposed operating appropriations for
10 an agency for annual maintenance and repair and periodic renewal and replacement for
11 public buildings and facilities contained in an appropriation bill prepared under (a) of
12 this section must be presented separately from appropriations for other proposed
13 operating expenditures by the agency.

14 * Sec. 2. AS 37.07.120 is amended by adding new paragraphs to read:

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0-LS1219A

1 (8) "maintenance and repair" means the day-to-day scheduled and
2 preventive maintenance effort, including janitorial and minor repair work, required to
3 keep buildings and facilities operational and in a continuous state of readiness;

4 (9) "renewal and replacement" means the scheduled replacement of
5 worn-out major building components and the replacement or retrofitting of obsolete
6 or inefficient building systems in order to maintain or extend the life of a building or
7 facility.

8 * Sec. 3. This Act takes effect July 1, 1998.

1
2
3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4
5 TWENTIETH LEGISLATURE - FIRST SESSION

6
7 BY _____

8 Introduced: _____

9 Referred: _____

10
11 A BILL

12
13 FOR AN ACT ENTITLED

14
15 "An Act relating to the Capital Facilities Financing Corporation; and providing for an
16 effective date."

17
18 BE IT ENACTED BY THE STATE OF ALASKA:

19
20 * Section 1. FINDINGS. The legislature finds that

21
22 (1) there is an urgent need for deferred maintenance to existing capital
23 facilities in Alaska and for new capital facilities throughout the state;

24
25 (2) the establishment of the Capital Facilities Financing Corporation as
26 provided in this Act will provide an effective means of financing deferred maintenance
27 and new construction of these facilities.

28
29 * Sec. 2. AS 44.27 is amended by adding new sections to read:

30
31 Article 3. Capital Facilities Financing Corporation.

32
33 Sec. 44.27.100. Capital Facilities Financing Corporation. The Capital
34 Facilities Financing Corporation is created as a public corporation of the state in
35 the Department of [REVENUE?]. The corporation is an instrumentality of the
36 state but has a legal existence independent of and separate from the state and has
37 continuing succession until its existence is terminated by law. The corporation is
38 subject to AS 37.07 (Executive Budget Act).

1 **Sec. 44.27.110. Board of directors.** The corporation is governed by a board of
2 three directors, consisting of the commissioner of revenue, the commissioner of
3 transportation and public facilities, and the commissioner of education. The
4 directors are subject to AS 39.50 (conflict of interest). Before entering upon the
5 duties of office, a director shall take and subscribe to an oath to perform the
6 duties faithfully, impartially, and justly to the best of the director's ability. A
7 record of the oath shall be filed in the Office of the Governor.
8

9 **Sec. 44.27.120. Officers, quorum, and meetings.** (a) The board of directors
10 shall elect one of their number as chair. The board shall elect a secretary and a
11 treasurer who need not be directors, and the same person may be elected to serve
12 both as secretary and treasurer. The powers of the corporation are vested in the
13 board of directors, and two directors of the corporation constitute a quorum.
14 Action may be taken and motions and resolutions adopted by the corporation at
15 any meeting by the affirmative vote of at least two directors. A vacancy in the
16 directorship of the corporation does not impair the right of a quorum to exercise
17 all of the powers and perform all of the duties of the corporation.
18

19 (b) The directors and officers of the corporation may meet and transact
20 business by an electronic medium if (1) public notice of the time and locations
21 where the meeting will be held by an electronic medium has been given in the
22 same manner as if the meeting were held in a single location; (2) participants and
23 members of the public in attendance can hear and have the same right to
24 participate in the meeting as if the meeting were conducted in person; and (3)
25 copies of pertinent reference materials, statutes, regulations, and audio-visual
26 materials are reasonably available to participants and to the public. A meeting by
27 an electronic medium as provided in this subsection has the same legal effect as a
28 meeting in person.
29

30 (c) The corporation may appoint persons as employees it considers
31 advisable and may employ professional advisors, counsel, technical experts,
32 agents, and others as appropriate. The employees of the corporation are in the
33 exempt service under AS 39.25.110 .
34

1 **Sec. 44.27.130. Powers of the corporation.** The corporation may

2
3 (1) sue and be sued;

4
5 (2) adopt and alter an official seal;

6
7 (3) make and enforce bylaws and regulations for the conduct of its
8 business and for the use of its services and facilities;

9
10 (4) maintain an office at any place in the state;

11
12 (5) acquire, hold, use, and dispose of its income, revenue, funds, and
13 money;

14
15 (6) acquire, rent, lease, hold, use, and dispose of other personal
16 property for its purposes;

17
18 (7) subject to AS 44.27.160 , issue revenue bonds or notes and
19 provide for and secure payment of the revenue bonds or notes, provide for the
20 rights of their holders, and purchase, hold, and dispose of any of its revenue
21 bonds or notes;

22
23 (8) fix and revise from time to time and charge and collect fees and
24 charges for the use of its services or facilities;

25
26 (9) accept gifts or grants from the United States, or from any
27 governmental unit or person, carry out the terms or provisions or make
28 agreements with respect to the gifts or grants, and do all things necessary, useful,
29 desirable, or convenient in connection with procuring, accepting, or disposing of
30 the gifts or grants;

31
32 (10) do anything authorized by AS 44.27.100 - 44.27.250, through its
33 officers, agents, or employees, or by contracts with a person;

34
35 (11) make, enter into, and enforce all contracts necessary,
36 convenient, or desirable for the purposes of the corporation or pertaining to a

1 purchase or sale of bonds or other investments, or the performance of its duties
2 and execution of any of its powers under AS 44.27.100 - 44.27.250;
3

4 (12) purchase or hold bonds at prices and in a manner the
5 corporation considers advisable;
6

7 (13) adopt and amend regulations by motion, by resolution, or in
8 another manner permitted under the bylaws of the corporation;
9

10 (14) procure insurance against any losses in connection with its
11 property, operations, or assets in amounts and from insurers it considers
12 desirable;
13

14 (15) to the extent permitted under its contracts with the holders of
15 bonds or notes of the corporation, consent to modification of the rate of interest,
16 time and payment of installment of principal or interest, security, or any other
17 term of a bond or note, contract, or agreement of any kind to which the
18 corporation is a party; and
19

20 (16) do all acts and things necessary, convenient, or desirable to carry
21 out the powers expressly granted or necessarily implied in AS 44.27.100 -
22 44.27.250.
23

24 **Sec. 44.27.140. Issuance of bonds and pledges of assets.** (a) Subject to AS
25 44.27.160 , the corporation may issue its bonds or notes in principal amounts
26 sufficient to provide the state share of funds for the construction and deferred
27 maintenance of [DENNY -- INSERT LIST OF TYPES OF CAPITAL FACILITIES
28 OR JUST INSERT 'CAPITAL FACILITIES'] authorized by the legislature, or of
29 schools or school facilities that are projects approved under AS 14.11.015 (a) and
30 authorized by the legislature.
31

32 (b) Subject to AS 44.27.170, the corporation may enter into agreements
33 providing for financial covenants or pledging amounts to secure bonds of
34 municipalities or the University of Alaska and pay amounts for the following:
35

1 (1) the reimbursement up to 70 percent of net payments as
2 determined by the corporation made by a municipality that is a school district for
3 the retirement of principal and interest on bonds issued to pay the cost of
4 constructing school facilities that are projects approved under AS 14.11.015 (a);
5

6 (2) the reimbursement up to 100 percent of the net payments as
7 determined by University of Alaska for the retirement of principal and interest
8 on bonds issued to pay the cost of constructing university facilities.
9

10 (c) Bonds or notes may be issued or agreements made for a facility under
11 (a) and (b) of this section only when
12

13 (1) the legislature has authorized the facility and the amount of its
14 deferred maintenance and construction cost to be borne by the corporation;
15

16 (2) for agreements made under (b) of this section, the legislature has
17 authorized the percentage of reimbursement that the corporation shall agree to
18 reimburse with respect to the facility; and
19

20 (3) the commissioner of transportation and public facilities
21 [DIVISION OF LEGISLATIVE AUDIT??] has certified that a computerized
22 maintenance management plan is in place for the facility;
23

24 (4) the commissioner of transportation and public facilities has
25 certified that
26

27 (A) the facility is designed in accordance with the energy
28 performance standards adopted under AS 44.42.020 (a); or
29

30 (B) the designer and constructor of the facility have certified
31 that the facility will be designed and constructed in accordance with the energy
32 performance standards and regulations adopted under AS 44.42.020 (a).
33

34 (d) The corporation may issue its bonds or notes in principal amounts that
35 it considers necessary to provide funds for

1 (1) payment, funding, or refunding of the principal of, or interest or
2 redemption premiums on, bonds or notes issued by it, whether the bonds or
3 notes or interest to be funded or refunded have or have not become due;
4

5 (2) the establishment or increase of reserves to secure or to pay
6 bonds or notes or interest on bonds or notes and all other costs or expenses of the
7 corporation incident to and necessary or convenient to carry out its corporation
8 purposes and powers.
9

10 (e) The corporation and a municipality or the corporation and the
11 University of Alaska may enter into agreements as provided by law providing
12 for financial covenants or pledging amounts for the benefit of bondholders of a
13 municipality or the University of Alaska to secure the reimbursement of the net
14 payments to be made by the municipality or the University of Alaska.
15

16 (f) Except as otherwise provided in AS 44.27.100 - 44.27.250 or by the
17 corporation, every issue of bonds or notes shall be payable out of the revenue or
18 funds of the corporation, subject only to agreements with the holders of
19 particular bonds or notes pledging particular revenue or funds.
20

21 (g) Bonds shall be authorized by resolution of the corporation and shall be
22 dated and mature as the resolution may provide, except that a bond may not
23 mature more than 20 years from the date of its issue. Bonds shall bear interest at
24 rates, be in the denominations, be in the form, either coupon or registered, carry
25 the registration privileges, be executed in the manner, be payable in the medium
26 of payment, at the place or places, and be subject to the terms of redemption that
27 the resolution or a subsequent resolution may provide. Bonds or notes may be
28 sold at a public or private sale.
29

30 (h) The corporation may disburse funds necessary to comply with the
31 deferred maintenance, construction and reimbursement provisions of (a) and (b)
32 of this section. The corporation shall administer the reimbursement payments
33 authorized under (b) of this section and shall provide by regulation for the filing
34 of applications for reimbursement, the form of proof of costs for which
35 application for reimbursement is made, and other regulations necessary to
36 administer this section. An agreement not to modify an appropriation for

1 construction or reimbursement after bonds or notes have been issued for the
2 purpose is valid. The corporation shall exclude from the total school
3 construction cost of the local district all state and federal funds included in these
4 costs except funds provided under this section and AS 43.50.140 . In approving
5 applications for reimbursement under (b)(1) of this section, the corporation shall
6 offset against the amount of reimbursement authorized the amount of any funds
7 distributed to the municipality in the second preceding fiscal year from the
8 school fund provided for in AS 43.50.140 .
9

10 **Sec. 44.27.150. Trust indentures and trust agreements.** (a) In the discretion
11 of the corporation, an issue of bonds may be secured by a trust indenture or trust
12 agreement between the corporation and a corporate trustee, including a trust
13 company, bank, or national banking association, with corporate trust powers,
14 located inside or outside the state, or by a secured loan agreement or other
15 instrument or under a resolution giving powers to a corporate trustee by means
16 of which the corporation may
17

18 (1) make and enter into any and all the covenants and agreements
19 with the trustee or the holders of the bonds that the corporation may determine
20 to be necessary or desirable, including, without limitation, covenants,
21 provisions, limitations, and agreements as to
22

23 (A) the application, investment, deposit, use, and disposition
24 of the proceeds of bonds of the corporation or of money or other property of the
25 corporation in which it has an interest;
26

27 (B) the terms and conditions upon which additional bonds of
28 the corporation may be issued; and
29

30 (C) the vesting in a trustee of rights, powers, duties, funds, or
31 property in trust for the benefit of bondholders, including the right to enforce
32 payment, performance, and all other rights of the corporation or of the
33 bondholders, under any agreement of the corporation;
34

1 (2) pledge, mortgage, or assign money, agreements, property, or
2 other rights or assets of the corporation either presently in hand or to be received
3 in the future, or both; and
4

5 (3) provide for other matters of like or different character that in any
6 way affect the security or protection of the bonds.
7

8 (b) For the purpose of securing one or more issues of its bonds, the
9 corporation may establish one or more special funds, called "capital reserve
10 funds," and shall pay into the capital reserve funds the proceeds of the sale of its
11 bonds and other money that may be made available to the corporation for the
12 purposes of those funds from another source. The funds shall be established only
13 if the corporation determines that the establishment would enhance the
14 marketability of the bonds. Money held in a capital reserve fund, except as
15 provided in this section, shall be used as required solely for (1) the payment of
16 the principal of, and interest on, bonds or of the sinking fund payments with
17 respect to those bonds, (2) the purchase or redemption of bonds, or (3) the
18 payment of a redemption premium required to be paid when those bonds are
19 redeemed before maturity; however, money in a fund may not be withdrawn
20 from it at any time in an amount that would reduce the amount of that fund to
21 less than the capital reserve requirement set out in (2) of this subsection, except
22 for the purpose of making, with respect to those bonds, payment, when due, of
23 principal, interest, redemption premiums, and the sinking fund payments for
24 the payment of which other money of the corporation is not available. Income or
25 interest earned by, or increment to, a capital reserve fund, due to the investment
26 of the fund or any other amounts in it, may be transferred by the corporation to
27 other funds or accounts of the corporation to the extent that the transfer does not
28 reduce the amount of the capital reserve fund below the capital reserve fund
29 requirement under (c) of this section.
30

31 (c) If the corporation decides to issue bonds secured by a capital reserve
32 fund, the bonds may not be issued if the amount in the capital reserve fund is
33 less than an amount that may be established by resolution of the corporation,
34 called the "capital reserve fund requirement," unless the corporation, at the time
35 of issuance of the obligations, deposits in the capital reserve fund from the
36 proceeds of the obligations to be issued or from other sources, an amount which,

1 together with the amount then in the fund, is not less than the capital reserve
2 fund requirement.
3

4 (d) In computing the amount of a capital reserve fund for the purpose of
5 this section, securities in which all or a portion of the funds are invested shall be
6 valued by a reasonable method established by the corporation by resolution.
7 Valuation on a particular date shall include the amount of any interest earned or
8 accrued to that date.
9

10 (e) The chair of the corporation shall annually, not later than January 2,
11 make and deliver to the governor and the legislature a certificate stating the
12 amount, if any, required to restore a capital reserve fund to the capital reserve
13 fund requirement. The legislature may appropriate the amount described in this
14 subsection, and all money appropriated during the then current fiscal year by the
15 legislature for the restoration shall be deposited by the corporation in the proper
16 capital reserve fund. Nothing in this section creates a debt or liability of the state.
17

18 (f) If the corporation decides to covenant to issue bonds secured by a capital
19 reserve fund, the bonds may not be issued until 10 days after the corporation has
20 mailed notification to the state bond committee and the Legislative Budget and
21 Audit Committee by certified mail of its intention to establish a capital reserve
22 fund to secure the bond issue. The notification must include the amount of the
23 capital reserve fund to be established and the amount of bonds proposed to be
24 issued. The notification must be accompanied by an estimate by the corporation
25 of the need to withdraw money from the capital reserve fund during the term of
26 the bond issue, the amount that it may be necessary to withdraw, and the time at
27 which withdrawals are estimated to be needed. The corporation shall annually
28 prepare a revised estimate, considering the same factors, and a statement of all
29 withdrawals that have occurred from the date of issuance of the bonds to the end
30 of the calendar year. The revised estimate and statement shall be submitted to
31 the state bond committee and the Legislative Budget and Audit Committee by
32 January 30 of the year following preparation of the revised estimate.
33

34 **Sec. 44.27.160. Bonding limitations.** The corporation may not issue bonds
35 or make agreements under AS 44.27.140 unless the money in the capital facilities
36 fund (AS 44.27.200) equals or exceeds \$1,500,000,000.

1
2 **Sec. 44.27.170. Bond reimbursement limitation.** The corporation may not
3 enter into an agreement to reimburse a municipality or the University of Alaska
4 for payments made to retire principal and interest on bonds issued to construct
5 education facilities or University of Alaska facilities unless the money in the
6 capital facilities fund (AS 44.27.200) equals or exceeds \$1,500,000,000 and the
7 bonds issued by the municipality or the University of Alaska comply with AS
8 44.27.140 (g), except that the bonds need not be authorized by the corporation.
9

10 **Sec. 44.27.180. Nonliability on bonds.** (a) Neither the members of the
11 corporation nor a person executing the bonds is personally liable on the bonds or
12 is subject to personal liability or accountability as a result of the issuance of the
13 bonds.
14

15 (b) Bonds issued by the corporation do not constitute an indebtedness or
16 other liability of the state or of a political subdivision of the state, except the
17 corporation. Bonds shall be payable solely from the income and receipts or other
18 funds or property of the corporation. The corporation may not pledge the faith
19 or credit of the state or of a political subdivision of the state, except the
20 corporation, to the payment of a bond.
21

22 (c) The issuance of a bond by the corporation does not directly or indirectly
23 or contingently obligate the state or a political subdivision of the state to apply
24 money from, or levy or pledge any form of taxation whatever to the payment of
25 the bond.
26

27 **Sec. 44.27.190. Exemption from taxation.** All bonds of the corporation are
28 declared to be issued by a political subdivision of the state and for an essential
29 public and governmental purpose, and the bonds, and the interest on them, the
30 income from them and the transfer of the bonds, and all assets, income and
31 receipts pledged to pay and secure the payment of the bonds, or interest on them,
32 shall at all times be exempt from taxation by or under the authority of the state,
33 except for inheritance and estate taxes and taxes on transfers by or in
34 contemplation of death.
35

1 **Sec. 44.27.200. Pledge of the state.** (a) The state pledges to and agrees with
2 the holders of bonds issued under AS 44.27.100 - 44.27.250 that the state will not
3 limit or alter the rights and powers vested in the corporation by AS 44.27.100 -
4 44.27.250 to fulfill the terms of a contract made by the corporation with the
5 holders and that the state will not in any way impair the rights and remedies of
6 the holders until the bonds, together with the interest on them with interest on
7 unpaid instal.ments of interest, and all costs and expenses in connection with an
8 action or proceeding by or on behalf of the holders are fully met and discharged.
9 The corporation is authorized to use this pledge and agreement of the state in
10 agreements involving holders of bonds of the corporation.
11

12 (b) It is the intention of the legislature that a pledge made in respect of
13 bonds shall be valid and binding from the time the pledge is made; that the
14 money and property so pledged and thereafter received by the corporation shall
15 immediately be subject to the lien of the pledge without physical delivery or
16 further act; and that the lien of the pledge shall be valid and binding as against all
17 parties having claims of any kind in tort, contract or otherwise against the
18 corporation irrespective of whether the parties have notice. Neither the
19 resolution, trusts agreement, nor any other instrument by which a pledge is
20 created need be recorded or filed under the provisions of the Uniform
21 Commercial Code to be valid, binding or effective against the parties.
22

23 (c) The pledge of the state is limited to the express provisions of (a) of this
24 section and is not a guarantee, surety, promise, undertaking, or assurance of
25 repayment or performance of any obligation of the corporation.
26

27 **Sec. 44.27.210. Capital facilities fund.** (a) The capital facilities fund is
28 established in the corporation. The fund consists of appropriations made to the
29 fund by the legislature, and, subject to appropriation, the income of the fund.
30 The corporation may enter into agreements for financial covenants or pledge
31 amounts in the fund that exceed \$1,500,000,000 to secure the payment of bonds of
32 the corporation and may make expenditures from the fund for the purposes of
33 the agreements.
34

35 (b) The fund and any other funds of the corporation shall be invested by
36 the [Alaska Permanent Fund Corporation OR the department of revenue] as

1 agent of the corporation in the manner provided for assets of the permanent
2 fund under AS 37.13.120 unless otherwise provided in a trust agreement
3 securing bonds.
4

5 **Sec. 44.27.220. Annual audit.** The corporation shall have its financial
6 records audited annually by a certified public accountant. The legislative auditor
7 may prescribe the form and content of the financial records of the corporation
8 and may have access to the records at any time.
9

10 **Sec. 44.27.230. Annual report.** Before March 1 of each year, the corporation
11 shall submit to the governor and the legislature a comprehensive report
12 describing operations, income, and expenditures for the preceding 12-month
13 period.
14

15 **Sec. 44.27.250. Definitions.** In AS 44.27.100 - 44.27.250, unless the context
16 requires otherwise,
17

18 (1) "corporation" means the Capital Facilities Financing
19 Corporation established under AS 44.27.100 ;
20

21 (2) "bonds" means revenue bonds, notes, or other obligations of the
22 corporation issued under AS 44.27.100 - 44.27.250;
23

24 (3) "fund" means the capital facilities fund established under AS
25 44.27.200 .
26

27 * **Sec. 3.** AS 36.30.850 (b) is amended by adding a new paragraph to read:
28

29 (38) contracts of the Capital Facilities Financing Corporation (AS 44.27.100
30).
31

32 * **Sec. 4.** AS 39.25.110 is amended by adding a new paragraph to read:
33

34 (33) the employees of the Capital Facilities Financing Corporation.
35

36 * **Sec. 5.** AS 39.50.200 (b) is amended by adding a new paragraph to read:

1
2 (56) Capital Facilities Financing Corporation (AS 44.27.100).
3
4

5 * **Sec. 6. AUTHORIZATION OF FACILITIES.** (a) Subject to the limitations of AS
6 44.27.160 - 170, the Capital Facilities Financing Corporation established under AS
7 44.27.100 , enacted in sec. 2 of this Act, is authorized under AS 44.27.140 (a) to issue its
8 bonds for construction of the following facilities at the following costs:
9

10 **INSERT LIST OF PROJECTS TO BE FUNDED DIRECTLY BY THE CFFC, INCLUDING**
11 **AMOUNT AUTHORIZED FOR EACH PROJECT AND THE REQUIRED MATCH BY A**
12 **MUNICIPALITY, IF APPLICABLE**
13

14 (b) Subject to the limitations of AS 44.27.160 - 170, the Capital Facilities Financing
15 Corporation is authorized under AS 44.27.140 (b)(2) to agree to pay amounts and to pay
16 amounts sufficient to reimburse 70 percent of net payments, as determined by the
17 corporation, made by a municipality for the retirement of principal and interest on
18 bonds issued to pay the following costs of constructing the following school facilities:
19

20 **INSERT LIST OF DEBT SERVICE REIMBURSEMENT CONTRACTS TO BE ENTERED**
21 **INTO FOR MUNICIPAL SCHOOL AND UNIVERSITY PROJECTS, INCLUDING**
22 **AMOUNT AUTHORIZED FOR EACH PROJECT AND PERCENT REIMBURSEMENT**
23 **AUTHORIZED**
24

25 (c) Subject to the limitations of AS 44.27.160 - 170, the Capital Facilities Financing
26 Corporation is authorized under AS 44.27.140 (b)(2) to agree to pay amounts and to pay
27 amounts sufficient to reimburse 100 percent of net payments, as determined by the
28 corporation, made by the University of Alaska for the retirement of principal and
29 interest on bonds issued to pay the following costs of constructing the following
30 university facilities:
31

32 (d) The University of Alaska is authorized to issue bonds and enter into
33 obligations with the Capital Facilities Financing Corporation necessary to finance
34 projects identified under (b) of this section, as required under AS 14.40.253 .
35

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

1
2
3 **IN THE LEGISLATURE OF THE STATE OF ALASKA**

4
5 **A BILL**

6
7 **FOR AN ACT ENTITLED**

8
9 **"An Act making an appropriation from the Constitutional Budget Reserve to the**
10 **Capital Facilities Financing Corporation; and providing for an effective date."**
11

12 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**
13

14 * **Section 1.** The sum of \$1,500,000,000 is appropriated from the constitutional budget
15 reserve fund (Article IX Sec. 17 [c]) to the Capital Facilities Financing Corporation to
16 capitalize the capital facilities fund (AS 44.27.200).
17

18 * **Sec. 2.** The appropriation made by sec. 1 of this Act is to capitalize a fund and does
19 not lapse.
20

21 * **Sec. 3.** This act takes effect on the latest of: December 1, 1998; or the date that the
22 Lieutenant Governor has certified that a majority of people voting in a general election
23 have voted in favor of an advisory question asking whether the legislature should
24 approve the appropriation of \$1,500,000,000 from the constitutional budget reserve fund
25 (Article IX Sec. 17 [c]) to the Capital Facilities Financing Corporation to capitalize the
26 capital facilities fund (AS 44.27.200).

SECTIONAL SUMMARY
DMTF Draft Bill

"An Act relating to the Capital Facilities Financing Corporation; and providing for an effective date."

Section 1. FINDINGS.

- There is an urgent need for deferred maintenance to existing capital facilities in Alaska and for new capital facilities throughout the state;
- The Capital Facilities Financing Corporation as provided in this Act will provide an effective means of financing deferred maintenance and new construction of these facilities.

Section 2. AMENDS AS 44.27 BY ADDING A NEW ARTICLE 3, PROVIDING FOR THE CFFC.

44.27.100. CAPITAL FACILITIES FINANCING CORPORATION established:

- Public corporation of the state.
- Within Department of Revenue.
- Subject to the Executive Budget Act (AS 37.07).

44.27.110. BOARD OF DIRECTORS

- Members:
 - Commissioner of Education
 - Commissioner of Revenue
 - Commissioner of DOTPF
- Directors subject to AS 39.50 (Conflict of Interest).

44.27.120. OFFICERS, QUORUM, AND MEETINGS.

- Standard public corporation bylaws.
- May hire employees deemed advisable.
 - Employees in exempt service

44.27.130. POWERS OF THE CORPORATION.

- Standard public corporation powers, required for financing.

44.27.140. ISSUANCE OF BONDS AND PLEDGES OF ASSETS.

- (a) Authorizes the corporation to issue bonds for capital facilities if:
- The projects are authorized by the Legislature.

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(b) Authorizes the corporation to agree to and pledge amounts to reimburse municipalities and the University of Alaska a proportion of their net debt service on school bonds, and to pay these amounts directly to bond trustees in the event of municipal default;

- For municipalities:
 - Up to 70% of net debt service
- For the University of Alaska:
 - Up to 100% of net debt service

(c) Establishes further requirements that must be met before the corporation may issue bonds for projects, or agree to reimburse debt service on municipal or university projects:

- the legislature has authorized the facility and the amount of its deferred maintenance and construction cost to be borne by the corporation;

- for reimbursement agreements, the legislature has authorized the percentage of reimbursement that the corporation shall agree to reimburse with respect to the facility; and

- the commissioner of transportation and public facilities [DIVISION OF LEGISLATIVE AUDIT??] has certified that a computerized maintenance management plan is in place for the facility;

- the commissioner of transportation and public facilities has certified that
 - The Legislature must authorize the project and its cost (see Section 6).
 - The Legislature must authorize the percentage reimbursement to apply to agreements with municipalities or the university (see Section 6).
 - The projects must meet energy efficiency standards.

(d) - (h): Specific authorizations required in order to issue bonds and to enter agreements to back (through reimbursement pledges) municipal and university bonds. These authorizations are required to make the bonds saleable.

(d) Allows bonds to be issued to provide funds to refund bonds or pay interest or principal (1), and to fund reserve requirements and issuance costs (2).

(e) Allows the corporation to enter financial covenants to secure the reimbursement amounts authorized.

(f) Requires that all bonds are payable out of revenues of the corporation.

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(g) Requires that bonds be authorized by resolution of the corporation, allows them to be in the form, term, interest rates, etc. determined by the corporation. Limits bond terms to 15 years.

(h) Allows the corporation to disburse funds to municipalities and the university in accordance with pledges and agreements it has lawfully made. Requires the corporation to establish by regulation the procedures for reimbursement. Requires the corporation to exclude state and federal funds applied to school construction from the reimbursement calculation, and to offset tobacco tax receipts distributed to the municipality.

44.27.150. TRUST INDENTURES AND AGREEMENTS -- Standard language providing for the corporation to enter into the trust indentures and agreements that are the foundation documents of all financings, and; providing for the corporation to attach the State's moral obligation to its bonds.

(a) Authorizes use of a trustee and entering into trust agreements that pledge assets.

(b) - (f) collectively allow the corporation to apply the State's "moral obligation" to its bonds. It does not allow the corporation to pledge the faith and credit of the state, nor create a debt or liability of the State. This is the same language that allows other authorities to apply the "moral ob" to their bonds:

(b) Allows use of capital reserve funds to handle bond proceeds.

(c) Requires that, if a capital reserve fund is used for a bond issue, it be fully funded.

(d) Establishes evaluation criteria if securities are purchased with the capital reserve fund.

(e) Requires that the corporation certify to the Governor and the Legislature at the beginning of each year what amount, if any, is required to restore any capital reserve funds to full funding, and states that the Legislature "may" appropriate that amount. (This provides the legislature annually with a statement of the amount of school debt service due, and allows them, if they choose, to appropriate all or a portion of that amount. If the amount is shortfunded, the CFFC will pay the balance from Education Facilities Fund earnings.) Specifically states that "nothing in this section creates a debt or liability of the state."

(f) Requires the corporation to notify the State Bond Committee and the Legislative Budget and Audit Committee at least 10 days before issuing any moral obligation bonds. Establishes what information must be included in the notification, and requires the corporation to annually revise this information.

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44.27.160. BONDING LIMITATIONS. Precludes the corporation from issuing bonds or agreeing to reimburse debt service unless the Education Facilities Fund contains at least \$1.5 billion. (Once bonds are issued or reimbursement agreements entered, however, these remain effective regardless of the balance of the fund.)

This section makes the activation of the corporation contingent upon the appropriation bill.

44.27.170. BOND REIMBURSEMENT LIMITATION Puts the above (44.27.160) limitations on corporation agreements to reimburse municipal or university debt service. This precludes the corporation from entering any such agreements until the \$1.5 billion appropriation is effective. All agreements the corporation lawfully enters after that time remain effective regardless of the fund balance. Requires that municipal and university bonds meet the standards of corporation bonds (contained in 44.27.140 9[g]).

44.27.180. NONLIABILITY ON BONDS Establishes (a) that neither the members of the corporation nor the executor of the bonds becomes personally liable for their repayment, and; (b) that all bonds are non-recourse bonds to the state and its political subdivisions, payable solely from corporation assets. Establishes that the corporation may not pledge the faith or credit of the State or of another political subdivision of the State.

44.27.190. PLEDGE OF THE STATE. The standard pledge of the state not to change the rules in midstream. The State pledges that it will not interfere (through future legislation) with the rights of the corporation to fulfill terms of contracts it enters into lawfully, and allows the corporation to include this pledge in its bonds.

44.27.200. CAPITAL FACILITIES FUND Establishes the fund which will be used to back corporation bonds and reimbursement agreements, and provides for its management by the Permanent Fund Corporation.

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- Fund consists of:
 - Appropriations to the Fund(*The initial appropriation to the fund is contained in an accompanying appropriation bill,*)
 - Income of the fund (subject to appropriation)
- Authority may pledge:
 - Fund income
 - Amounts that exceed \$1.5 billion (the initial deposit).
- The fund shall be invested by the Permanent Fund Corporation [DEPT REVENUE?] under rules for Permanent Fund assets. (AS 37.13.120).

44.27.210. ANNUAL AUDIT. Requires an annual audit by a CPA in a form prescribed by the Legislative Auditor, and requires that the Legislative Auditor have full access to corporation records.

44.27.220. ANNUAL REPORT. Requires an annual report.

44.27.250. DEFINITIONS.

Section 3. Conforming language to establish that corporation contracts are the 38th type of contract exempt from AS 36.30.850 (Public Contracts) of the procurement code.

Section 4. Conforming language to establish that employees of the corporation are in the exempt service under AS 39.25.110.

Section 5. Conforming language to establish that employees of the corporation are subject to AS 39.50 (Conflict of Interest).

Section 6. AUTHORIZATION OF FACILITIES Authorizes corporation bonds and reimbursement of municipal and university bonds for ----- specified projects totalling \$-----.

(a) Authorizes the corporation to issue \$----- in bonds to perform deferred maintenance on or construct ----- specified projects.

(b) Authorizes the corporation to reimburse 100% of net debt service on \$-----in University of Alaska bonds to construct ----- specified university projects.

(d) Authorizes the university under AS 14.40.253 to issue those bonds.

Section 7. Immediate Effective Date.

**DEFERRED
MAINTENANCE:
A LONG-TERM SOLUTION**

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Testimony of outline presented to a joint
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