

SCOMM

137:10

AMMENDMENT #1 TO CSHB 13

Page number 5 line 3

are located in a school district with an average daily membership of 500 or more, and have a four year growth rate of 10%,

Page number 5 line 12

are located in a school district with an average daily membership of 500 or more, and have a four year growth rate of 10%,

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

J-3867 or 465-2450
^ (907) 465-2029
Mail Stop 3101

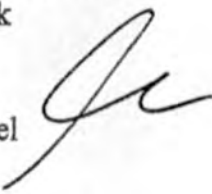
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 3, 2005

SUBJECT: Municipal Bonds for School Construction, HB 13
(Work Order No. 24-LS0062\Y)

TO: Representative Mark Neuman
Attn: Rex Shattuck

FROM: Jean M. Mischel
Legislative Counsel 

Enclosed is the committee substitute you requested placing a limit on the bill's applicability to areas with a "high" student population. I have made a judgment that a "high" student population is an ADM of 500.

As you are aware, a Superior Court summary judgment order in *Kasayulie* inspired the passage of additional general obligation bonds to pay for capital improvement projects for schools prioritized but not previously funded in the rural school districts or REAAs. The *Kasayulie* court required in 1999 that the state use a funding scheme that adequately maintains rural schools and to have a compelling reason for inequality of facility funding. In the past, the state apparently lacked that scheme. In the 22nd Legislature, general obligation bonds were proposed and approved in an amount (\$171 million) thought to strike a compromise between rural and urban school facility funding in exchange for a two year extension for restricted approvals under AS 14.11.100(a)(9) and (10), and the addition of unrestricted approvals for municipal bonds reimbursement for a five and a half year period under AS 14.11.100(a)(11) and (12) (§§ 6 - 8, ch. 3, SSSLA 2002).

As a final technical matter, the absence of an existing cross-reference to paragraphs (a)(11) and (12) in subsections AS 14.11.100(h) and (i), has been left alone. It does not appear to have a substantive effect since (a)(11) and (12) contain the (h) and (i) limitation internally.

If I may be of further assistance, please advise.

JMM:jad
05-134.jad

Enclosure

24-LS0062\Y
Mischel
3/3/05

CS FOR HOUSE BILL NO. 13()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES GATTO AND GRUENBERG, Thomas, Gara, Gardner, Lynn

A BILL

FOR AN ACT ENTITLED

**"An Act relating to reimbursement of municipal bonds for school construction; and
providing for an effective date."**

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

*** Section 1. AS 14.11.100(a) is amended to read:**

**(a) During each fiscal year, the state shall allocate to a municipality that is a
school district the following sums:**

**(1) payments made by the municipality during the fiscal year two years
earlier for the retirement of principal and interest on outstanding bonds, notes, or other
indebtedness incurred before July 1, 1977, to pay costs of school construction;**

(2) 90 percent of

**(A) payments made by the municipality during the fiscal year
two years earlier for the retirement of principal and interest on outstanding
bonds, notes, or other indebtedness incurred after June 30, 1977, and before
July 1, 1978, to pay costs of school construction;**

(B) cash payments made after June 30, 1976, and before July 1, 1978, by the municipality during the fiscal year two years earlier to pay costs of school construction;

(3) 90 percent of

(A) payments made by the municipality during the fiscal year two years earlier for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness incurred after June 30, 1978, and before January 1, 1982, to pay costs of school construction projects approved under AS 14.07.020(a)(11);

(B) cash payments made after June 30, 1978, and before July 1, 1982, by the municipality during the fiscal year two years earlier to pay costs of school construction projects approved under AS 14.07.020(a)(11);

(4) subject to (h) and (i) of this section, up to 90 percent of

(A) payments made by the municipality during the current fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness incurred after December 31, 1981, and authorized by the qualified voters of the municipality before July 1, 1983, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11);

(B) cash payments made after June 30, 1982, and before July 1, 1983, by the municipality during the fiscal year two years earlier to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

(C) payments made by the municipality during the current fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are submitted to the department for approval under AS 14.07.020(a)(11) before July 1, 1983, and approved by the qualified voters of the municipality before October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the annual growth rate of average daily membership of the municipality is more

than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual growth rate of average daily membership of the municipality is 12 percent or more; payments made by a municipality under this subparagraph on total project costs that exceed the amounts set out in (i) and (ii) of this subparagraph are subject to (5)(A) of this subsection;

(5) subject to (h) - (j) of this section, 80 percent of

(A) payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality

(i) after June 30, 1983, but before March 31, 1990, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11); or

(ii) before July 1, 1989, and reauthorized before November 1, 1989, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

(B) cash payments made after June 30, 1983, by the municipality during the fiscal year two years earlier to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved by the department before July 1, 1990, under AS 14.07.020(a)(11);

(6) subject to (h) - (j) and (m) of this section, 70 percent of payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after April 30, 1993, but before July 1, 1996, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

(7) subject to (h) - (j) and (m) of this section, 70 percent of payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified

voters of the municipality after March 31, 1990, but before April 30, 1993, to pay costs of school construction, additions to schools, and major rehabilitation projects;

(8) subject to (h), (i), (j)(2) - (5), and (n) of this section and after projects funded by the bonds, notes, or other indebtedness have been approved by the commissioner, 70 percent of payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after July 1, 1995, but before July 1, 1998, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

(9) subject to (h), (i), (j)(2) - (5), and (n) of this section and after projects funded by the bonds, notes, or other indebtedness have been approved by the commissioner, 70 percent of payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after July 1, 1998, but before July 1, 2006, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

(10) subject to (h), (i), (j)(2) - (5), and (o) of this section, and after projects funded by the bonds, notes, or other indebtedness have been approved by the commissioner, 70 percent of payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after June 30, 1998, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n) of this section;

(11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects funded by the bonds, notes, or other indebtedness have been approved by the commissioner, 70 percent of payments made by a municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after June 30,

1999, but before July 1, 2006 [JANUARY 1, 2005], to pay costs of school construction, additions to schools, and major rehabilitation projects and education-related facilities that exceed \$200,000, are approved under AS 14.07.020(a)(11), are located in a school district with an average daily membership of 500 or more, and are not reimbursed under (n) or (o) of this section;

(12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent of payments made by a municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after June 30, 1999, but before July 1, 2006 [JANUARY 1, 2005], to pay costs of school construction, additions to schools, and major rehabilitation projects and education-related facilities that exceed \$200,000, are reviewed under AS 14.07.020(a)(11), are located in a school district with an average daily membership of 500 or more, and are not reimbursed under (n) or (o) of this section.

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

RETROACTIVITY. This Act is retroactive to January 1, 2005.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

HOUSE COMMITTEE REPC T

(7)

Date Referred to Committee: January 10, 2005

FURTHER REFERRALS: YES

Finance

Date of Committee Action: 4 Mar 05

The HOUSE SPECIAL COMMITTEE ON EDUCATION considered:

HB 13

HOUSE BILL NO. 13

SCHOOL CONSTRUCTION BOND REIMBURSEMENT

"An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

Recommends it be replaced with ☐ HCS or ☐ CS for _____ (_____)

For Senate Bills with new title: ☐ Technical Title ☐ New Title: HCR_____ ☐ Same Title ☐ New Title

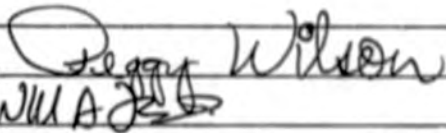
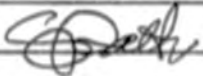
[] attach amendments

[] add new referral to _____ Committee

[] Letter of Intent _____ Committee

List of
Abbrev
for
Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

[illegible][illegible]

Signing with recommendations		Printed Last Name	DP	DNP	NR	AM
 Peggy Wilson Will A. Jones		Rep. Gance	✓			
		Rep. Gatto	X			
		Rep. Wilson	X			
		Rep. Thomas	X			
Chair:		Rep. Newman	✓			
Chair:						

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 13
 (H) Publish Date: 3/4/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Education & Early Development
 Title "An Act relating to reimbursement of municipal RDU ESS
bonds for school construction; and provide for an effective ..." Component School Debt Reimbursement
 Sponsor Rep. Gatto & Rep. Gruenberg
 Requester _____ Component No. 153

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	0.0	*	*	*	*	*

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

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

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Act will extend the Debt Reimbursement program for another year and a half. Since there is no limit on the principal amount that can be approved for reimbursement it is not possible to project the increase to the Debt Reimbursement program for fiscal years 2007 and beyond.

Prepared by: Eddy Jeans, Director
 Division: School Finance
 Approved by: Karen Rehfeld, Deputy Director
 Agency: Education & Early Development

Phone 465-8679
 Date/Time 1/24/05 3:52 PM
 Date 1/24/2005

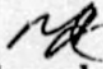
Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182


Representative Max Gruenberg

Representative Carl Gatto 

Sponsor Statement and Bill Analysis

HB 13 – Reimbursement of Municipal Bonds for School Construction

This bill extends until July 1, 2006 the statutory date for municipalities to receive reimbursement from the state for school construction and renovation bonds. The previous law expired January 1, 2005.

The two changes to the existing statute are on the last page of the bill.

January 2005

Anchorage School District POSITION STATEMENT: HB 13

W) 907-742-4322 (F) 907-742-4417
Wiget_Larry@asdk12.org

TO: HOUSE SPEICAL COMMITTEE ON EDUCATION

FROM: CAROL COMEAU, SUPERINTENDENT *Carol Comeau*
TIM STEELE, PRESIDENT, ANCHORAGE SCHOOL BOARD *P.T.S.*

CONTACT: LARRY WIGET, DIRECTOR, GOVERNMENT RELATIONS

SUBJECT: HB 13: RELATING TO REIMBURSEMENT OF MUNICIPAL
BONDS FOR SCHOOL CONSTRUCTION

In its current form, HB 13 proposes extending the state law reimbursing municipalities 60-70% of the cost of school construction bonds from January 1, 2005 to July 1, 2006. The Anchorage School Board and Administration support HB 13 and would like to see the bill amended to extend the deadline to July 1, 2010.

The Anchorage School Board is responsible for providing an adequate educational environment for the students of Anchorage. To fulfill this obligation, the School Board regularly engages in comprehensive long-range planning of school facility construction, renovation, and maintenance. On an annual basis, the School Board adopts a Six-Year Capital Improvement Plan (CIP) that addresses the anticipated levels of student enrollment and shifts in enrollment, along with school facility condition and functionality from an educational perspective. This plan delineates the construction priorities for the District over each succeeding six-year period. It is reviewed annually as conditions change.

With nearly 94 school buildings in our care, a few major renovation and construction projects are needed nearly every year to keep all of our facilities in good, safe condition and to ensure they are highly effective learning environments. Extending the debt reimbursement program to July 1, 2010, will help meet school construction needs in areas of the state that are able to bond for school facilities. It will also provide stability in state funding, subject to annual appropriation by the legislature and approval of bonds by local taxpayers, to enable the Anchorage School District and others to meet future construction needs.

Keeping a promise made to voters last fall, Anchorage School District Superintendent Carol Comeau did not propose school bonds for the April 2005 municipal ballot. We pledged to voters and taxpayers that if the school bonds on the November 2, 2004 special election ballot were approved, then we would not seek additional bonds in April. We are keeping that promise. School bonds,

however, are needed in coming years and 60% - 70% debt reimbursement is critical to our municipalities in the state.

The Anchorage School District supports HB 13 and encourages the Alaska Legislature to extend the deadline to July 1, 2010.

Debt Reimbursement

Safe, efficient, and technologically appropriate infrastructure is an essential ingredient in achieving academic success. This has largely been accomplished through the successful partnership between the Legislature and local taxpayers. The Anchorage School Board requests the Legislature and the Governor's Office to continue this partnership by fully honoring all past commitments for bonded indebtedness reimbursement.

To meet future school construction needs, the Anchorage School Board requests that the Legislature and the Governor's Office reinstate and extend the school debt reimbursement program for new local bond propositions and continue to fully fund that program.

- 2005 ASD Legislative Priority

cc: Anchorage School Board

Rex Shattuck

From: Harvey, Tom [AK] [Tom.Harvey@neaalaska.org]
Sent: Thursday, January 20, 2005 7:16 PM
To: Bjork, William (contact) [MB]
Cc: Alcantra, John [AK]
Subject: LCS Message 012005



Legislative Update

Contact your NEA-Alaska Government Relations Team

Contact your legislators

Legislative committees

Bills on the move

Alaska's Children, Alaska's Future

Thursday, January 20, 2005

Actions Necessary:

- ✓ **Work with your school district to determine the FY '06 budget needs and the budget necessary to provide every child an opportunity to meet state standards**

Over the past two days many legislators have been asking what will it take to fund K-12 this year. Is the Governor's proposal enough? NEA-Alaska has continually said, "No." The Governor's proposal (\$62 million; \$304 increase; BSA of \$4,880) covers the rate increase of TRS & PERS and covers the inflation for the past year. It does not help restore program losses of the past. What is the correct number?

The Kenai Peninsula Borough School District has called for \$96 million, which is a \$472 increase or a BSA of \$5048. According to their figures this covers inflation, TRS & PERS, area cost differential increases and smaller class sizes (18:1 k-3, 24:1 in 4-12)

The Juneau School District has indicated that even with the Governor's proposal and a funding to the cap by the city, the school district will have to cut \$625,000. In order to fund the priority of reducing class sizes, the Governor's proposal would need to be tripled, which is a BSA increase of \$912 (BSA of 5488).

The Anchorage School District has indicated that with the Governor's proposal and the increase in local effort required by state law, the district will still need to cut \$10 million. This will mean larger class sizes.

Thus, the preliminary data says the Governor's proposal is not enough. The following comment was heard in the legislative halls this week: "Last year the state had a \$50 million surplus and K-12 got an \$82 million increase. So with a \$300 million surplus, should the schools get the same \$82 million increase a smaller increase or a larger increase?"

Yesterday President Bjork testified before the House Judiciary in favor of HB 41, Assaults on School

1/23/2005

Employees, sponsored by Reps. Lynn and McGuire with co-sponsors Reps. Anderson, Wilson, Ramras. The bill was held over by the committee for further consideration. NEA-Alaska will be providing a written response to questions asked by the committee members. Governor Murkowski has also submitted a bill on the same subject calling for the assault to be an aggravating factor.

House Finance heard an overview of PERS & TRS yesterday. NEA-Alaska was present at the overview and received a copy of the presentation made by Retirement & Benefits and Mercer, the actuary for the state. It was noted that the actuary readily admitted to several of the issues raised by NEA-Alaska in its flyer to members in October. The bottom line was that a new tier system would not do anything to reduce the present liability of PERS and TRS. Both the TRS trustees and the PERS trustees considered making a recommendation for new tiers and the motions failed. ***NEA-Alaska opposes the creation of new tiers and believes that a defined contributions system, as proposed by some, is bad public policy.***

EDUCATION FUNDING

SB 1 (Sen. Wilken) increases the Base Student Allocation (BSA) from \$4,576 to \$4,880, a \$304 increase, which requires a \$62 million appropriation. \$62 M covers the employer contribution rate increase for TRS & PERS (\$38 M) and the cost of inflation (\$24M). ***NEA-Alaska supports the increase to the BSA and believes the third component to K-12 funding, adequate instructional programs, needs to be addressed.***

There are several other bills calling for increases to the BSA: HB 1 (Rep. Gatto) a \$13 increase; HB 18 (Rep. Wilson) a \$124 increase; SB 13 (Sen. Gary Stevens) a \$293 increase.

Thank you for your interest in public education.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB013-EED-ESS-01-24-05
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Education & Early Development
 Title "An Act relating to reimbursement of municipal RDU ESS
bonds for school construction; and provide for an effective ..." Component School Debt Reimbursement
 Sponsor Rep. Gatto & Rep. Gruenberg
 Requester _____ Component No. 153

Expenditures/Revenues (Thousands of Dollars)

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

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Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	0.0	*	*	*	*	*

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

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

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Act will extend the Debt Reimbursement program for another year and a half. Since there is no limit on the principal amount that can be approved for reimbursement it is not possible to project the increase to the Debt Reimbursement program for fiscal years 2007 and beyond.

Prepared by: Eddy Jeans, Director Phone 465-8679
 Division: School Finance Date/Time 1/24/05 3:52 PM
 Approved by: Karen Rehfeld, Deputy Director Date 1/24/2005
 Agency: Education & Early Development

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 13

1 Page 1, line 1, following "Act":

2 Insert "relating to the school construction grant fund;"

3

4 Page 1, following line 3:

5 Insert new bill sections to read:

6 "* Section 1. AS 14.11.008(a) is amended to read:

7 (a) In order to receive a grant under this chapter or an appropriation under
8 AS 37.05.560, a district must

9 (1) be

10 (A) a rural educational attendance area;

11 (B) a municipal school district and, as of June 30 of the
12 previous fiscal year, have a population of less than 1,000; or

13 (C) a municipal school district that operates schools on a
14 military reservation; and

15 (2) provide a percentage share of the project cost, as determined under
16 (b) or (c) of this section; a [A] district shall provide the required participating share
17 within three years after the date that the appropriation bill funding the grant is passed
18 by the legislature.

19 * Sec. 2. AS 14.11.008(a) is repealed and reenacted to read:

20 (a) In order to receive a grant under this chapter or an appropriation under
21 AS 37.05.560, a district must provide a percentage share of the project cost, as
22 determined under (b) or (c) of this section. A district shall provide the required
23 participating share within three years after the date that the appropriation bill funding

the grant is passed by the legislature.

* **Sec. 3.** AS 14.11.008 is amended by adding a new subsection to read:

(g) Grant funds provided to a municipal school district under (a)(1)(C) of this section may only be used for the costs of school construction or major maintenance for a school located on a military reservation.

* **Sec. 4.** AS 14.11.011(a) is amended to read:

(a) A municipality that is a school district or a regional educational attendance area eligible under AS 14.11.008(a) may submit a request to the department for a grant under this chapter.

* **Sec. 5.** AS 14.11.011(a) is repealed and reenacted to read:

(a) A municipality that is a school district or a regional educational attendance area may submit a request to the department for a grant under this chapter."

Page 5, lines 13 - 16:

Delete all material and insert:

"* **Sec. 7.** AS 14.11.008(g) is repealed.

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

RETROACTIVITY. If, under sec. 9 of this Act, secs. 1, 3, 4, and 6 of this Act take effect, they are retroactive to January 1, 2005.

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

CONTINGENT EFFECT. Sections 1 - 7 of this Act take effect only if, at the first regular session or at a special session, the Twenty-Fourth Alaska Legislature passes a bill appropriating an amount equal to or more than \$100,000,000 to the school construction grant fund under AS 14.11.008 - 14.11.011, as amended by secs. 1, 3, and 4 of this Act, and that bill becomes law not later than October 1, 2005.

* **Sec. 10.** If, under section 9 of this Act, secs. 2, 5, and 7 of this Act take effect, they take effect July 1, 2006.

* **Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

ALASKA COUNCIL



OF SCHOOL ADMINISTRATORS

326 Fourth Street, Suite 404 • Juneau, Alaska 99801

Phone: (907) 586-9702 • Fax: 586-5879

web site: www.alaskaacsa.org

Alaska Council of School Administrators

January 31, 2005

Representative Mark Neuman, Chair
House Special Committee on Education

Dear Chair Neuman and Committee members:

Enclosed is resolution 04-8, *Bond Debt Reimbursement*, adopted by the organizations that make up the Alaska Council of School Administrators. This resolution is presented in support of HB 13.

Respectfully submitted,

Mary A. Francis, Ph.D.
Executive Director

Resolution 04-8

BOND DEBT REIMBURSEMENT

WHEREAS, the voters have supported several local and statewide bond initiatives for school construction and major maintenance; and

WHEREAS, the public was informed that local and statewide bond efforts would receive State support in the repayment of the bond effort; and

WHEREAS, the planning of construction projects and major maintenance efforts were carefully considered with anticipated budget information secured from a variety of sources, including information from the State of Alaska; and

WHEREAS, a significant reduction in the repayment schedule from the State of Alaska will adversely affect local budgets at an extremely challenging time; now

THEREFORE IT IS RESOLVED that the Alaska Council of School Administrators supports full funding of previously approved bonds as they were presented to the people of local communities and a continued debt reimbursement program that also allows participation by districts unable to bond.

Adopted by the Alaska Council of School Administrators (AASA, AAESP, AASSP and ALASBO) October and December 2004.

HOUSE COMMITTEE REPC T

(7)

Date Referred to Committee: January 10, 2005

FURTHER REFERRALS: HES
Finance

Date of Committee Action: 4 Mar 05

The HOUSE SPECIAL COMMITTEE ON EDUCATION considered:

HB 13

HOUSE BILL NO. 13

SCHOOL CONSTRUCTION BOND REIMBURSEMENT

"An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

Recommends it be replaced with ☐ HCS or ☐ CS for _____ (_____)
 For Senate Bills with new title: ☐ Technical Title ☐ New Title: HCR _____ ☐ Same Title ☐ New Title

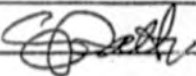
[] attach amendments

☐ add new referral to _____ Committee

[] Letter of Intent _____ Committee

List of Abbrev for Depts.:
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MVA
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Signing <u>with recommendations</u>		Printed Last Name	DP	DNP	NR	AM
		Rep. Garcia	✓			
		Rep. Gatto	X			
		Rep. Wilson	X			
		Rep. Thomas	X			
Chair:		Rep. Newman	✓			
Chair:						

January 2005

Anchorage School District

POSITION STATEMENT: HB 13

W) 907-742-4322 (F) 907-742-4417
Wiget_Larry@asdk12.org

TO HOUSE SPEICAL COMMITTEE ON EDUCATION

FROM CAROL COMEAU, SUPERINTENDENT *Carol Comeau*
TIM STEELE, PRESIDENT, ANCHORAGE SCHOOL BOARD *P.T.S.*

CONTACT: LARRY WIGET, DIRECTOR, GOVERNMENT RELATIONS

SUBJECT: HB 13: RELATING TO REIMBURSEMENT OF MUNICIPAL BONDS FOR SCHOOL CONSTRUCTION

In its current form, HB 13 proposes extending the state law reimbursing municipalities 60-70% of the cost of school construction bonds from January 1, 2005 to July 1, 2006. The Anchorage School Board and Administration support HB 13 and would like to see the bill amended to extend the deadline to July 1, 2010.

The Anchorage School Board is responsible for providing an adequate educational environment for the students of Anchorage. To fulfill this obligation, the School Board regularly engages in comprehensive long-range planning of school facility construction, renovation, and maintenance. On an annual basis, the School Board adopts a Six-Year Capital Improvement Plan (CIP) that addresses the anticipated levels of student enrollment and shifts in enrollment, along with school facility condition and functionality from an educational perspective. This plan delineates the construction priorities for the District over each succeeding six-year period. It is reviewed annually as conditions change.

With nearly 94 school buildings in our care, a few major renovation and construction projects are needed nearly every year to keep all of our facilities in good, safe condition and to ensure they are highly effective learning environments. Extending the debt reimbursement program to July 1, 2010, will help meet school construction needs in areas of the state that are able to bond for school facilities. It will also provide stability in state funding, subject to annual appropriation by the legislature and approval of bonds by local taxpayers, to enable the Anchorage School District and others to meet future construction needs.

Keeping a promise made to voters last fall, Anchorage School District Superintendent Carol Comeau did not propose school bonds for the April 2005 municipal ballot. We pledged to voters and taxpayers that if the school bonds on the November 2, 2004 special election ballot were approved, then we would not seek additional bonds in April. We are keeping that promise. School bonds,

however, are needed in coming years and 60% - 70% debt reimbursement is critical to our municipalities in the state.

The Anchorage School District supports HB 13 and encourages the Alaska Legislature to extend the deadline to July 1, 2010.

Debt Reimbursement

Safe, efficient, and technologically appropriate infrastructure is an essential ingredient in achieving academic success. This has largely been accomplished through the successful partnership between the Legislature and local taxpayers. The Anchorage School Board requests the Legislature and the Governor's Office to continue this partnership by fully honoring all past commitments for bonded indebtedness reimbursement.

To meet future school construction needs, the Anchorage School Board requests that the Legislature and the Governor's Office reinstate and extend the school debt reimbursement program for new local bond propositions and continue to fully fund that program.

- 2005 ASD Legislative Priority

cc: Anchorage School Board

House EDUCATION Minute**Mar 03, 2005**HB 13-SCHOOL CONSTRUCTION BOND REIMBURSEMENT

CHAIR NEUMAN announced that the first order of business would be HOUSE BILL NO. 13 "An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

11:10:38 AM

REPRESENTATIVE GATTO, sponsor to HB 13, stated that this legislation is a way for urban districts to finance school construction. He said that there is a shortage of space in several areas in Alaska, specifically in the Mat-Su Valley and Anchorage and as schools deteriorate, they need replacement. He related that this bill allows for the construction of schools where the state supplies 70 percent of the cost and the homeowners and residents of the area supply 30 percent.

REPRESENTATIVE THOMAS commented that Haines is an organized municipality and qualifies [for the proposed legislation].

REPRESENTATIVE GATTO stated that he is unaware of any areas in the state that would not qualify for the "70/30" division of funding. He remarked that this funding is open to everyone in the state if those interested, apply.

CHAIR NEUMAN asked if this legislation will act like a new school bond or if it can be used for repairs and maintenance.

REPRESENTATIVE GATTO said that this legislation does not cover routine repairs and maintenance, but does apply to reconstruction or major maintenance.

11:13:55 AM

REPRESENTATIVE GARA commented that this legislation is something that wealthier [or urban] districts in the state can take advantage of. Since many of the rural communities don't do matching bond contributions, he related, those schools are usually funded through an appropriation. He said that if school construction is pushed in places that need it, then he would like a commitment from the sponsor to address the needs of rural districts [that cannot benefit from this legislation]. He questioned if [this legislation] is viewed as a global way to help all the school districts. He asked if Representative Gatto supports the funding of rural school district construction and maintenance.

REPRESENTATIVE GATTO reminded Representative Gara that legislation enabling the "70/30" split construction issue expired [January 1, 2005]. He related that some districts didn't have bonding available or didn't put bonding out at the

time. He explained that this bill extends the old bill to July 1, 2006 and gives [urban communities] an opportunity to put bonding out there. The important part of this legislation is the commitment from a community to fund 30 percent [of school construction costs]. He inquired as to the percentages supplied by rural communities to cover school construction costs.

REPRESENTATIVE GARA said that this bill only applies to school districts that have a tax base that bond, and it doesn't apply to the REAA's (Rural Education Attendance Areas) or to the smaller communities that don't bond. He explained, "if I feel that we're not going to be supportive to the bush communities and help them with their maintenance and construction problems ... I think I will end up fighting this ... I think all of the school districts need help in this area ... I am not going to get into a regional war where we are trying to do something for our own districts but not for other people's districts ... what I was really looking for was a commitment that we could all work together to ... get through the maintenance and construction list for those schools that aren't going to benefit from this bill."

REPRESENTATIVE GATTO stated that he can commit to "work." He said that this legislation is available to any district that applies for [school construction funding assistance].

11:17:11 AM

REPRESENTATIVE GARA stated that the small, rural, and REAA districts don't apply and can't apply, so they might want to, but they are unable to. He explained that he will support this legislation as long as he feels that there will be support for the rural districts when that time comes.

CHAIR NEUMAN said that Mr. Jeans will be available to answer questions concerning issues of funding in rural districts.

REPRESENTATIVE THOMAS pointed out that the Haines Borough recently went through an election to bond and it will cost \$2.67 "mills" that they are willing to put on their "mill" rate to build a new school. He said, "it depends on what definition ... they are rural because they are an organized municipality ... and they are going to borrow 17 or 16 because the state ... they're under the old plan, 70/30, and are willing to do that ... it did pass ... little towns are willing to do it, but at a big expense ... three of the schools are ready to fall down ... it is cheaper to build a new one than it is to replace or remodel the old ones."

11:19:40 AM

REPRESENTATIVE GRUENBURG stated that he is sensitive to the issues in bush communities and has made commitments to the bush caucus in helping provide for school construction. He emphasized that he wants to move HB 13 forward, while keeping in mind the needs of bush communities.

11:21:38 AM

EDDY JEANS, Director, School Finance, Department of Education

and Early Development, (EED), stated that he had previously given testimony on HB 13 and had described the position of the EED.

CHAIR NEUMAN asked Mr. Jeans to give the committee an idea on how to address the needs of rural Alaska with the construction of new schools and the repair [of old schools].

MR. JEANS replied that the mechanism is already in place and the EED has a process where the new construction and major maintenance requests, from school districts, are evaluated. He explained that the lists are prioritized for the legislature. On the EED's web page, he related, there is the school construction list as well as the major maintenance list. He reminded the committee that the governor has recommended in his budget, that the first 20 projects on the major maintenance [list] be funded this session. The process is there, he said, and the list is there, and it is up to the legislature to consider those requests.

REPRESENTATIVE GARA inquired as to the types of schools included on the major maintenance list.

MR. JEANS stated that [the list] includes any school district that applies. It is up to the school districts to apply, he said, and after they apply the EED goes through the prioritization process.

11:24:48 AM

REPRESENTATIVE GARA stated that, in 2002, [the legislature] passed the last big bonding proposal, including a state bond for rural districts, and a match for the districts that contributed. He inquired as to what Anchorage funded through its 30 percent match and if they were schools on the major maintenance list. He asked if schools that are on the major maintenance list are the ones that end up not being bonded through the local match program.

MR. JEANS explained that on the 2002 "statewide geo bond list" of schools, there was one project from the Anchorage School District and the rest were REAA school districts. He said that at the same time that that "geo bond package" was approved by the voters, the debt reimbursement program opened up and was available to all municipalities. Included in that legislation, he related, was that the grant program was closed to municipal school districts because the debt program was available to them. That legislation has "sunsetted", he said, so the two lists that the EED compiled this year include both REAA's and municipal school districts.

REPRESENTATIVE GARA asked if non-REAA districts have the ability to bond.

MR. JEANS said that non-REAA districts have the ability to bond, but they may not have the capacity [to bond].

CHAIR NEUMAN asked Mr. Jeans to explain what REAA stands for.

MR. JEANS said that REAA stands for Regional Education

Attendance Area.

REPRESENTATIVE SALMON inquired as to how HB 13 affects the priority list of school construction.

MR. JEANS explained that it does not affect the school construction list or the major maintenance list, other than if this bill was to pass, those municipalities that have projects on those lists could go back to their voters, get approval and bond for those projects.

In response to Representative Salmon, Mr. Jeans said that the two different programs require separate appropriations. He explained that going into the 2007 budget, the EED is requesting \$86 million to fund the debt reimbursement program for fiscal year 2006. He mentioned that the governor has requested \$28 million for the first twenty projects on the major maintenance list.

11:29:29 AM

KIM FLOYD, Public Information Specialist, Matanuska-Susitna Borough School District, (MSBSD), stated that the MSBSD has a school on "deed's" priority list for school construction and the state would have to invest \$440 million before that school is built. She said that this school was needed three years ago. She continued:

We have an average annual growth rate, in our district, of approximately 7 percent ... 500 - 600 new kids each year ... the Knick Goose Bay area is the fastest growing area in the state of Alaska ... our school is number 31 on the "deed priority list", \$440 million dollars before we get there, we need some relief, we're asking for help; I do hope that HB 13 can pass out of this committee, today, so that the conversation can continue. We are not trying to, by any means, create a regional debate. The reality is, with 500 to 600 kids new to our district every year, it is the equivalent of a new elementary school. We've had 300 new kids just since the count period ended. They are coming both from in the state and from out of the state. As you can imagine, this is creating great strain on our existing facilities, currently we have 52 portable classrooms in use throughout our district, approximately 12 percent of our students are educated in portable classrooms. They are fine for a temporary "stop gap" measure, but they certainly aren't a long-term investment in infrastructure. Those schools will still be needed thirty years down the road and portables certainly don't have that type of lifespan.

CHAIR NEUMAN inquired as to the associated costs of using portable classrooms.

MS. FLOYD said that each portable costs \$70,000 to build and install plus the additional heating and electricity costs after installation. She explained that portables do not have [restroom] facilities and children are required to leave

classrooms, unattended, and enter the main building. She pointed out that the MSBSD has a comprehensive, 20 year facility plan, has updated the 6 year plan submitted to "deed" each year, and are actively working with developers in the Mat-Su community to make sure that planning is efficient and cost effective. She emphasized that the MSBSD feels as though they have been extremely good stewards for bonding projects in the past, and expect to be in the future.

CHAIR NEUMAN asked Ms. Floyd to comment on the process that the MSBSD will go through if HB 13 passes.

11:34:22 AM

MS. FLOYD stated that the MSBSD has a 6 year "sub" plan that is given to the state to look at the capital infrastructure needs. The priority list generated from that plan helps to create a bond package list and that is forwarded to the borough assembly, she related. The borough assembly analyzes the needs and may repackage what the MSBSD created, she explained, and then they approve an initiative for the ballot. She pointed out that once that passes, the MSBSD must wait 4 years before the [new] school actually opens. She added that if the MSBSD were to successfully bond this fall, the new schools would not open until 2009. She emphasized that new schools were needed 3 years ago. She stated that MSBSD will need short term solutions in the meantime.

CHAIR NEUMAN inquired as to the number of schools in the MSBSD that are over capacity.

MS. FLOYD stated that there are 36 schools in the MSBSD; of the 17 elementary schools, the majority are in the Palmer-Wasilla area and there is not a single empty classroom. She explained that even with increased operating monies, class sizes cannot be reduced. She said that the MSBSD is at a critical point of looking at options that aren't acceptable to parents and that don't meet community expectations for quality education. She added that last year the funding that the legislature appropriated helped reduce class sizes at the Kindergarten level.

CHAIR NEUMAN asked about the growth rate of the MSBSD.

MS. FLOYD stated that the MSBSD has a growth rate of 500 to 600 students a year with an average annual growth of about 7 percent. She said that population forecasts estimate the MSBSD will be bigger than the [Anchorage School District] in 30 years.

11:37:01 AM

REPRESENTATIVE THOMAS asked for clarification related to the MSBSD going under the last bond issue and applying for [new] schools.

MS. FLOYD stated in the fall of 2003, the MSBSD passed \$56 million in bonds. In response to Representative Thomas's follow up question regarding the application for more bonds, Ms. Floyd explained that last year, the MSBSD was faced with a 13 percent increase in assessed evaluations and that is the MSBSD's only

source of revenue in the community for borough operations or for payment on bond debt. She said that the MSBSD was faced with a sales tax that was 1 percent borough wide, and dealing with discussions on real estate transfer fees and gravel extraction taxes. She said:

We try very hard to make sure that we are in communication with all stakeholders in our community and the belief at that time was it was not a good idea, in that environment, to go forth with a school bond. We tend to be a little reactive in our community, we're learning to grow up, and we weren't quite at the crisis point that people felt that those bonds could have been successful in that environment. We're there now. We're at the precipice, we're going over ... we did do a survey this past fall, we asked residents how they felt about an \$80 million dollar bond package, which would include 3 elementary schools and a high school - all needed projects. With the "70/30" bond debt reimbursement, we had a 75 percent support ... people know we've reached that edge ... our community is ready, and we would appreciate an extension and an opportunity to address our student's needs."

11:39:19 AM

REPRESENTATIVE GATTO asked if the opening of the new hospital is included in the population growth prediction.

MS. FLOYD said yes, along with the retail bloom that is occurring and the building of the biggest Wal-Mart in the state. She said that it is staggering to listen to developers and hear about what will hit the community around the MSBSD.

REPRESENTATIVE THOMAS inquired as to the the Mat-Su community utilizing "forgiveness taxes".

MS. FLOYD stated that the MSBSD is trying very hard to meet with developers and plan how to deal with the coming changes in the community. She said that the MSBSD feels that there is a very valuable public/private partnership that needs to happen.

11:42:02 AM

CHAIR NEUMAN commented that property taxes in the Mat-Su Borough have risen over 40 percent in the last 3 years, with another expected rise of almost 13 percent this year. He emphasized that the community is willing, despite these tax increases, to support the school bond.

REPRESENTATIVE GATTO inquired as to the development of a vocational technology focused high school and if it will affect the need for more funds.

MS. FLOYD stated that the career and "vo-tech" high schools were part of the last bond package that was passed. She stated that there will also be an elementary school that will open in the fall of 2006, and it will be completely filled by the time it opens. She emphasized that these new schools will be at their

maximum capacity when they open.

REPRESENTATIVE WILSON stated that her district is losing so many teachers and programs, that it is hard to imagine how difficult the MSBSD situation is.

MS. FLOYD said the the MSBSD realizes that this situation is very different than most districts in the state. She said that though they are addressing the situation adequately, the time has come where the MSBSD needs help.

MS. FLOYD commented that the MSBSD will start surveying students and investigating where they are coming from. She mentioned that after Christmas break, at Goose Bay Elementary School, 10 students were enrolled that came from out of state.

In response to Chair Neuman's comments on the benefits of "vo-tech" schools, Ms. Floyd stated that the MSBSD has the most highly recognized career and technical education programs in the nation.

REPRESENTATIVE GATTO commented that the top six welding students all came from one school in the [Mat-Su] Valley. He also stated that the issues of growth in the Mat-Su Valley are causing severe expenses.

11:46:36 AM

MARY FRANCIS, Executive Director, Alaska Council of School Administrators, (ACSA), stated that there are schools all over the state in need of construction and major maintenance, and the ACSA supports the continuation of the debt reimbursement program. She explained that the ACSA has a resolution that advocates for fully funding previously approved bonds as well as the continuation of the program. As you know, she said, there have been many years of minimal funding for school construction and major maintenance and it has created a huge need statewide. She mentioned that because there are high needs now, there are many municipalities that are willing to kick in their share of 30 or 40 percent [for construction and maintenance of schools] and the ACSA would very much support this legislation and hope that it passes out of committee.

REPRESENTATIVE GARA asked if the ACSA has a position on the proposal for how much should be funded to get through the major maintenance and construction list.

MS. FRANCIS stated that the ACSA supports following the list that the EED creates. She explained that the ACSA feels that the process by which people apply for placement on the EED's list is very thorough. She pointed out that the ACSA supports the funding of all school districts in the state of Alaska.

REPRESENTATIVE GARA inquired as to the ACSA having a proposal on how far through the list the legislature should go this year, to be equitable.

MS. FRANCIS stated that the ACSA has not addressed that issue, yet.

REPRESENTATIVE GATTO asked for clarification about an earlier comment concerning full funding of existing bonding.

MS. FRANCIS stated that some of the school districts were concerned that [the legislature] would cancel what was previously approved for bonding.

11:50:05 AM

REPRESENTATIVE GATTO moved to report HB 13 out of committee with individual recommendations and the attached fiscal notes. There being no objections, HB 13 was reported out of the House Special Committee on Education.

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