

ALASKA LEGISLATURE COMMITTEE FILES 1985-1988 00/2

3214.30 HCRA HB 520



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7/25/89
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Offered: 3/24/86
Referred: Community & Regional
Affairs and Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 520 (HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to public school construction; and
7 providing for an effective date."

7

8

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

9

* Section 1. AS 14.08.151 is amended by adding new subsections to read:

10

(c) The interest conveyed to the regional school board under
11 this section is subject to

11

12

(1) all the limitations imposed by the state's predecessors
13 in interest;

13

14

(2) the rights of municipalities established after the
15 effective date of this Act that are authorized by AS 29 to operate
16 schools in the community; and

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(3) other terms, including possibilities of reverter and
18 reversions, that the department holding title imposes.

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(d) If a school facility constructed by a regional educational
20 attendance area under authority assumed under AS 14.11.020, in which
21 the state retains an interest, ceases to be used for school purposes,
22 the department may dispose of the facility in accordance with law.

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23

* Sec. 2. AS 14.11.010(b) is repealed and reenacted to read:

24

(b) With regard to projects requested under (a) of this section
25 the department shall

25

26

(1) with such technical assistance or comments as the
27 department may request from other state agencies, prepare an estimate
28 of the appropriation needed to finance each project approved by the
29 department;

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1 (2) rank each project in the order of priority that serves
2 the best interests of the state;

3 (3) recommend to the governor appropriations for projects
4 to be included in the budget submitted to the legislature;

5 (4) provide the governor with a copy of the report of
6 assembly, council, or regional school board that requested each proj-
7 ect approved by the department;

8 (5) provide to the legislature within the first 10 days of
9 each regular session a summary of the projects requested by each
10 assembly, council, or regional school board.

11 * Sec. 3. AS 14.11.010(c) is amended to read:

12 (c) In establishing priorities among requested projects the
13 department shall identify and evaluate at least the following factors:

14 (1) priorities assigned by the assembly, council, or school
15 board to the projects requested;

16 (2) emergency requirements;

17 (3) the number of students without classroom space;

18 (4) new local elementary or secondary programs;

19 (5) existing regional, community, and school facilities and
20 the condition of the facilities;

21 (6) the economic and social stability of the municipality
22 or region;

23 (7) demographic data indicating present and projected
24 enrollment, and population trends in the municipality or region; and

25 (8) after December 31, 1988, the condition of existing
26 school facilities in the community in comparison to all other schools
27 in the state.

28 * Sec. 4. AS 14.11 is amended by adding a new section to read:

29 Sec. 14.11.030. SCHOOL CONDITION SURVEY. (a) Each school

1 district requesting project approval under AS 14.11.010 or 14.11.102
2 shall inspect and inventory each of its schools and education related
3 facilities, under standards adopted by the department in compliance
4 with AS 44.62, noting their age, condition, compliance with laws and
5 regulations relating to health and safety, building codes, and annual
6 maintenance and operations costs. The inventory shall be submitted to
7 the department for review and analysis.

8 (b) The department may inspect and inventory the schools and
9 education related facilities in the state under standards adopted
10 under the Administrative Procedure Act (AS 44.62).

11 (c) Each school district shall annually revise its inventory by
12 including new schools constructed, rehabilitations or additions to
13 existing schools, and major maintenance and repairs paid for with
14 local money, state municipal grants, appropriations under AS 14.11.020
15 and debt reimbursed under AS 14.11.100. Each school district shall
16 also annually report the amount of money spent in the previous fiscal
17 year for maintenance and operations costs in a uniform manner as
18 required by the department. The annual revisions must be submitted to
19 the department for review and analysis.

20 (d) After December 31, 1988, the condition of the school dis-
21 trict's schools and education related facilities in comparison to all
22 other schools in the state must be a factor in evaluation of projects
23 under AS 14.11.010 and 14.11.102.

24 * Sec. 5. AS 14.11.100(a)(5) is amended to read:

25 (5) subject to (h), (i), and (j) of this section, 80 per-
26 cent of

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

1 qualified voters of the municipality after June 30, 1983, and
2 before April 1, 1986, to pay costs of school construction, addi-
3 tions to schools, and major rehabilitation projects that exceed
4 \$25,000 and are approved under AS 14.07.020(11); and

5 (B) cash payments made after June 30, 1983, and before
6 July 1, 1986, by the municipality during the fiscal year two
7 years earlier to pay costs of school construction, additions to
8 schools, and major rehabilitation projects that exceed \$25,000
9 and are approved under AS 14.07.020(11).

10 * Sec. 6. AS 14.11.100(a) is amended by adding a new paragraph to read:

11 (6) subject to (h), (i), and (j) of this section

12 (A) payments made by the municipality during the
13 fiscal year for the retirement of principal on outstanding bonds,
14 notes or other indebtedness authorized by the qualified voters of
15 the municipality after March 31, 1986, to pay costs of school
16 construction, additions to schools, and major rehabilitation
17 projects that exceed \$25,000 and that are approved under AS 14.-
18 11.102; and

19 (B) 80 percent of cash payments made after June 30,
20 1986, by the municipality during the fiscal year two years earli-
21 er to pay costs of school construction, additions to schools, and
22 major rehabilitation projects that exceed \$25,000 and are app-
23 roved under AS 14.11.102.

24 * Sec. 7. AS 14.11.100(b) is amended to read:

25 (b) The commissioner shall administer the program of reimburse-
26 ment authorized under this section and shall provide by regulation for
27 the filing of applications for reimbursement, the form of proof of
28 costs for which application for reimbursement is made, and other
29 regulations necessary to administer the program. The commissioner

1 shall exclude from the total school construction cost of the local
2 district all state and federal funds included in these costs except
3 funds provided under this section and AS 43.50.140. In approving
4 applications for reimbursement, the commissioner shall

5 [(1)] offset against the amount of reimbursement authorized
6 the amount of any funds distributed to the borough or city in the
7 second preceding fiscal year from the school fund provided for in
8 AS 43.50.140. [;

9 (Repealed]

10 * Sec. 8. AS 14.11.100(h) is amended to read:

11 (h) In determining an [AN] allocation under (a)(4), [OR] (5), or
12 (6) of this section for school construction begun after July 1, 1982,
13 the costs of school construction must [SHALL] be reduced by the amount
14 of money used for the construction of residential space, hockey rinks,
15 planetariums, saunas, and other facilities for single purpose sporting
16 or recreational uses that are not suitable for other activities and by
17 the money used for construction that exceeds the amount needed for
18 construction of a facility of efficient design as determined by the
19 department. The costs of school construction [AN ALLOCATION UNDER (a)
20 (4) or (5) OF THIS SECTION] may not be reduced by the amount of money
21 used for construction of a small swimming pool, tank, or water storage
22 facility used for water sports. However, an allocation shall be
23 reduced by the difference between the amount of money used to con-
24 struct a swimming pool that exceeds the standards adopted by the
25 department and the amount of money that would have been used to con-
26 struct a small swimming pool, tank, or water storage facility, as
27 determined by the commissioner.

28 * Sec. 9. AS 14.11.100(i) is amended to read:

29 (i) For the purposes of (a)(4), [AND] (5), and (6) of this

1 section

2 (1) an indebtedness for bonds is incurred after the bonds
3 are sold;

4 (2) reimbursement for a cash payment may only be made after
5 the payment is made to a vendor; and

6 (3) payments may not be made for costs that are incurred
7 under a contract after the contract has been released.

8 * Sec. 10. AS 14.11.100(j) is amended to read:

9 (j) The state may not allocate money to a municipality for a
10 school construction project under (a)(5) or (6) of this section unless
11 the municipality complies with the requirements of (1) - (4) of this
12 subsection and the project is approved under AS 14.11.102 [BY THE
13 COMMISSIONER] before the local vote on the bond issue for the project.
14 In approving a project under this subsection, the commissioner shall
15 require

16 (1) the municipality to include on the ballot for the bond
17 issue the estimated total cost of each project including estimated
18 annual operation and maintenance costs and the estimated amounts that
19 will be paid by the state and by the municipality;

20 (2) that the bonds may not be refunded unless the present
21 value of the annual debt service on the refunding issue is not greater
22 than 95 percent of the present value of the annual debt service on the
23 original issue;

24 (3) that the bonds must be repaid in approximately equal
25 annual principal payments [OR APPROXIMATE EQUAL DEBT SERVICE PAYMENTS]
26 over a period of [AT LEAST] 10 years or a different term that may be
27 established by the state bond committee under AS 37.15.790;

28 (4) the municipality to demonstrate need for the project by
29 establishing that the school district has

1 (A) projected long-term student enrollment that indi-
2 cates the district has inadequate facilities to meet present or
3 projected enrollment; or

4 (B) facilities that require repair or replacement in
5 order to meet health and safety laws or regulations or building
6 codes.

7 * Sec. 11. AS 14.11 is amended by adding a new section to read:

8 Sec. 14.11.101. MUNICIPAL DEBT. The portion of municipal school
9 debt subject to reimbursement by the state is not subject to a munici-
10 pal debt limit unless the debt limit is adopted by the municipality
11 and expressly applies to reimbursable portions of school debt.

12 * Sec. 12. AS 14.11.102 is amended to read:

13 Sec. 14.11.102. EVALUATION OF PROJECTS. The department shall
14 evaluate projects for which retirement of school construction debt
15 under AS 14.11.100(a)(6) is requested by school districts in accor-
16 dance with the procedures set out in AS 14.11.010 and criteria set out
17 in AS 14.11.100(j)(4). [A REQUEST FOR AN ALLOCATION OF FUNDS UNDER
18 AS 14.11.100 MUST BE SUBMITTED TO THE DEPARTMENT BY THE SCHOOL
19 DISTRICT NO LATER THAN OCTOBER 15 OF THE FISCAL YEAR BEFORE THE FISCAL
20 YEAR FOR WHICH THE REQUEST IS MADE.]

21 * Sec. 13. AS 14.11.102 is amended by adding new subsections to read:

22 (b) After reviewing all projects for which retirement of school
23 construction debt is requested, the department shall rank the projects
24 approved under this section in the order in which each serves the best
25 interests of the state. All projects approved, but for which no
26 allocation of money has been made under AS 14.11.103, shall be in-
27 cluded in the same ranking.

28 (c) In considering requests under this section, the department
29 may reject requests due to

1 (1) incomplete information or documentation provided by the
2 school district;

3 (2) a determination that existing facilities can adequately
4 serve the program requirements or that alternative projects are in the
5 best interests of the state;

6 (3) a determination that the project is inappropriate for
7 education construction and should be a district maintenance and opera-
8 tion expenditure; or

9 (4) a determination that the project is not in the best
10 interest of the state.

11 (d) The department shall develop, with technical assistance that
12 may be provided by other state agencies, an estimate, under appropri-
13 ate design standards for its geographic location, of the amount needed
14 to construct each project under (b) of this section for which it
15 appears approval for reimbursement will be granted.

16 (e) The department may, based upon the estimate prepared, either
17 approve the project in the amount requested or approve the school
18 district's request in a lesser amount.

19 * Sec. 14. AS 14.11 is amended by adding a new section to read:

20 Sec. 14.11.103. ALLOCATIONS OF MONEY FOR SCHOOL DEBT RETIREMENT.

21 (a) A request for an allocation of money under AS 14.11.100 for
22 school construction debt retirement shall be submitted to the depart-
23 ment by the school district no later than October 15 of the fiscal
24 year before the fiscal year for which the request is made.

25 (b) Before a request for an allocation of money for retirement
26 of school construction debt under AS 14.11.100(a)(6) is submitted, the
27 project must have been approved and ranked under the provisions of
28 AS 14.11.102.

29 (c) The department shall approve requests for allocations for

1 debt retirement for which no previous allocation has been made in the
2 order of the priority established under AS 14.11.102,

3 (1) if state allocations under AS 14.11.100(a)(6), when
4 combined with all existing state allocations under AS 14.11.100(a)(6),
5 (A) result in total state allocations for retirement of principal that
6 do not exceed \$10,000,000, or a lesser amount determined by the state
7 bond committee under AS 37.15.790, or (B) result in total state allo-
8 cations for cash payments that do not exceed \$5,000,000, in any year
9 before the retirement of all debt entitled to an allocation under
10 AS 14.11.100(a)(6); and

11 (2) if the requests meet the requirements of AS 14.11.100.

12 * Sec. 15. AS 14.11 is amended by adding a new section to read:

13 Sec. 14.11.131. OTHER AID. This chapter does not limit the
14 authority of municipalities to acquire or construct schools or associ-
15 ated facilities by

16 (1) cash payment not subject to reimbursement by the state
17 under AS 14.11.100;

18 (2) debt authorized by local voters and falling under a
19 municipal debt limit but not subject to reimbursement by the state
20 under AS 14.11.100;

21 (3) lease-purchase duly authorized, when the lease-purchase
22 contract is with the Alaska State Housing Authority acting as the
23 Alaska State Building Authority;

24 (4) gift, bequest, grant, or deed; or

25 (5) acquisition of federal, state, or other surplus proper-
26 ty.

27 * Sec. 16. AS 37.15 is amended by adding a new section to read:

28 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the
29 state bond committee, in its judgment, determines that the amount or

1 retirement of debt issued by municipalities subject to reimbursement
2 by the state under AS 14.11.100 is not in the best interests of the
3 state, the committee may

4 (1) establish an amount or amounts, for any or all years
5 before the maturity of all of that municipal debt, that may not be
6 exceeded by the Department of Education in approving requests for
7 allocations under AS 14.11.103; or

8 (2) establish, under AS 14.11.100(j)(3), a term required
9 for the maturities of municipal debt authorized by local voters after
10 March 31, 1986.

11 * Sec. 17. The Department of Education and the Department of Transpor-
12 tation and Public Facilities shall study and evaluate school construction
13 requirements based upon projected enrollments and facility needs and recom-
14 mend to the legislature by January 25, 1988, a plan of school construction
15 to meet the enrollment demands and its estimated costs through the year
16 2001.

17 * Sec. 18. This Act takes effect July 1, 1986.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 520 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public school construction; and
7 providing for an effective date."

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

9 * Section 1. AS 14.08.151 is amended by adding new subsections to read:

10 (c) The interest conveyed to the regional school board under
11 this section is subject to

12 (1) limitations imposed by the state's predecessors in
13 interest;

14 (2) the rights of municipalities established after June 30,
15 1986, that are authorized by AS 29 to operate schools in the com-
16 munity; and

17 (3) other terms, including possibilities of reverter and
18 reversions, that the department holding title imposes.

19 (d) If a school facility constructed by a regional educational
20 attendance area under authority assumed under AS 14.11.020, in which
21 the state retains an interest, ceases to be used for school purposes,
22 the department may dispose of the facility in accordance with law.

23 * Sec. 2. AS 14.11.010(b) is repealed and reenacted to read:

24 (b) With regard to projects requested under (a) of this section
25 the department shall

26 (1) with technical assistance or comments that the depart-
27 ment may request from other state agencies, prepare an estimate of the
28 appropriation needed to finance each project approved for reimburse-
29 ment by the department;

1 (2) rank each project in the order of priority that serves
2 the best interests of the state;

3 (3) recommend to the governor appropriations for projects
4 to be included in the budget submitted to the legislature;

5 (4) provide the governor with a copy of the report of the
6 assembly, council, or regional school board that requested each proj-
7 ect approved by the department;

8 (5) provide to the legislature within the first 10 days of
9 each regular session a summary of the projects requested by each
10 assembly, council, or regional school board.

11 * Sec. 3. AS 14.11.010(c) is amended to read:

12 (c) In establishing priorities among requested projects the
13 department shall identify and evaluate at least the following factors:

14 (1) priorities assigned by the assembly, council, or school
15 board to the projects requested;

16 (2) emergency requirements;

17 (3) the number of students without classroom space;

18 (4) new local elementary or secondary programs;

19 (5) existing regional, community, and school facilities and
20 the condition of the facilities;

21 (6) the economic and social stability of the municipality
22 or region;

23 (7) demographic data indicating present and projected
24 enrollment, and population trends in the municipality or region; and

25 (8) after December 31, 1988, the condition of existing
26 school facilities in the community in comparison to all other schools
27 in the state.

28 * Sec. 4. AS 14.11 is amended by adding a new section to read:

29 Sec. 14.11.030. SCHOOL CONDITION SURVEY. (a) A school district

1 requesting project approval under AS 14.11.010 or 14.11.102 shall
2 inspect and inventory each of its schools and education related facil-
3 ities, under standards adopted by the department in compliance with
4 AS 44.62, noting their age, condition, compliance with laws and regu-
5 lations relating to health and safety, building codes, and annual
6 maintenance and operations costs. The inventory shall be submitted to
7 the department for review and analysis.

8 (b) The department may inspect and inventory the schools and
9 education related facilities in the state under standards established
10 in regulations adopted under the Administrative Procedure Act (AS 44.-
11 62).

12 (c) Each school district shall annually revise its inventory by
13 including new schools constructed, rehabilitations or additions to
14 existing schools, and major maintenance and repairs paid for with
15 local money, state municipal grants, appropriations under AS 14.11.020
16 and debt reimbursed under AS 14.11.100. Each school district shall
17 also annually report the amount of money spent in the previous fiscal
18 year for maintenance and operations costs in a uniform manner as
19 required by the department. The annual revisions shall be submitted
20 to the department for review and analysis.

21 (d) After December 31, 1988, the condition of the school dis-
22 trict's schools and education related facilities in comparison to all
23 other schools in the state must be a factor in evaluation of projects
24 under AS 14.11.010 and 14.11.102.

25 * Sec. 5. AS 14.11.100(a)(5) is amended to read:

26 (5) subject to (h), (i), and (j) of this section, 80 per-
27 cent of

28 (A) payments made by the municipality during the
29 fiscal year for the retirement of principal and interest on

1 outstanding bonds, notes or other indebtedness authorized by the
2 qualified voters of the municipality after June 30, 1983, and
3 before April 1, 1986, to pay costs of school construction, addi-
4 tions to schools, and major rehabilitation projects that exceed
5 \$25,000 and are approved under AS 14.07.020(11); and

6 (B) cash payments made after June 30, 1983, by the
7 municipality during the fiscal year two years earlier to pay
8 costs of school construction, additions to schools, and major
9 rehabilitation projects that exceed \$25,000 and are approved
10 either under AS 14.07.020(11) or, for projects approved after
11 June 30, 1986, under AS 14.11.102.

12 * Sec. 6. AS 14.11.100(a) is amended by adding a new paragraph to read:

13 (6) subject to (h), (i), and (j) of this section payments
14 made by the municipality during the fiscal year for the retirement of
15 principal on outstanding bonds, notes or other indebtedness authorized
16 by the qualified voters of the municipality after March 31, 1986, to
17 pay costs of school construction, additions to schools, and major
18 rehabilitation projects that exceed \$25,000 and that are approved
19 under AS 14.11.102.

20 * Sec. 7. AS 14.11.100(h) is amended to read:

21 (h) In determining an [AN] allocation under (a)(4), [OR] (5), or
22 (6) of this section for school construction begun after July 1, 1982,
23 the costs of school construction must [SHALL] be reduced by the amount
24 of money used for the construction of residential space, hockey rinks,
25 planetariums, saunas, and other facilities for single purpose sporting
26 or recreational uses that are not suitable for other activities and by
27 the money used for construction that exceeds the amount needed for
28 construction of a facility of efficient design as determined by the
29 department. The costs of school construction [AN ALLOCATION UNDER (a)

1 (4) or (5) OF THIS SECTION] may not be reduced by the amount of money
2 used for construction of a small swimming pool, tank, or water storage
3 facility used for water sports. However, an allocation shall be
4 reduced by the difference between the amount of money used to con-
5 struct a swimming pool that exceeds the standards adopted by the
6 department and the amount of money that would have been used to con-
7 struct a small swimming pool, tank, or water storage facility, as
8 determined by the commissioner.

9 * Sec. 8. AS 14.11.100(i) is amended to read:

10 (i) For the purposes of (a)(4), [AND] (5), and (6) of this
11 section

12 (1) an indebtedness for bonds is incurred after the bonds
13 are sold;

14 (2) reimbursement for a cash payment may only be made after
15 the payment is made to a vendor; and

16 (3) payments may not be made for costs that are incurred
17 under a contract after the contract has been released.

18 * Sec. 9. AS 14.11.100(j) is amended to read:

19 (j) The state may not allocate money to a municipality for a
20 school construction project under (a)(5) or (6) of this section unless
21 the municipality complies with the requirements of (1) - (4) of this
22 subsection and the project is approved under AS 14.11.102 [BY THE
23 COMMISSIONER] before the local vote on the bond issue for the project.
24 In approving a project under this subsection, the commissioner shall
25 require

26 (1) the municipality to include on the ballot for the bond
27 issue the estimated total cost of each project including estimated
28 annual operation and maintenance costs and the estimated amounts that
29 will be paid by the state and by the municipality;

1 (2) that the bonds may not be refunded unless the present
2 value of the annual debt service on the refunding issue is not greater
3 than 95 percent of the present value of the annual debt service on the
4 original issue;

5 (3) that the bonds must be repaid in approximately equal
6 annual principal payments [OR APPROXIMATE EQUAL DEBT SERVICE PAYMENTS]
7 over a period of [AT LEAST] 10 years or a different term that may be
8 established by the state bond committee under AS 37.15.790;

9 (4) the municipality to demonstrate need for the project by
10 establishing that the school district has

11 (A) projected long-term student enrollment that indi-
12 cates the district has inadequate facilities to meet present or
13 projected enrollment; or

14 (B) facilities that require repair or replacement in
15 order to meet health and safety laws or regulations or building
16 codes.

17 * Sec. 10. AS 14.11 is amended by adding a new section to read:

18 Sec. 14.11.101. MUNICIPAL DEBT. The portion of municipal school
19 debt subject to reimbursement by the state is not subject to a munici-
20 pal debt limit unless the debt limit is adopted by the municipality
21 and expressly applies to reimbursable portions of school debt.

22 * Sec. 11. AS 14.11.102 is amended to read:

23 Sec. 14.11.102. EVALUATION OF PROJECTS. The department shall
24 evaluate projects for which retirement of school construction debt
25 under AS 14.11.100(a)(6) is requested by school districts in accor-
26 dance with the procedures set out in AS 14.11.010 and criteria set out
27 in AS 14.11.100(j)(4). [A REQUEST FOR AN ALLOCATION OF FUNDS UNDER
28 AS 14.11.100 MUST BE SUBMITTED TO THE DEPARTMENT BY THE SCHOOL DIST-
29 RICT NO LATER THAN OCTOBER 15 OF THE FISCAL YEAR BEFORE THE FISCAL

1 YEAR FOR WHICH THE REQUEST IS MADE.]

2 * Sec. 12. AS 14.11.102 is amended by adding new subsections to read:

3 (b) After reviewing all projects for which retirement of school
4 construction debt is requested, the department shall rank the projects
5 approved under this section in the order in which each serves the best
6 interests of the state. All projects approved, but for which no
7 allocation of money has been made under AS 14.11.103, shall be in-
8 cluded in the same ranking.

9 (c) In considering requests under this section, the department
10 may reject requests due to

11 (1) incomplete information or documentation provided by the
12 school district;

13 (2) a determination that existing facilities can adequately
14 serve the program requirements or that alternative projects are in the
15 best interests of the state;

16 (3) a determination that the project is inappropriate for
17 education construction and should be a district maintenance and opera-
18 tion expenditure; or

19 (4) a determination that the project is not in the best
20 interest of the state.

21 (d) The department shall develop, with technical assistance that
22 may be provided by other state agencies, an estimate, under appropri-
23 ate design standards for its geographic location, of the amount needed
24 to construct each project under (b) of this section for which it
25 appears approval for reimbursement will be granted.

26 (e) The department may, based upon the estimate prepared, either
27 approve the project in the amount requested or approve the school
28 district's request in a lesser amount.

29 * Sec. 13. AS 14.11 is amended by adding a new section to read:

1 Sec. 14.11.103. ALLOCATIONS OF MONEY FOR SCHOOL DEBT RETIREMENT.

2 (a) A request for an allocation of money under AS 14.11.100 for
3 school construction debt retirement shall be submitted to the depart-
4 ment by the school district no later than October 15 of the fiscal
5 year before the fiscal year for which the request is made.

6 (b) Before a request for an allocation of money for retirement
7 of school construction debt under AS 14.11.100(a)(6) is submitted, the
8 project must have been approved and ranked under the provisions of
9 AS 14.11.102.

10 (c) The department shall approve requests for allocations for
11 debt retirement for which no previous allocation has been made in the
12 order of the priority established under AS 14.11.102, if the requests
13 meet the requirements of AS 14.11.100, and subject to the provisions
14 of (d) - (f) of this section.

15 (d) Total outstanding state obligation to reimburse projects
16 under AS 14.11.100(a)(6) in any single year may not exceed \$10,000,000
17 or a lesser amount determined by the state bond committee under
18 AS 37.15.790.

19 (e) In any single year the department may not authorize under
20 (c) of this section more than \$2,000,000 in school debt reimbursement.
21 In any five-year period the department may not authorize under (c) of
22 this section more than \$5,000,000 in school debt reimbursement.

23 (f) Total outstanding state obligation to reimburse cash
24 payments for projects approved after June 30, 1986, may not in any
25 single year exceed \$5,000,000.

26 * Sec. 14. AS 14.11 is amended by adding a new section to read:

27 Sec. 14.11.131. OTHER AID. This chapter does not limit the
28 authority of municipalities to acquire or construct schools or associ-
29 ated facilities by

1 (1) cash payment not subject to reimbursement by the state
2 under AS 14.11.100;

3 (2) debt authorized by local voters and falling under a
4 municipal debt limit but not subject to reimbursement by the state
5 under AS 14.11.100;

6 (3) gift, bequest, grant, or deed; or

7 (4) acquisition of federal, state, or other surplus proper-
8 ty.

9 * Sec. 15. AS 37.15 is amended by adding a new section to read:

10 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the
11 state bond committee, in its judgment, determines that the amount or
12 retirement of debt issued by municipalities subject to reimbursement
13 by the state under AS 14.11.100 is not in the best interests of the
14 state, the committee may

15 (1) establish an amount or amounts, for any or all years
16 before the maturity of all of that municipal debt, that may not be
17 exceeded by the Department of Education in approving requests for
18 allocations under AS 14.11.103; or

19 (2) establish, under AS 14.11.100(j)(3), a term required
20 for the maturities of municipal debt authorized by local voters after
21 March 31, 1986.

22 * Sec. 16. This Act takes effect July 1, 1986.
23
24
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26
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28
29

James
3/25/86

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 520 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public school construction; and
7 providing for an effective date."

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

9 * Section 1. AS 14.08.151 is amended by adding new subsections to read:

10 (c) The interest conveyed to the regional school board under
11 this section is subject to

12 (1) limitations imposed by the state's predecessors in
13 interest;

14 (2) the rights of municipalities established after June 30,
15 1986, that are authorized by AS 29 to operate schools in the com-
16 munity; and

17 (3) other terms, including possibilities of reverter and
18 reversions, that the department holding title imposes.

19 (d) If a school facility constructed by a regional educational
20 attendance area under authority assumed under AS 14.11.020, in which
21 the state retains an interest, ceases to be used for school purposes,
22 the department may dispose of the facility in accordance with law.

23 * Sec. 2. AS 14.11.010(b) is repealed and reenacted to read:

24 (b) With regard to projects requested under (a) of this section
25 the department shall

26 (1) with technical assistance or comments that the depart-
27 ment may request from other state agencies, prepare an estimate of the
28 appropriation needed to finance each project approved for reimburse-
29 ment by the department;

1 (2) rank each project in the order of priority that serves
2 the best interests of the state;

3 (3) recommend to the governor appropriations for projects
4 to be included in the budget submitted to the legislature;

5 (4) provide the governor with a copy of the report of the
6 assembly, council, or regional school board that requested each proj-
7 ect approved by the department;

8 (5) provide to the legislature within the first 10 days of
9 each regular session a summary of the projects requested by each
10 assembly, council, or regional school board.

11 * Sec. 3. AS 14.11.010(c) is amended to read:

12 (c) In establishing priorities among requested projects the
13 department shall identify and evaluate at least the following factors:

14 (1) priorities assigned by the assembly, council, or school
15 board to the projects requested;

16 (2) emergency requirements;

17 (3) the number of students without classroom space;

18 (4) new local elementary or secondary programs;

19 (5) existing regional, community, and school facilities and
20 the condition of the facilities;

21 (6) the economic and social stability of the municipality
22 or region;

23 (7) demographic data indicating present and projected
24 enrollment, and population trends in the municipality or region; and

25 (8) after December 31, 1988, the condition of existing
26 school facilities in the community in comparison to all other schools
27 in the state.

28 * Sec. 4. AS 14.11 is amended by adding a new section to read:

29 Sec. 14.11.030. SCHOOL CONDITION SURVEY. (a) A school district

1 requesting project approval under AS 14.11.010 or 14.11.102 shall
2 inspect and inventory each of its schools and education related facil-
3 ities, under standards adopted by the department in compliance with
4 AS 44.62, noting their age, condition, compliance with laws and regu-
5 lations relating to health and safety, building codes, and annual
6 maintenance and operations costs. The inventory shall be submitted to
7 the department for review and analysis.

8 (b) The department may inspect and inventory the schools and
9 education related facilities in the state under standards established
10 in regulations adopted under the Administrative Procedure Act
11 (AS 44.62).

12 (c) Each school district shall annually revise its inventory by
13 including new schools constructed, rehabilitations or additions to
14 existing schools, and major maintenance and repairs paid for with
15 local money, state municipal grants, appropriations under AS 14.11.020
16 and debt reimbursed under AS 14.11.100. Each school district shall
17 also annually report the amount of money spent in the previous fiscal
18 year for maintenance and operations costs in a uniform manner as
19 required by the department. The annual revisions shall be submitted
20 to the department for review and analysis.

21 (d) After December 31, 1988, the condition of the school dis-
22 trict's schools and education related facilities in comparison to all
23 other schools in the state must be a factor in evaluation of projects
24 under AS 14.11.010 and 14.11.102.

25 * Sec. 5. AS 14.11.100(a)(5) is amended to read:

26 (5) subject to (h), (i), and (j) of this section, 80 per-
27 cent of

28 (A) payments made by the municipality during the
29 fiscal year for the retirement of principal and interest on

1 outstanding bonds, notes or other indebtedness authorized by the
2 qualified voters of the municipality after June 30, 1983, and
3 before April 1, 1986, to pay costs of school construction, addi-
4 tions to schools, and major rehabilitation projects that exceed
5 \$25,000 and are approved under AS 14.07.020(11); and

6 (B) cash payments made after June 30, 1983, by the
7 municipality during the fiscal year two years earlier to pay
8 costs of school construction, additions to schools, and major
9 rehabilitation projects that exceed \$25,000 and are approved
10 either under AS 14.07.020(11) or, for projects approved after
11 July 1, 1986, under AS 14.11.102.

12 * Sec. 6. AS 14.11.100(a) is amended by adding a new paragraph to read:

13 (6) subject to (h), (i), and (j) of this section payments
14 made by the municipality during the fiscal year for the retirement of
15 principal on outstanding bonds, notes or other indebtedness authorized
16 by the qualified voters of the municipality after March 31, 1986, to
17 pay costs of school construction, additions to schools, and major
18 rehabilitation projects that exceed \$25,000 and that are approved
19 under AS 14.11.102.

20 * Sec. 7. AS 14.11.100(h) is amended to read:

21 (h) In determining an [AN] allocation under (a)(4), [OR] (5), or
22 (6) of this section for school construction begun after July 1, 1982,
23 the costs of school construction must [SHALL] be reduced by the amount
24 of money used for the construction of residential space, hockey rinks,
25 planetariums, saunas, and other facilities for single purpose sporting
26 or recreational uses that are not suitable for other activities and by
27 the money used for construction that exceeds the amount needed for
28 construction of a facility of efficient design as determined by the
29 department. The costs of school construction [AN ALLOCATION UNDER (a)

1 (4) (5) OF THIS SECTION] may not be reduced by the amount of money
2 used for construction of a small swimming pool, tank, or water storage
3 facility used for water sports. However, an allocation shall be
4 reduced by the difference between the amount of money used to con-
5 struct a swimming pool that exceeds the standards adopted by the
6 department and the amount of money that would have been used to con-
7 struct a small swimming pool, tank, or water storage facility, as
8 determined by the commissioner.

9 * Sec. 8. AS 14.11.100(i) is amended to read:

10 (i) For the purposes of (a)(4), [AND] (5), and (6) of this
11 section

12 (1) an indebtedness for bonds is incurred after the bonds
13 are sold;

14 (2) reimbursement for a cash payment may only be made after
15 the payment is made to a vendor; and

16 (3) payments may not be made for costs that are incurred
17 under a contract after the contract has been released.

18 * Sec. 9. AS 14.11.100(j) is amended to read:

19 (j) The state may not allocate money to a municipality for a
20 school construction project under (a)(5) or (6) of this section unless
21 the municipality complies with the requirements of (1) - (4) of this
22 subsection and the project is approved under AS 14.11.102 [BY THE
23 COMMISSIONER] before the local vote on the bond issue for the project.
24 In approving a project under this subsection, the commissioner shall
25 require

26 (1) the municipality to include on the ballot for the bond
27 issue the estimated total cost of each project including estimated
28 annual operation and maintenance costs and the estimated amounts that
29 will be paid by the state and by the municipality;

1 (2) that the bonds may not be refunded unless the present
 2 value of the annual debt service on the refunding issue is not greater
 3 than 95 percent of the present value of the annual debt service on the
 4 original issue;

5 (3) that the bonds must be repaid in approximately equal
 6 annual principal payments [OR APPROXIMATE EQUAL DEBT SERVICE PAYMENTS]
 7 over a period of [AT LEAST] 10 years or a different term that may be
 8 established by the state bond committee under AS 37.15.790;

9 (4) the municipality to demonstrate need for the project by
 10 establishing that the school district has

11 (A) projected long-term student enrollment that indi-
 12 cates the district has inadequate facilities to meet present or
 13 projected enrollment; or

14 (B) facilities that require repair or replacement in
 15 order to meet health and safety laws or regulations or building
 16 codes.

17 * Sec. 10. AS 14.11 is amended by adding a new section to read:

18 Sec. 14.11.101. MUNICIPAL DEBT. The portion of municipal school
 19 debt subject to reimbursement by the state is not subject to a munici-
 20 pal debt limit unless the debt limit is adopted by the municipality
 21 and expressly applies to reimbursable portions of school debt.

22 * Sec. 11. AS 14.11.102 is amended to read:

23 Sec. 14.11.102. EVALUATION OF PROJECTS. The department shall
 24 evaluate projects for which retirement of school construction debt
 25 under AS 14.11.100(a)(6) is requested by school districts in accor-
 26 dance with the procedures set out in AS 14.11.010 and criteria set out
 27 in AS 14.11.100(j)(4). [A REQUEST FOR AN ALLOCATION OF FUNDS UNDER
 28 AS 14.11.100 MUST BE SUBMITTED TO THE DEPARTMENT BY THE SCHOOL DIST-
 29 RICT NO LATER THAN OCTOBER 15 OF THE FISCAL YEAR BEFORE THE FISCAL

1 YEAR FOR WHICH THE REQUEST IS MADE.]

2 * Sec. 12. AS 14.11.102 is amended by adding new subsection: to read:

3 (b) After reviewing all projects for which retirement of school
4 construction debt is requested, the department shall rank the projects
5 approved under this section in the order in which each serves the best
6 interests of the state. All projects approved, but for which no
7 allocation of money has been made under AS 14.11.103, shall be in-
8 cluded in the same ranking.

9 (c) In considering requests under this section, the department
10 may reject requests due to

11 (1) incomplete information or documentation provided by the
12 school district;

13 (2) a determination that existing facilities can adequately
14 serve the program requirements or that alternative projects are in the
15 best interests of the state;

16 (3) a determination that the project is inappropriate for
17 education construction and should be a district maintenance and opera-
18 tion expenditure; or

19 (4) a determination that the project is not in the best
20 interest of the state.

21 (d) The department shall develop, with technical assistance that
22 may be provided by other state agencies, an estimate, under appropri-
23 ate design standards for its geographic location, of the amount needed
24 to construct each project under (b) of this section for which it
25 appears approval for reimbursement will be granted.

26 (e) The department may, based upon the estimate prepared, either
27 approve the project in the amount requested or approve the school
28 district's request in a lesser amount.

29 * Sec. 13. AS 14.11 is amended by adding a new section to read:

1 Sec. 14.11.103. ALLOCATIONS OF MONEY FOR SCHOOL DEBT RETIREMENT.

2 (a) A request for an allocation of money under AS 14.11.100 for
3 school construction debt retirement shall be submitted to the depart-
4 ment by the school district no later than October 15 of the fiscal
5 year before the fiscal year for which the request is made.

6 (b) Before a request for an allocation of money for retirement
7 of school construction debt under AS 14.11.100(a)(6) is submitted, the
8 project must have been approved and ranked under the provisions of
9 AS 14.11.102.

10 (c) The department shall approve requests for allocations for
11 debt retirement for which no previous allocation has been made in the
12 order of the priority established under AS 14.11.102, if the requests
13 meet the requirements of AS 14.11.100, and subject to the provisions
14 of (d) - (f) of this section.

15 (d) Total state obligation to reimburse projects under AS 14.-
16 11.100(a)(6), may not in any year exceed \$10,000,000, or a lesser
17 amount determined by the state bond committee under AS 37.15.790.

18 (e) The allocations approved by the department under AS 14.11.-
19 100(a)(6) may not exceed \$2,000,000 in any single year, or \$5,000,000
20 in any five-year period.

21 (f) Total state obligation to reimburse cash payments for pro-
22 jects approved after June 30, 1986, may not in any year exceed
23 \$5,000,000.

24 * Sec. 14. AS 14.11 is amended by adding a new section to read:

25 Sec. 14.11.131. OTHER AID. This chapter does not limit the
26 authority of municipalities to acquire or construct schools or associ-
27 ated facilities by

28 (1) cash payment not subject to reimbursement by the state
29 under AS 14.11.100;

1 (2) debt authorized by local voters and falling under a
2 municipal debt limit but not subject to reimbursement by the state
3 under AS 14.11.100;

4 (3) gift, bequest, grant, or deed; or

5 (4) acquisition of federal, state, or other surplus proper-
6 ty.

7 * Sec. 15. AS 37.15 is amended by adding a new section to read:

8 Sec. 37.15.790. MUNICIPAL SCHOOL DEBT. If, at any time, the
9 state bond committee, in its judgment, determines that the amount or
10 retirement of debt issued by municipalities subject to reimbursement
11 by the state under AS 14.11.100 is not in the best interests of the
12 state, the committee may

13 (1) establish an amount or amounts, for any or all years
14 before the maturity of all of that municipal debt, that may not be
15 exceeded by the Department of Education in approving requests for
16 allocations under AS 14.11.103; or

17 (2) establish, under AS 14.11.100(j)(3), a term required
18 for the maturities of municipal debt authorized by local voters after
19 March 31, 1986.

20 * Sec. 16. This Act takes effect July 1, 1986.
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28
29

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 26, 1986

SUBJECT: CSHB 520(C&RA)
(Changes to CSHB 520(HESS))

TO: Representative Peter Goll, Chair
Community and Regional Affairs Committee

FROM: Joyce James 
Legislative Counsel

Following are the changes of substance to CSHB 520 (HESS) that occur in CSHB 520 (C&RA).

1. Page 1, line 28, following "approved" insert "for reimbursement".
2. Page 4, lines 5-6, delete "and before July 1, 1986,".
3. Page 4, line 9, following "AS 14.07.020(11)" insert "or for projects approved after July 1, 1986, under AS 14.11.102".
4. Page 4, line 12, delete "(A)".
5. Page 4, line 19 through page 5, line 9, delete all material and renumber accordingly.
6. Page 9, lines 2-11 were rewritten, and a substantive change made in new subsection (e).
7. Page 9, lines 21-23, delete all material, and renumber accordingly.
8. Page 10, lines 11-16, delete all material, and renumber accordingly.

If I may be of further assistance, please advise.

JJ:mkr
m4/045



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

Community and Regional Affairs Committee
Representative Peter Goll, Chair
Capitol 17 465-4833

Committee Schedule March 24 - 28, 1986

Monday, March 24, 1986
3:00 - 4:30 p.m.

- HB 673 "An Act relating to transportation of hazardous substances in municipalities."
- * HB 697 "An Act prohibiting municipal sales tax on purchases made with food stamps; and providing for an effective date." *- out*

Tuesday, March 25, 1986
3:00 - 4:30 p.m.

- S HB 339 "An Act relating to the limitation of municipal oil and gas production and pipeline property taxes to pay for bonds; and providing for an effective date." *- out*
- * HB 656 "An Act establishing a limit on the amount of bonded indebtedness a municipality may have outstanding; and providing for an effective date." *- out*

Wednesday, March 26, 1986
3:00 - 4:30 p.m.

- HB 520 "An Act relating to public school construction; and providing for an effective date." *- out*
- SB 69 "An Act relating to licensing and regulation of the sale and distribution of alcoholic beverages; and providing for an effective date." *- out*

Not heard

*- HB 673
HB 656 - out
SSH B 339 out*

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 26, 1986

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(Changes to CSHB 520(HESS))

TO: Representative Peter Goll, Chair
Community and Regional Affairs Committee

FROM: Joyce James ~~CS~~
Legislative Counsel

Following are the changes of substance to CSHB 520 (HESS) that occur in CSHB 520 (C&RA).

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8. Page 10, lines 11-16, delete all material, and renumber accordingly.

If I may be of further assistance, please advise.

JJ:mkr
m4/045

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1/27

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST HB 520 - # 1

Bill/Resolution No. : 377-087-86
 Title : An Act relating to Public
School Construction

Sponsor : Governor
 Requestor : Governor
 Date of Request : January 24, 1986

FISCAL DETAIL

Agency Affected : Education
 BRU : Education Finance - Support
Services

Components : Facilities
Debt Retirement

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

This bill will result in a net savings to the State. Because the savings will be associated with future school construction projects, the precise amount saved in any fiscal year is indeterminate.

Prepared by : Steve Hole *[Signature]* Phone : 2800
 Division : Commissioner's Office Date : 1/25/86

Approved by Commissioner : Harold Reynolds, Jr. Date : 1/25/86
 Agency : Education

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Page 1 of 3

HB 520 # 2

Revision Date: _____

REQUEST

Bill/Resolution No.: 377-807-86
 Title: An Act relating to public school construction
 Sponsor: Governor
 Requestor: Governor
 Date of Request: January 24, 1986

FISCAL DETAIL

Agency Affected: Education
 BRU: Education Finance - Support Services
 Components: Facilities
Debt Retirement

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
DEBT SERVICES						
XXXXXXXX		55,000.0	10,000.0	10,000.0	10,000.0	10,000.0
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND		55,000.0	10,000.0	10,000.0	10,000.0	10,000.0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Under the bill, the state will only reimburse the principal of bonds approved by local voters after March 31, 1986 and an absolute cap is placed on the amount of reimbursements that will be made in any year for that debt. The bill sets the limit at \$10,000,000 or an amount established by the state bond committee.

Prepared by: Jay Hoban Phone: 3568
 Division: Budget Review Date: 1/25/86

Approved by Commissioner: _____ Date: _____
 Agency: Office of Management and Budget

Distribution: (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

MEMORANDUM

State of Alaska

TO: The File

DATE: January 17, 1986

HB 520

page 2 of 3

FILE NO: 003

FROM:

~~Steve Hole~~

TELEPHONE NO: 465-2800

SUBJECT: FY-87 Debt Retirement

The current FY-87 Debt Retirement cost projection is \$145,831,214. This is an increase of \$1,345,316 over November, 1985, estimates, broken out as follows:

	Change
Kodiak	[186,995.6]
Juneau	129,266.82
Kenai	1,351,670.90
Dillingham	41,380.00
Subtotal	<u>\$1,345,316.10</u>

This estimate is based upon the most current data available from school districts as of 1/14/86.

cc: Jay Hogan

OFFICE OF
MANAGEMENT & BUDGET
JAN 20 1986

BUDGET REVIEW

HB 520 #2

page 323

TOTAL APPROPRIATIONS : FY 82-86 (AUTHORIZED) AND FY 87 (PROPOSED)
(\$ Millions; Nominal Dollars)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
	/------(Authorized)-----/					(Proposed)
<u>Operating Agencies/1</u>						
Unrestricted General Funds	\$1,666.1	\$1,841.6	\$1,864.2	\$2,015.5	\$1,999.6	1,991.0
Other Funds	476.8	539.9	479.4	575.2	672.0	678.7
Total Operating Funds	2,142.9	2,381.5	2,343.6	2,590.7	2,671.6	2,669.7
<u>Debt Service/2</u>						
Unrestricted General Funds	142.5	199.8	272.4	264.5	268.6	261.3
Other Funds	1.8	2.0	2.0	5.6	5.6	10.2
Total Debt Service	144.3	201.8	274.4	270.1	274.2	271.5
<u>Capital (Auth.)/3</u>						
Unrestricted General Funds	1,164.9	470.1	778.4	1,241.9	471.1	349.2
Other Funds	72.4	239.7	398.5	192.1	431.7	307.4
Total Capital Funds	1,237.3	709.8	1,176.9	1,434.0	902.8	656.6
<u>Loan Programs (Auth.)/4</u>						
Unrestricted General Funds	471.8	337.0	171.9	140.0	79.8	63.6
Other Funds	1.0	1.0	20.4	0.9	0.2	19.3
Total Loan Funds	472.8	338.0	192.3	140.9	79.8	82.9
<u>Total</u>						
Unrestricted General Funds	3,445.3	2,848.5	3,086.9	3,661.9	2,818.9	2,665.1
Other Funds	552.0	782.6	900.3	773.8	1,109.5	1,015.6
Total Funds	\$3,997.3	\$3,631.1	\$3,987.2	\$4,435.7	\$3,928.4	\$3,680.7
<u>Extraordinary Items/5</u>						
Unrestricted General Funds	1,167.0	708.3	300.0	510.0	(186.5)	0.0
Other Funds	0.0	41.0	198.9	155.1	403.8	272.9
Total Extraordinary Items	1,167.0	749.3	498.9	665.1	217.3	272.9
<u>GRAND TOTAL</u>						
Unrestricted General Funds	4,612.3	3,556.8	3,386.9	4,171.9	2,632.4	2,665.1
Other Funds	552.0	823.6	1,099.2	928.9	1,513.3	1,288.5
GRAND TOTAL	\$5,164.3	\$4,380.4	\$4,486.1	\$5,100.8	\$4,145.7	\$3,953.6

/1 Agency FY 82-84 operating totals from OMB adjusted base totals plus special and supplemental operating appropriations; FY 85 and FY 86 agency authorized totals from Alaska State Appropriations Digest.

/2 This line includes General Obligation and International Airport Bond payments, and Local School debt retirement appropriations.

/3 Session totals; OMB has adjusted some FY 79-84 figures to reflect repeals and reappropriations, as well as the definition of capital projects enacted in 1983 (AS 37.07.120[4]).

/4 Loan totals reflect new appropriations to various loan programs.

/5 Extraordinary items include special, one-time appropriations such as General Fund deposits to the Permanent Fund, Permanent Fund dividend payments, State Income Tax refunds, legal settlements, special loan guarantee appropriations and appropriations to the Rainy Day Fund. The negative General Fund entry for FY 86 reflects statutory reductions to prior loan, capital and refund credit programs. (See 1985 Alaska State Appropriation Digest, p.5)

Table II-4

27

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 1/27/86

REQUEST 147
14B 520 # 3

Bill/Resolution No. : Proposed
Title : An Act Relating to Public
School Construction

Sponsor : Rules Committee
Requestor : Governor
Date of Request : 1/21/86

FISCAL DETAIL

Agency Affected : DOT&PF and D.O.E.
BRU : Planning/Programming
Engineering and Operations Standards
Design and Construction

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES	0	261.0	200.3	173.6	182.2	191.4
TRAVEL						
CONTRACTUAL	0	529.2	405.6	425.9	447.2	469.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0					

CAPITAL	0	790.2	605.9	599.5	629.4	660.9
---------	---	-------	-------	-------	-------	-------

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	0	790.2	605.9	599.5	629.4	660.9
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	0	4	3	3	3	3
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

SEE ATTACHED ANALYSIS STATEMENT

Prepared by : Rod Wilson Phone : 465-2951
Division : Engineering and Operations Standards Date : _____

Approved by Commissioner : _____ Date : _____
Agency : Department of Transportation and Public Facilities

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ANALYSIS STATEMENT RE:
An Act Relating To Public School
Construction

FISCAL NOTE PREPARATION FOR:
Draft #11; January 21, 1986

HB 520 #3
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Specific tasks required by the proposed legislation:

(Associated costs are reflected in the attached Table A)

- (1) Creation of design standards for each geographic region [A.S. 35.15.230; AS 14.11.100(h)].
- (2) Establish construction cost guidelines commensurate with the design standards for each geographic region [AS 35.15.210(a); AS 35.15.210(b) and (c)(3)].
- (3) Development of an estimate for the costs of construction on each project as approved by D.O.E. [AS 14.11.010(b)(2); AS 14.11.102(b) and (3); AS 35.15.210(a); AS 35.15.220(a)].
- (4) Make recommendation to the legislature by January 25, 1988 of a plan of school construction through the year 2001. (*Sec. 17)

Specific tasks assigned to D.O.E. that need involvement by DOT&PF: (As both these items will have a direct bearing on DOT&PF's performance as required under AS 35.15.210(b) and AS 35.15.220(c)).

- (5) With respect to the school condition survey: DOT&PF should be involved in the process of formulating standards addressing facility condition, compliance with laws and regulations relating to health and safety, and building codes [14.11.102(a)].
- (6) With respect to establishing required information or documentation: DOT&PF should be involved in the process of formulating minimum requirements for submittals involving (1) code related emergency requirements and (2) facilities that require repair or replacement... to meet... building codes. [AS 14.11.010(c)(2); AS 14.11.100(j)(4)(b)].

Assumptions made in the preparation of this analysis included:

- (1) Based on information received from the Department of Education the number of applications received under the direct appropriation program in 1985 totaled approximately 100 and requests for debt retirement in 1985 numbered 250. These quantities have formed the basis of the expenditures as generated and assumes the number of requests in future years to be consistent with the 1985 numbers.
- (2) The Department would have to rely heavily on outside consultants with only minimal staffing increases. In addition the majority of the staffing positions to be added would be of professional (registered) caliber.
- (3) The review of applications shall continue at a uniform rate during the course of the year so as to make optimum use of staff personnel. High rates of application influx will be reviewed by consultants.
- (4) Under Task #3 above, (i.e., construction costs estimates), it has been assumed that 85% of all projects would only require minor involvement. Whereas 15% of the projects would be large scale "new construction/major renovation" types of projects and require a more indepth (consultant oriented) analysis.

TABLE "A"

HB 520 #3 - P. 3 of 7

TASK	1987	1988	1989	1990	1991	1992	Pos Add/Yr
(1)(a) Develop Dept. Regs, Guidelines and P&P's	16,400						.5/86
(1)(b) Establish Efficient Design Standards With Consultant	(115,840) 187,605						.75/86
(2) Establish Construction Cost Standards	(27,100) 42,475						.25/86
(3)(a) Cost Estimate For Debt Retirement Projects (100 projects/yr)	(99,725) 147,875	(104,710) 155,270	(109,950) 163,030	(115,440) 171,180	(121,220) 179,740	(127,280) 188,730	.75/86
(3)(b) Cost Estimates For Direct Grant Projects (250 project/yr)	(286,540) 395,860	(300,870) 415,650	(315,910) 436,440	(331,710) 458,260	(348,290) 481,170	(365,700) 505,230	1.75/86
(4) Development Long Range Construction Strategy		35,000					.5/87
Consultant	(529,205)	(405,580)	(425,860)	(447,150)	(469,510)	(492,990)	
TOTALS	790,215	605,920	599,470	629,440	660,910	693,960	

LEGEND: Parenthesis () indicate consultant budget
All non parened figures represent total projected budgets

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 HB 520#3

Table I

State Debt Service Burden
 in \$ Millions and as a % of Unrestricted Revenues ^{1/}

Fiscal Year	1		2		3		4	
	Existing Debt Service and Lease Obligations		Existing School Debt Reimbursement		Total Existing Debt Service (1 & 2)		Existing Law	
86	\$178	5.7%	\$105	3.4%	\$283	9.1%	\$283	9.1%
87	168	6.2	109	4.0	277	10.2	319	11.7
88	161	7.1	100	4.4	261	11.5	324	14.2
89	150	7.1	109	5.1	259	12.2	325	15.3
90	135	6.8	90	4.5	225	11.3	287	14.4
91	110	5.7	78	4.0	188	9.7	247	12.8
92	82	4.4	72	3.8	154	8.2	212	11.4
93	73	3.8	63	3.3	136	7.1	191	9.9
94	44	2.3	56	3.0	100	5.3	151	8.0
95	32	1.7	47	2.5	79	4.2	128	6.8
96	28	1.5	33	1.8	61	3.3	107	5.8
97	24	1.3	16	.9	40	2.2	59	3.2
98	21	1.2	14	.8	35	2.0	42	2.4
99	16	1.2	14	1.1	30	2.3	37	2.8
00	9	.8	12	1.0	21	1.8	27	2.4

^{1/} Unrestricted revenues are January 1986 30th percentile estimates.

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HB 520#3

Column Key

1. Debt service on State general obligation bonds, University of Alaska revenue bonds, ASHA lease revenue bonds, and lease payments on Seward Student Service Center and Correctional Center.
2. 80%, 90%, or 100% State reimbursement of debt service paid by municipalities on school debt outstanding as of December 31, 1985.
3. Total of columns 1 and 2.
4. Column 3 plus lease payments on Anchorage Court Building plus State reimbursement on \$312.5 million of authorized but unissued school debt and \$31.4 million of school debt to be authorized by the voters in January and March of 1986. Of this \$343.9 million new school debt, \$230.2 million is scheduled for issuance in FY 86. Reimbursement of school debt is 80% of current debt service payments on 10 year debt with level principal payments.

Prepared by: Department of Revenue
January 23, 1986

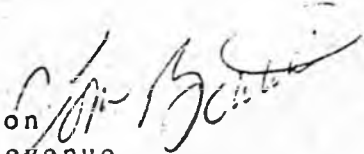
STATE OF ALASKA
DEPARTMENT OF REVENUE

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AB 520 # 3

M E M O R A N D U M

TO: The Honorable Loren Lounsbury
Chairman
State Bond Committee

FROM: Tomas H. Boutin
Debt Manager
Treasury Division
Department of Revenue



DEC 27 1985

BUDGET REVIEW

DATE: December 27, 1985

RE: Debt Capacity

The estimated capacity of the State to issue debt in the form of general obligation bonds and lease purchase financing has increased. Growth in expected near term unrestricted revenues as forecasted by the Department of Revenue and declining long term interest rates have raised estimated debt capacity over the level derived from the September revenue forecast. Debt capacity accorded by the December 1985 Department of Revenue forecast is shown below:

<u>Fiscal Year</u>	<u>Mean Revenue Estimate</u>	<u>30th Percentile Estimate</u>
1986	---	---
1987	---	---
1988	---	---
1989	---	---
1990	---	---
1991	83	---
1992	186	76
1993	128	71
1994	207	185
1995	116	75
1996	<u>22</u>	<u>6</u>
TOTAL	742	413

It is anticipated that lease purchase financing for as much as \$85 million may be arranged for the Anchorage Court Building. This financing would eliminate State debt capacity through 1992 under the 30th percentile estimate and through 1991 under the mean forecast.

In addition to debt service on State general obligation bonds, debt service on Alaska State Housing Authority and University

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HBS 20 #3

of Alaska revenue bonds and lease payments on the Seward Student Service Center and the Spring Creek Correctional Center Certificates of Participation are included in the calculation of State debt capacity.

The rating agencies view lease financing obligations in the same light as general obligations of the State. A lease purchase obligation may take the form of either revenue bonds or certificates of participation. In either case State lease payments are the sole security for the obligations and the State's name is displayed prominently throughout the security. The fact that these lease payments are subject to annual appropriations precludes the obligations from being considered State debt under the constitution and requiring voter approval. Lease purchase obligations provide for the acquisition of the property by the lessee at the end of the lease. The term of the lease and purchase price are such that the lessee (State) is considered the owner of the property for federal tax purposes from the outset of the lease. This makes a portion of the lease payments considered tax-exempt interest under the federal income tax.

The above estimates of debt capacity are based on the December 1985 Department of Revenue revenue estimates. They adhere to the premise that debt service should not exceed 5% of the State's unrestricted revenue if the State is to maintain its credit rating.

Consideration of lease purchase financing complicates the analysis of debt capacity in that interest rates are likely to be higher but terms possibly longer than on general obligation debt. For simplicity's sake, and because these estimates serve as a general guideline, and because it is unknown how much future debt will be general obligation bonds as opposed to lease purchase financing, the estimates are made as if all future debt is general obligation debt -- an assumed 8% interest rate and 10 year maturity.

Attached Tables I, II, and III show the derivation of the above debt capacity estimates.

Attachments

cc: Mary Nordale
Eleanor Andrews
Ray Gillespie
Gordon Harrison
Jay Hogan
Terry Elder
Jon Rubini

143520 #3

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Portland, Oregon 97204
(503)222-1405

December 6, 1985

The Honorable Bill Sheffield
Governor
State of Alaska
3rd Floor, Capitol
Pouch A
Juneau, AK 99811

DEC 1 1985

BUDGET REVIEW

Dear Governor Sheffield:

At the outset, I want to say that the trip you took to New York and Chicago to meet with representatives of the investment community, including the rating agencies, underwriters and other participants, was definitely a success. Since those meetings, we have heard positive comments both about the State's presentations and the desire for many of the representatives to maintain continuing dialogue with the chief financial and administrative officers of the State.

This week, we were informed by Anthony Arthur of Standard & Poor's Corporation that the rating agency is in the process of preparing a review on the rating it assigns to the State of Alaska. It is anticipated that this review will take several weeks to complete and will be distributed in appropriate publications by Standard & Poor's. It is not unusual for a rating agency to conduct this type of review subsequent to a briefing of the type presented by the State in November.

During conversations with Anthony Arthur, he requested that certain materials prepared prior to the presentation be updated so that they will have more current data on which to base their credit review. In particular, it will be necessary for the State to develop more recent information on the debt position of State agencies and the State itself. Members of the Department of Revenue are at present preparing that material. Most importantly in this respect, however, is the subject of school debt. For the first time, we expect the agency to include the proportionate share of local school debt paid by the State in determining the State's overall debt load. Apparently, the agency has not been aware of this school assistance program until recently, and based upon the method employed by the agency in handling local school debt paid by other states, we would anticipate the applicable portion to be added to the

Government Finance Associates, Inc.

HB 520 # 3

overall debt liability of Alaska. Due to the fact that the agency will now be including such debt, we can expect Standard & Poor's to ask the following question regarding this matter. The agency will desire to know the policy that the State expects to employ to control the amount of local school debt that will be paid by the State. In fact, if you recall, at the New York luncheon, one analyst raised the issue by asking if the State had plans for controlling local debt issues in the future. In response to this possible inquiry by Standard & Poor's, you should know that in most circumstances in which other states pay a large portion of debt service for local school buildings, before the local issuer is authorized to sell the school debt, approval by the particular state education department is required, which department also receives certain affordability guidelines for the program by the chief financial officers of the individual state. Standard & Poor's would find it helpful to receive some specific discussion on this important point.

In conjunction with this analysis by Standard & Poor's, it will also review the State's proposed two-year debt management policy. Based on recent discussions with Standard & Poor's, we do not expect a definitive response by the agency on the policy until later in the month when all relevant members of the rating committee will be available for the review. It is important for the State to have a plan it can present to the agency for the implementation of this policy whether the implementation is expected to be an executive proclamation, legislation, or the adoption by the Administration of particular guidelines for the State and State agencies to follow.

There are at least two additional items which, I believe, deserve attention at this point: The status of the recommendations of the lease/purchase options for State office buildings and the establishment of the appropriate approach toward analyzing infrastructure financing by the State. With respect to the first matter, as was noted often during our various visits with the investment community, the lease/purchase approach, as proposed by the State Office Building Task Force, is a cost-effective and the preferred method of financing State office facilities. In the past, the issuance of certificates of participation on an ad hoc basis has not been conducive to a well-organized debt management program for financing such facilities. Because of the substantial debt management advantages of utilizing the methodology presented by the Task Force, a process for State implementation of those recommendations would be met with a favorable response by the rating agency during the course of its evaluation. In this respect, any such facilities that would generally fall within those requiring

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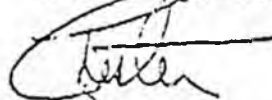
HB 520 #3

debt financing should be included immediately within the restrictions of the proposed structure in order for the State to indicate early and convincing adoption of the approach. It would also be helpful to make clear to the rating agency that the Sheffield Administration expects to make the implementation of the recommendations a significant part of the State's overall debt management operations.

Finally, the funding by the State of physical infrastructure requirements has been accomplished in two ways: The use of revenues for capital projects and the issuance of debt to raise proceeds for capital construction requirements. It would be helpful, from the credit analyst's perspective, to have a document which sets forth annually all payments for infrastructure financing by the State to be accomplished during the upcoming year. This information, consolidated into one document, would consist of three major parts. First, the document would present the amount of current revenues being applied to purchase or build long-term capital facilities. Second, the information would set forth the current debt service being paid for all capital facilities directly and indirectly by the State (i.e., general fund expenditures for lease/purchase facilities, general obligation payments, and debt service payments on local school debt). Third, the document would present the security issues to be sold during the current year through both general obligation bonds and related obligations (i.e., lease/purchase debt). Through this document, investors and credit analysts could determine, in a more simplified form, the State's commitment to capital financing of infrastructure requirements. Moreover, it would allow these persons to understand the overall credit of the State in a more comprehensive and persuasive manner.

Obviously, we will keep you informed about the progress of the review by Standard & Poor's on the State. If you have any questions or require any further clarification on the matters discussed in this letter, please do not hesitate to contact us. At present, I expect to be in Alaska in early January and would like the opportunity to meet with you then.

Best regards,



J. Chester Johnson

STATE OF ALASKA 1986 LEGISLATIVE SESSION

FISCAL NOTE

REQUEST HB 520 # 4

Bill/Resolution No. : _____
 Title: An Act relating to Public
School Construction

Sponsor: Rules Committee at the request
 Requestor: of the Governor
 Date of Request: 1/27/86

Revision Date: _____

FISCAL DETAIL

Agency Affected: Revenue
 BRU: Treasury

Components: Operating

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Milt Barber Phone: 465-2350
 Division: Treasury Date: 1/27/86

Approved by Commissioner: Shirley J. Stedahl Date: 1/27/86
 Agency: Dept. of Revenue

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : _____

REQUEST

Bill/Resolution No.: CS HB-520 (HESS)
 Title: ...public school construction...

Sponsor: Governor
 Requestor: House HESS
 Date of Request: 3/20/86

FISCAL DETAIL

Agency Affected: Education
 BRU: Educational Finance and Support Services

Components: Facilities
Debt Retirement

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		150.0	50.0	50.0	50.0	50.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		150.0	50.0	50.0	50.0	50.0

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		150.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Costs associated with the long range planning effort are ongoing at \$50.0 annually.

Prepared by: Steve Hole  Phone: 2800
 Division: Commissioner's Office Date: 3-20-86

Approved by Commissioner: Marshall L. Lind Date: 3-20-86
 Agency: Education

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

MEMORANDUM

State of Alaska

TO: Steve Hole
Acting Deputy Commissioner

DATE: March 20, 1986

FILE NO.: 4707D

THRU: ---

TELEPHONE NO.: 465-2865

FROM: Thomas G. Ryan 
Facilities Coordinator

SUBJECT: Fiscal Note for March 20, 1986
Committee Substitute House Bill
520 (HESS)

The fiscal note for this bill, as amended by changes to Sections 12 and 13 reducing the scope of required evaluations, would be comprised as follows:

Development and implementation of a cost estimating model..	\$50,000
Development and implementation of a life cycle analysis model.....	\$50,000
Implementing the Department of Education's share of Section 18.....	\$50,000
Total.....	\$150,000



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: (Proposed)

HB 520

For [Signature]
APPROVED: R. J. Knapp
Commissioner

TITLE: An Act Relating to Public School
Construction

DATE: 1/27/86

The Department supports the proposed bill and perceives its duties and responsibilities to consist of the following:

- (1) Concerning the quality or extent of the construction for which the State of Alaska shall participate, the Department shall establish efficient "standards" of design and construction for each geographic region.
- (2) Concerning the extent of allowable costs for which the State of Alaska shall participate, the Department shall establish construction cost guidelines commensurate with the "standards" for each geographic region.
- (3) Shall provide an estimate of allowable construction costs for each project based on established standards and cost guidelines.
- (4) Shall perform technical evaluations and where appropriate provide alternate means of construction which will adequately correct the deficiency.
- (5) Shall in cooperation with the Department of Education jointly study, evaluate and prepare a plan of school construction through the year 2001.

The Department fully supports the goals of the bill. However it should be realized that our duties and responsibilities will only be attainable through adequate funding.

Consideration should be given to establishing a means for assessing the project budgets for the costs required to carry out the Department's responsibility under this bill. If this can be done, the flexibility required to adjust staff needs to the size of the program will be provided and the impact to the operating budget will be minimal.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

~~14B 519~~
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14B 519
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14B 520

0.1/27

January 27, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills that provide for improved state debt management. One relates to control of state-supported school debt, the other to lease-financing transactions by the various branches of government.

These two bills are each cornerstones of a comprehensive proposal designed to monitor and control more effectively the issuance of debt instruments that harbor substantial credit implications for the state. (Some citations in each bill are to provisions in the other bill. The two work together.) Alaska's remarkable wealth has facilitated tremendous economic growth in all areas of the state's economy and at all levels of government. Many of these worthy projects and programs have been funded directly by the state. In other instances, however, funding has been obtained through the issuance of debt instruments, either by the state or by local governments. Where government activities are funded through the issuance of debt, maintenance of a favorable credit rating for the state assumes critical importance. Simply stated, actions detrimental to the state's credit standing are injurious to the Alaska economy.

Unlike past years, we approach an era where the state's vast wealth is not, in and of itself, sufficient to support a favorable credit rating. In my discussions with representatives of the national financial community, the constant theme stated was the need for Alaska to demonstrate its ability to effectively manage its resources. One critical

COMMITTEE COPY

attribute of responsible state management is an effective debt management program.

Any discussion of maintenance of a favorable credit rating for the state must reflect the broad array of financial obligations encompassed within the term "state-supported debt." It is critical to bear in mind that state general obligation bonds are but one type of debt instrument that affects the state's credit standing. The financial community also looks to other recurring, long-term financial obligations which are paid from the general fund, such as those which arise under a lease-financing agreement. In a similar vein, the state's commitment to support school debt issued by municipalities is a type of long-term financial commitment with substantial credit implications.

Debt management concerns must further reflect the impact of excessive or improvident municipal debt issuance on the state's credit standing. I initially observe that responsible state debt management policies must necessarily include a degree of state supervision of municipal debt issuance. While I am, of course, cognizant and supportive of the prerogatives of local government, problems with municipal debt issuance inevitably burden the state as well. For that reason, I previously introduced a bill that relates directly to the issuance of municipal debt. Last session I proposed the establishment of a Municipal Financial Emergency Commission to assist municipalities that have defaulted in bonded indebtedness (HB 293). I am also proposing legislation that imposes reasonable limitations on a municipality's authority to issue general obligation debt. As noted in the transmittal letters accompanying each of those bills, responsible state management of municipal debt is necessary to assure the continued investment community support of and confidence in municipal and state debt issues.

The two bills attached to this letter today are intended to assure proper state oversight before the state enters into the type of recurring, long-term financial commitments that might have an impact on the state's credit standing. Where the state issues general obligation bonds, the constitutional requirement of voter approval offers an appropriate opportunity for the electorate and for elected officials to gauge any adverse effect that issuance of the debt may have on the state. Under present law, however, neither the statutory reimbursement formula for school debt nor the unrestricted authority to enter lease-financing agreements

offers comparable mechanisms to assure that state credit implications are adequately addressed. As the decline of available revenues further exacerbates the sensitivity of the state's credit standing, it is of critical importance to assure that each project is viewed not only on its own merits but also with consideration of how the issuance of additional state-supported debt will affect broader state interests. I believe that these two bills offer a responsible way of meeting the needs of the state to obtain office facilities and of municipalities to provide necessary educational facilities -- a way that best preserves the state's favorable credit standing.

I.

The shorter bill implements the recommendations of the State Office Complex Financing Task Force, a body whose membership brought together the views of executive-branch officials, two legislators, and several members of the public with substantial financing expertise. The task force conducted extensive hearings to consider the most appropriate method to provide state office facilities in the most cost-efficient manner possible. After review of the available financing alternatives, the task force recommended the enactment of legislation to facilitate the acquisition of state office facilities through lease-financing agreements. The bill designates the Alaska State Housing Authority as the appropriate financing entity, but provides that when the authority issues debt for this purpose, it do so as the Alaska State Building Authority. The name change is intended to prevent confusion in national financing markets.

Sections 1, 6, 7 and 8 provide that the university and each branch of government, respectively, have legal authority to enter into lease-financing agreements with the Alaska State Housing Authority acting as the Alaska State Building Authority. The state has previously executed lease-financing agreements under existing lease authority, and these sections are thus intended to remove any ambiguities regarding the legal authority to enter into lease-financing agreements. The cost of building acquisition or development would be provided by the sale of revenue bonds by the Alaska State Building Authority. In all instances, a lease-financing agreement preserves legislative prerogatives through the requirement that lease payments be subject to annual appropriation.

While the bill recognizes the desirability of the lease-financing technique, the bill also imposes effective debt

management controls. First, lease-financing agreements may only be executed with the Alaska State Building Authority, a limitation that ensures uniformity and continuity in the state's lease-financing programs.

More importantly, secs. 9 -- 16 expand the responsibilities of the state bond committee (AS 37.15) to ensure that the broader credit implications are adequately assessed before the state enters into a lease-financing agreement. Under sec. 15, for example, proposed AS 37.15.770 authorizes the state bond committee to review any proposed lease-financing in detail and to prohibit or condition the sale of the debt instruments if it is in the best interests of the state to do so.

I observe that sec. 8 of this bill is similar to legislation that I proposed last session in the wake of the controversy surrounding the Anchorage Office Complex. The bill proposed last session (HB 392 and the identical SB 293) provided for project-specific legislative approval before execution of a lease-financing agreement. In the transmittal letter accompanying the initial bill, dated April 19, 1985 (1985 H.J., p. 1001, and 1985 S.J., p. 856), I noted that the provision of project-specific legislative approval posed substantial constitutional problems. Both the constitutional doctrine of separation of powers and the constitutional prohibition against special and local legislation place in serious legal doubt any statutory requirement to seek project-specific approval. And public finance is the worst forum to interject such a substantial legal uncertainty. Accordingly, the present bill does not propose project-specific approval. To do so, in my view, would impermissibly intrude upon the constitutional prerogatives of future governors. Although I believe it inappropriate to require project-specific approval as a matter of law, I reaffirm my personal commitment to seek legislative approval before the executive branch enters into any lease-financing agreement.

II.

The longer of these two bills that I am transmitting makes several changes to the state's support of public school construction. Most notable of the significant changes proposed under this bill is a cap is placed upon the amount of municipal debt obligations for which the state will provide reimbursement. Municipalities issuing debt to finance school construction will pay the interest costs, while the state will pay the principal in equal payments up

to an aggregate amount of \$10,000,000 in any year for debt approved by local voters after March 31, 1986.

The state presently provides, in addition to its municipal grant program, three forms of aid for school construction. Under AS 14.11.010 all school districts may apply to the Department of Education for an appropriation for school construction projects for which the department may request, in order of priority, appropriations from the legislature. If an appropriation for a school construction project is made, the school district may, under AS 14.11.020, request the assumption of the state's responsibility to plan, design, and construct the particular project. The department provides for the assumption of the responsibility by executing a grant agreement with the school district.

AS 14.11.100 provides two additional forms of state aid for public school construction which are only available to municipal school districts. The state reimburses municipal debt service payments in varying percentages which, because of amendments made in ch. 78, SLA 1985, are at least 80 percent. The state also reimburses a municipality for at least 80 percent of its cash payments used for school construction. To receive reimbursement of either debt service or cash payments, the municipality must first quantify the need for the project and provide a description of the project and an estimate of its cost. The Department of Education reviews the project and its justification, and, when appropriate, grants its approval of the project and its estimated costs. The next step is approval of the municipality's voters to sell the bonds. If the local voters approve the sale of the bonds, the state will reimburse the costs of debt service by requesting money in each year's budget.

There are several weaknesses in the state's present programs of financing school construction.

First, there are inadequate procedures to ensure that the estimates of project costs are reasonable. Before 1982, the administration of the school construction grant program was shared by the Department of Education and the Department of Transportation and Public Facilities. Chapter 92, SLA 1982 transferred all responsibility for the state's construction grant program to the Department of Education. This same weakness exists under AS 14.11.100.

The second major failing is that there is no ceiling for the amount of money which the state will be requested to reim-

burse under AS 14.11.100. In the proposed FY 1987 state budget, approximately \$106,000,000 in municipal debt service payments is requested to continue existing level of debt.

During the last session of this legislature, the percentage of reimbursement for debt service costs was increased to 80 percent, although allowable projects were limited to facilities necessary for increased enrollment or to correct health and safety problems. The result of last session's amendments to AS 14.11.100 has been an identification of required projects with approval of the projects closely followed by local bond elections. These recent municipal elections have authorized approximately \$12,500,000 of new municipal debt for which local communities will seek reimbursement from the state for debt service costs. I anticipate, if all of this newly authorized debt is incurred in the near term, that the impact on the debt retirement program could be as much as an additional \$45,000,000 in requested reimbursements in FY 1987. I intend to support this additional funding as soon as the amount is determined and necessary debt management legislation is passed.

I, of course, recognize that there are municipalities in the state which have experienced significant population increases, and which therefore need the construction of new schools. I believe that these existing needs should be met at the current levels of state support. However, the future of state revenues and the need for new schools are uncertain. Consequently, I believe that different approaches need to be applied to the way the state considers all school construction in the state.

With discipline and altered approaches to the school construction, I believe that the state and its municipalities can contain state-supported debt and still allow for adequate state support of school construction.

This bill changes procedures for reviewing and approving school projects.

Section 1 amends AS 14.08.151. These amendments are desirable to clarify the manner in which the state conveys title to school sites to regional education attendance areas.

Section 2 amends AS 14.11.010(b) by requiring the Department of Education to request cost estimates from the Department of Transportation and Public Facilities and to base its

project approval upon that cost estimate. This same requirement is found in sec. 11 in amendments to AS 14.11.102, which relates to project approval for the debt retirement program. Section 14 contains new authority for DOT/PF to estimate construction costs for all school projects financed by appropriations and debt retirement. Included within that authority is the responsibility to establish design standards.

Section 3 of the bill amends AS 14.11.010(c) by adding new criteria, relating to population trends and the condition of facilities, which the Department of Education will consider when approving projects for appropriation. These amendments are also applicable to the debt retirement program under language found in sec. 11.

Section 4 proposes new language that will require school districts requesting state aid to inventory and inspect the schools in their districts and to revise that inventory on a yearly basis. The provisions of this section also require that school districts provide information relating to maintenance and operation costs. This information regarding existing school facilities will enable the state to better analyze new projects that the state will be asked to finance by appropriation or by debt reimbursement.

Sections 5 and 6 limit the state's reimbursement of school debt to principal only for approved projects financed by new municipal debt authorized by local voters after March 30, 1986. If the debt was authorized by local voters before April 1, 1986, the state's reimbursement continues as before. The state's reimbursement of cash payments by municipalities ends for payments made after June 30, 1986.

Section 7 amends AS 14.11.100(b) by offsetting the amount that the municipality receives for debt reimbursement by the amount of interest earned on the proceeds of bonds sold for a particular project. This amendment parallels existing law found in AS 14.11.100(k), which is repealed in sec. 16.

Sections 8, 9, and 10 contain a number of amendments to AS 14.11.100(h), (i), and (j), respectively, which are necessary to reflect the new class of reimbursement under the language proposed in AS 14.11.100(a)(5) in sec. 6 of the bill. Section 10 has a fiscal impact. It amends AS 14.11.100(j)(2) to allow refunding of bonds only in those situations where there is at least a five percent saving in debt service costs. It also amends AS 14.11.100(j)(3) by requiring that the principal on bonds be reimbursed in equal

annual payments over a period of 10 years or a term set by the state bond committee.

Under sec. 12, the Department of Education will continue to allocate money to reimburse municipal debt. However, a cap on reimbursement is placed upon debt authorized by local voters after April 1, 1986. The department may only allocate money for the reimbursement of principal paid on new debt if the new payments, when combined with all other reimbursements under this class of debt, do not exceed the \$10,000,000 or an amount set by the state bond committee. This mechanism will have two results. It puts a cap on state-supported debt, but, with discipline, it will enable municipalities to construct needed school projects in addition to those that are financed by bonds authorized by local voters before April 1, 1986.

Section 13 amends AS 14.11.135(3) by changing the definition of school construction costs. It excludes all financing costs for debt authorized by local voters after March 31, 1986.

Section 14 adds three new sections to AS 35.15. Under the proposed language, the Department of Transportation and Public Facilities will estimate the costs of all school construction projects under common design standards that it will develop.

Section 15 amends AS 37.15 to give the state bond committee the ability to manage state-supported school debt, which is accomplished under two different mechanisms. First, it may establish a higher or lower ceiling for allocations for reimbursement of new authorizations of school debt under AS 14.11.100(a)(6) (found in sec. 6), depending on the state's credit standing as well as on the needs for school construction. Second, it may control the term of the obligations to ensure that their maturity structure does not adversely affect the state's credit standing. While a 10-year term is allowed by the proposed provisions of AS 14.11.100(j)(2) (found in sec. 10), the committee is accorded the ability to set a different term when it is in the state's best interest.

It is our intent with the language in sec. 17 to develop a long range plan for the state's school construction through the end of the century. The necessary components of this plan would include projected enrollments under reasonable population projections, construction costs, design parameters, and financing techniques. It is our hope that,

after the completion of the plan, a rational mechanism can be put in place to provide for the state's public school construction needs which is within the state's ability to pay.

III.

Continued economic prosperity for all sectors of the Alaska economy is in part inextricably tied to more rigorous state debt management. These two bills, as well as legislation relating to responsible limitation on municipal debt, promote more responsible state debt management. Alaska's credit standing is, of course, in part dependent on factors beyond our control. That the state cannot control all relevant factors is no excuse, however, for the inadequate management of those factors within our control. I believe that it is critical that the state become more sensitive to the long-term credit implications of each isolated funding decision. These two bills provide for responsible yet flexible state debt management, and I urge your prompt consideration and approval of these measures.

Sincerely,

A handwritten signature in cursive script, reading "Bill Sheffield".

Bill Sheffield
Governor

**HOUSE
COMMITTEE REPORT**

(7)

Date referred: 3/24/86

FURTHER REFERRALS: FINANCE

DATE: _____
The COMMUNITY AND REGIONAL AFFAIRS Committee has considered HB 520

"An Act relating to public school construction; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with _____ same title
- new title

and recommends _____

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

[Signature]
[Signature]
[Signature]

SIGNING OTHER RECOMMENDATIONS:

A. M. MARROU No Rec.
F. Kayzellia No Rec.

[Signature]
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CSHB - 520 (C & RA)
 Title : ... public school construction..

Sponsor : Governor
 Requestor : House C & RA
 Date of Request : March 26, 1986

FISCAL DETAIL

Agency Affected : Department of Education
 BRU : Education Finance and Support Services

Components : Facilities
Debt Retirement

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL SUPPLIES		100.0	0	0	0	0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		100.0	0	0	0	0

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		100.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL		100.0	0	0	0	0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

FY 87 costs are estimated amounts necessary to develop and implement models for cost estimation and life cycle analysis.

Prepared by: Steve Hote *Hote* Phone: 465-2800
 Division: Commissioner's Office Date: March 27, 1986

Approved by Commissioner: Marshall L. Lind Date: March 27, 1986
 Agency: Department of Education

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

March 27, 1986

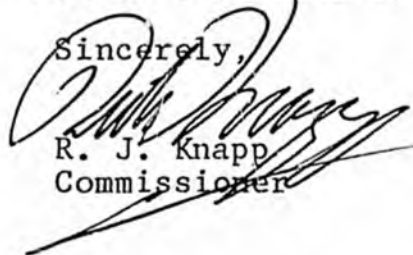
The Honorable Peter Goll
Representative
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811

Dear Representative Goll:

This is to confirm the telephone discussion between you and John Simpson of this office on March 26 regarding the House Community and Regional Affairs' committee substitute for House Bill 520 (school construction).

The funding and position requirement by the Department of Transportation and Public Facilities for the Community and Regional Affairs' substitute for HB 520 would be zero.

Sincerely,



R. J. Knapp
Commissioner

cc: Susan Fleischhauer, Legislative Liaison
John Simpson, Director, HQ, Engineering & Operations
Standards