

**ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2**

**3957 SHEB SB 319 - SB 351**

833

## QUESTIONS AND ANSWERS

### Why do we need this legislation?

State and federal laws require every handicapped child to receive a free, appropriate public education in the least restrictive environment. Because of the small number of special education students with certain kinds of handicapping conditions, each school district or REAA cannot afford to hire a specialist or a variety of specialists to meet the unique needs of each child. An outreach agency which employs specialists to travel to several districts is a cost-effective, efficient way to reach all students in their home villages or schools.

### Aren't these specialists available in the private sector?

No. There are no blind/vision impaired specialists in the private sector in Alaska. Nor are there deaf education specialists, or specialists to work with non-ambulatory, non-verbal, severely mentally retarded children or children with a combination of severe handicaps. There are private psychologists and this legislation would not in any way compete or supplant those existing services.

### Why not just give the money to school districts to buy their own services?

If you divided the funds between the 55 school districts, each district would receive about \$27,000 additional dollars. Some districts would not need all the services this year while another district might have several new severely handicapped students enroll in school and not have enough funding to purchase the services. Since the required specialists are not available in the private sector, school districts won't be able to find a provider from whom to purchase the services.

If each district has to negotiate separate contracts for the variety of services needed for each child, more of the local administrators' time will be devoted to this activity and for scheduling and handling logistics.

As proposed there would be one agency responsible for being "on call" to all school districts. By coordinating and centralizing the services, a greater degree of comprehensiveness, stability and efficiency can be achieved.

### If private sector people were available, wouldn't the services be cheaper?

No. Costs of the outreach services would be averaged across all those students and districts being served. An outreach agency teacher would be on regular salary rather than on an hourly fee for service, and travelling on a per diem rate rather than a flat fee per day working out of the office. Current daily rates for private consultants in psychological services or physical therapy (services not provided by the outreach agency) range from \$275 to \$450 per day not including travel or per diem or overhead costs.

### Aren't the districts already supposed to be serving these children?

Yes, they are. And the districts are serving them. The difficulty is that a single small district cannot afford to hire a specialist just for one or two hard-to-serve students. What the cooperative service agency will do is to provide the specialized services while the local district provides the basic service through its special education program. The district or REAA employs the child's regular classroom teacher and/or aide and provides the direct service on a day-to-day basis. ✓

So what exactly would the special education outreach service agency do?

The outreach service agency sends a specialist in the area of the child's disability to develop specialized materials, train the local teacher or aide, show how services can be provided, set up intervention strategies and monitoring systems, develop home/school programs, assess students, provide audio/visual materials, adapt existing curricula or materials, or provide in-service training to local teachers. In between on-site visits, the outreach specialist does follow-up by phone, sends materials, researches additional resources, coordinates ancillary services, and may be contacted by the district or REAA at any time.

For example, in the case of a blind student, a specialist for the blind/visually impaired may help a local school teach braille, provide braille coursework by transcribing textbook materials, provide curriculum materials, train local teachers to work with the student in learning to use a cane to travel in the school, and supply necessary braille equipment, listening tapes, and other special materials.

Over several on-site visits, the outreach specialist may assess the student and staff needs through observation, testing, and consultation, then help develop a written instructional program for the student along with behavioral objectives, and then train the local teacher to provide the day-to-day services with back-up materials supplied on a regular basis from the outreach service agency.

How many students are we talking about in Alaska?

At any given time, there may be two to five per cent of the special education population in need of some specialized outreach services. Over the past four years when the services were begun in Alaska and provided through a contract, a total of 436 students were served:

FY 83	FY 84	FY 85	FY 86 est
219	219	255	275

It is estimated that over 300 would be served in F87 by the new service agency.

How many districts need the services in a year?

Right now there are 44 districts utilizing the contract services. Last year 46 districts requested services.

Are there any students not being served who need services now?

As of February 6, 1986 twenty-four (24) handicapped students in eleven school districts are on a waiting list for services.

How does Alaska compare with other states in the provision of these kinds of services?

On a percentage basis, Alaska is about average in the number of handicapped students served through special education programs, about 11%. Some states serve as few as 7 or 8%, some as high as 14%.

Because of the small population and the dispersal of students in small rural schools, Alaska faces a number of problems in serving each handicapped child. Problems relating to special education services, ranked in the top ten by Alaska school districts, include staff development, involving parents, ability to provide support services, services to low-incidence students, funding, distances between schools and services, and retention of teachers and aides (Anderson, 1985).

Across the country 37 states developed cooperative service units, intermediate service agencies, regional units, county school offices, and other educational service agencies in the 1970s as a means of providing services in the most efficient manner.

The recent national focus on the quality of education is causing a resurgence of such effort, both for "general" education cooperatives (in program areas of financing, staffing, recruitment, staff development, instructional materials) and for special education cooperatives to provide services covered by CSSB 319 and HB 543. As state boards of education have moved to increase course requirements for math, computers, science, foreign languages, language arts, and social studies, small, isolated rural school districts are being given an even tougher challenge to provide quality education services.

"While general education offers unique challenges for rural educators, providing services to special needs children seems to magnify these challenges" (Hensley, 1966). Benefits of cooperative programs are cited as "cost efficiency, retaining local autonomy, compliance, access to specialists, and better teacher retention" (Widvey et al, 1985).

If the delivery of services has been successful in Alaska since 1981, why not leave it as a contract for services which goes out to bid?

A number of services are not provided which are needed because funds have been cut mid-year during the last two years. Recruitment and retention of specialists has been a continuing problem as the contracting agency does not know from year to year what the funding level will be or whether a different contractor will receive the contract, or whether the Department of Education will further limit or change the kinds of services provided.

Also, as a contract program, the department must go out to bid for the services. The department could decide to go to bid annually, every two years, every three years or not at all. Because of shortages of funds to pay for out-of-state transfers, the department has discussed cutting outreach services by as much as \$650,000 in F87 even though this would mean more students would ultimately be sent away from home to special schools.

As a service which is part of the state's system of public education, the outreach services should be a part of that system, not an optional service if the funds happen to be available from year to year.

How will recruitment and retention be improved if the legislation passes?

Over the past four years six specialists have left the outreach services contractor and gone to work for school districts (one multi-handicapped and one blind specialist to Kenai, two blind specialists to Anchorage, one orthopedically handicapped and one blind/visually impaired specialist to Mat-Su). While helping districts recruit specialists should be one of the stated objectives of the agency, it should not occur as a result of a non-competitive hiring situation. Contractor salaries are lower than school district salaries in Anchorage, employees have not had access to benefits such as retirement, they have worked more days per year, and they may have been required to travel half time.

There is a nation-wide shortage of specialized teachers. The contractor has had one vacancy for a blind/visually impaired orientation and mobility specialist for two years. To serve orthopedically handicapped students, there has been one position unfilled for a year. For deaf/hearing impaired specialists the recruitment period is six months. The contractor has never been able to recruit a language specialist for the multi-handicapped.

By having a public agency with access to the teachers' retirement system or the public employees' retirement system, the agency will be better able to compete with districts in recruitment of personnel. By having a permanent agency established, a greater degree of job security will be afforded. Even with these improvements, the rate of turnover would be expected to exceed that of local districts because of travel demands and other factors.

Won't it cost a lot more per year to provide these benefit options to agency employees?

At the present time the FICA contributions for the kinds of personnel that would be employed by the new agency are about \$61,000 per year. The TRS and PERS costs to the agency are estimated at \$70,000.

What would it cost to have salaries at the same level as the Anchorage School District salary schedule?

Using the 18 positions budgeted under the current DOE contract it would cost about \$26,000 to reach parity.

It should be noted that entry level for program specialists would be expected to be a master's degree with certification in the specialty area plus three years of experience. For most districts, entry level in special education is a bachelor's degree and a general teaching certificate.

How much will it cost to have an agency board?

For an eleven member board to meet four times a year and to hold teleconferences, cost is estimated at \$16,000 as travel can be arranged to coincide with other education meetings such as the superintendents' or school boards' or special education directors' conferences.

What services are not provided that would be able to be provided by the new agency?

Due to limited funding and budget cuts, the funding for outreach services has not kept pace with the number of students needing services or with the other specialized programs funded by the state such as the State Program for the Deaf, the Multi-Handicapped Program, or the API Program, all operated by the Anchorage School District (but not on competitive bid award like the outreach services).

Consequently a number of basic services are not provided:

COST	STAFF	SERVICES	PURPOSE
\$70.0	2	Diagnostic/ Therapy	Lack of multi-handicapped therapy services; need increased frequency and more services
5.0	0	Program and Staff Development	Advise districts/REAs on needed services, how to develop local programs, help with recruitment and training, provide advanced training for outreach personnel
30.0	0	Summer Program for Blind Students	Orientation to an urban setting and other specialized training for blind/visually impaired students (12-15/summer) for two weeks
15.0		Central Site Training	One week training at a demo site for 15-20 rural teachers per year
15.0		Workshops	Specialists brought to a central location or to rural districts to give workshops to teachers and aides in areas such as language development for severely multi-handicapped
15.0		Materials and Equipment Loan	Loan to districts for short-term use and try-out to save districts from purchase of expensive equipment that is not appropriate
5.0		Equipment Repair	Repair and maintain equipment on hand

All of the above services were provided prior to F85 except for the purchase of materials and equipment. The services were cut due to contract reductions and restrictions. DOE has instituted a policy to involve the outreach contractor in planning of all out-of-district transfers. No increased funds were allotted for this service in F86.

Would the service agency be competing with existing private providers?

Because the education specialists are not available in the private sector, there is no competition factor to be considered. Because basic diagnostic work and school psychologist services would not be within the framework of the service agency, the public and private sector services would complement each other.

SEERC

How many students will be served?

About 300 children will be served annually by about 20 specialized personnel at a cost of \$1.5 million, about fifty more students and \$200,000 more than currently budgeted in F86.

What is the time frame for implementing these services?

Time is of the essence in implementing this legislation. The services authorized must be available to school districts in the fall of 1986. Transition from a contract program which expires June 30th to full services under a new public agency must be accomplished quickly. The Commissioner of Education will have to appoint a board, and personnel will have to be recruited. Local districts are preparing their fall 1986 programs and budgets now. They must know that services will be available so their budgets can be finalized and students' individual education programs designed.

What about local control?

Local school districts have the primary responsibility for providing educational services. Therefore, within broad state and federal guidelines, local districts determine their own needs and services. The special education outreach agency will only serve exceptional students at the request of a local district.

For example, a district would initiate a referral to the agency when the district determines it cannot provide services required under the law to a particular student. The agency would take a look at the student's needs in concert with the local district. A service plan would be prepared and signed off by the local district. The services would then be delivered, and, at regular frequencies, the local district or REAA would evaluate, modify, and monitor the service.

By establishing a board with representation from school administrators, special education directors, teachers, and local parents of children requiring outreach services, responsiveness to local needs will be insured. Seven of the eleven board members would represent these constituencies.

Also, by having an agency separate from the Department of Education, but related to it by regulation, funding, and appointment of board members, a balance between department control and local control can be achieved.

A public board means public scrutiny of policies and operations and this, in turn, assures long-term viability and responsiveness of services.

Why not have the service provided by the Department of Education?

The original SB 319 called for the department to employ the personnel and provide the services. Two problems exist with that option. First, the department's role is administrative, regulatory, and consultative.

Second, the cost of creating 20 or more state positions at the Education Specialist level and range would be more than the amount currently projected to operate the total program including travel, overhead, equipment, and associated costs.

What is the rationale for the funding mechanism?

First, funding for the outreach services must be stable. This is essential to guarantee that the services will be there when students and districts need them.

Second, funding must not come out of the foundation account. The foundation funding is to cover regular, on-going local district services. It is not designed to cover extraordinary costs such as school construction, or the costs of special schools, or the unpredictable, fluctuating costs of outreach services for these hard-to-serve handicapped students.

Given the possibility of reduced foundation funding over-all for some rural districts, and the fact that there has been no increase in foundation funding the past three years, the idea of taking the outreach services funding from the foundation account or charging districts for the services would be a "double whammy".

To give a funding floor for the outreach services, the proposed funding mechanism would be related to state funding for special education and to the number of students enrolled in special education programs. When over-all dollars for education increase or decrease, funding for the outreach services would increase or decrease. When special education enrollments increase, the need for outreach services will increase, and so funding will be related to that increase.

Since about two per cent of the state's special education students may need outreach services each year, an amount equal to two per cent of the funds appropriated for special education would be allocated to the special education service agency. Under the proposed DOE foundation proposal about \$63 to 65 million would be generated statewide for special education. Two per cent would be about \$1.3 million.

Based on \$100 per student in special education, an approach used in several other states, the 15,000 special education students would provide a base of \$1.5 million for the services.

The proposed legislation provides a base level of funding tied to these two important variables, state appropriations for education and student enrollments, and would not preclude districts from paying for additional services if this was mutually agreed. Nor would it preclude utilizing other agencies as agents or sub-contractors for services.

These principles are consistent with the principles used in school funding in Alaska and across the country: more students in more schools generate more dollars, and education funding changes based on state and local economic conditions.

If the funding were based on actual cost per student or dollars per student/district, there would be big fluctuations from fall to spring, and from year to year, with a constant game of "catch up" to what is needed, thus defeating the purpose of stabilizing the funding and insuring efficiency and continuity of service.

Why not have the funding level left to the annual discretion of DOE?

Discretionary funding does not provide stability or continuity from year to year. As discussed above, the services budget has been cut mid-year during the last two years: \$130,000 or about 10% in F85 and now another \$60,000 in F86.

A look at the funding levels for contract programs shows that the outreach services have been decreased while others programs have increased.

DOE CONTRACT PROGRAMS-SCHOOLS FOR THE HANDICAPPED

Program	#	F85	F86	Increase	% +/-	Cost/Student
OUTREACH	250	1,400.0	1,300.0	(100.0)	- 7.1	5,200
A.P.I.	20	206.1	247.8	41.7	+20.2	12,390
DEAF	60	1,294.5	1,407.3	112.8	+ 8.7	23,455
MULTI-HDCP	80	1,272.5	1,429.8	157.3	+12.3	17,872
A.N.M.C.	10	106.1	-0-	(106.1)	-100.0	-0-
OUT/STATE	9	400.0	40.2	(359.8)	- 90.0	60,000*
Total	429	4,679.2	4,425.2	(254.1)	- 5.4	

Note that the \$254,100 decrease from F85 to F86 was a transfer of funds to a new BRU for the Youth in Detention programs at McLaughlin, Fairbanks Youth Facility, and Johnson Human Services Center. The Alaska Native Medical Center services were eliminated in F86.

The API, Deaf, and Multi-Handicapped programs are contracted to the Anchorage School District and do not go out to bid.

\* Estimated average cost/student for an out-of-state 12 month placement.

Offered: 3/17/86  
Referred: Finance

*funding - p. 4*

*file SB 319*

Original sponsors: Duncan and Thompson

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 543 (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 creating the special education service agen-  
7 cy."

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

9 \* Section 1. PURPOSE. It is the purpose of this Act to

10 (1) assist districts and rural educational attendance areas to  
11 make more special education and related services available to exceptional  
12 children, as that term is defined in AS 14.30.350(4);

13 (2) encourage cooperation between districts and education  
14 agencies in making special educational programs and services available to  
15 these children;

16 (3) ensure that qualified specialists are available to assist  
17 districts in the provision of free appropriate public education services  
18 for those exceptional children that are difficult to serve, without regard  
19 to their location in the state.

20 \* Sec. 2. AS 14.30 is amended by adding new sections to read:

21 ARTICLE 8. SPECIAL EDUCATION SERVICE AGENCY.

22 Sec. 14.30.600. AGENCY ESTABLISHED. There is established, as a  
23 public organization, a special education service agency.

24 Sec. 14.30.610. GOVERNING BOARD. (a) The agency shall be gov-  
25 erned by an 11 member board appointed by the state Board of Education.  
26 The board consists of

27 (1) one member from the Governor's Council for the Handi-  
28 capped and Gifted;

29 (2) one member from the Department of Education;

1           (3) five members who are special education teachers or  
2 directors, school administrators, or higher education or teacher  
3 training representatives;

4           (4) two members who are parents of children requiring  
5 special education outreach services;

6           (5) one member from the Department of Health and Social  
7 Services;

8           (6) one public member.

9           (b) The seven members appointed under (a)(3) - (4) of this  
10 section shall be chosen with due regard to geographically balanced  
11 representation of areas of the state and to representation of persons  
12 with a variety of different special education needs.

13           Sec. 14.30.620. TERMS, VACANCIES, AND COMPENSATION. (a) The  
14 term of office of a board member is three years.

15           (b) A vacancy occurring during a term of office shall be filled  
16 in the same manner as the original appointment. A member appointed to  
17 fill a vacancy serves for the unexpired term of the member the new  
18 appointee succeeded.

19           (c) Board members receive no salary but are entitled to per diem  
20 and travel expenses authorized by law for other boards and commis-  
21 sions.

22           Sec. 14.30.630. BYLAWS. The board, in consultation with the  
23 department and on the approval of a majority of the members of the  
24 board, shall adopt and amend bylaws for the operation of the agency  
25 and the board.

26           Sec. 14.30.640. EMPLOYEES. Employees of the agency are not in  
27 the state service and are not subject to the State Personnel Act  
28 (AS 39.25). However, employees of the agency shall be members of  
29 either the Teachers' Retirement System (A 14.25) or the Public

1 Employees' Retirement System (AS 39.35) and are subject to the  
2 provisions of AS 14.20.550 - 14.20.610.

3 Sec. 14.30.650. POWERS AND DUTIES. (a) The board may

4 (1) receive and expend public and private funds to carry  
5 out the purposes of the agency;

6 (2) contract with the department and other public or pri-  
7 vate agencies for the provision of special education or related ser-  
8 vices;

9 (3) do whatever is necessary to carry out the purposes of  
10 AS 14.30.600 - 14.30.680.

11 (b) The board shall

12 (1) provide special education services including

13 (A) itinerant outreach services to deaf, deaf-blind,  
14 mentally retarded, hearing impaired, blind and visually impaired,  
15 orthopedically handicapped, other health-impaired, severely  
16 emotionally disturbed, and multi-handicapped students;

17 (B) special education instructional support and train-  
18 ing of local school district special education personnel; and

19 (C) other services the board determines to be appro-  
20 priate to special education needs;

21 (2) hire an executive director and approve the employment  
22 of personnel necessary to operate the agency;

23 (3) provide for an annual audit of the agency;

24 (4) provide the department with a three-year plan of opera-  
25 tion including a description of the services to be offered by the  
26 agency, the method by which the services will be evaluated, informa-  
27 tion on the number of students and school district personnel to be  
28 served, a schedule of funds available to the agency from all sources,  
29 and other information that may be required by the department by

1 regulation;

2 (5) present an annual budget to the department.

3 Sec. 14.30.660. ELIGIBILITY FOR SERVICE. The services of the  
4 agency shall be available to school districts that serve children  
5 whose special education needs occur infrequently, who require special-  
6 ized services not normally available in the school district, and who  
7 cannot be easily served by local school district personnel because of  
8 the low number of students in the district in need of the particular  
9 service. The agency may provide services to exceptional children, as  
10 that term is defined in AS 14.30.350.

11 Sec. 14.30.670. FUNDING. Each fiscal year the department shall  
12 recommend to the legislature an appropriate amount of funding for the  
13 agency.

14 Sec. 14.30.680. DEFINITIONS. In AS 14.30.600 - 14.30.680,  
15 unless the context otherwise requires,

16 (1) "agency" means the special education service agency;

17 (2) "board" means the governing board of the special educa-  
18 tion service agency.

19 \* Sec. 3. AS 14.25 is amended by adding a new section to read:

20 Sec. 14.25.047. PARTICIPATION BY SPECIAL EDUCATION AGENCY EM-  
21 PLOYEES. An employee of the Special Education Agency may participate  
22 in the retirement fund under this chapter if

23 (1) the employee possesses or is eligible to possess a  
24 teacher certificate under AS 14.20.020; and

25 (2) the employee pays all retroactive contributions re-  
26 quired to be made under this chapter.

27 \* Sec. 4. AS 14.25.220(20) is amended to read:

28 (20) "membership service" means

29 (A) full or part-time service as a teacher in a public

1 school in the Territory or State of Alaska, or both, under the  
2 supervision and control of the Territorial Board of Education or  
3 the Department of Education or the school board of a city, re-  
4 gional educational attendance area, or borough school district;

5 (B) full-time or part-time teaching at the University  
6 of Alaska or a full-time administrative position at the Universi-  
7 ty of Alaska which requires academic standing and which has been  
8 approved for inclusion in the system by the administrator;

9 (C) any period during which the teacher receives a  
10 disability benefit under this system or is on an approved sabbat-  
11 ical leave granted in accordance with AS 14.20.310; [OR]

12 (D) continuous service as a state legislator when  
13 performed by a state legislator who elects membership under  
14 AS 14.25.040(b), subject to the requirements of AS 14.25.040(c);  
15 or

16 (E) full-time or part-time service as an employee of  
17 the Special Education Agency, subject to the requirements of  
18 AS 14.25.047;

19 \* Sec. 5. AS 44.66.010(a) is amended by adding a new paragraph to read:

20 (13) Special Education Service Agency (AS 14.30.600) -- June  
21 30, 1990.

22 \* Sec. 6. Notwithstanding AS 14.30.620(a), enacted by sec. 2 of this  
23 Act, the initial members of the governing board of the special education  
24 service agency, four shall serve a term of four years, five shall serve a  
25 term of three years, and two shall serve a term of two years. The initial  
26 terms shall be assigned to initial board members by the state Board of  
27 Education by lot.

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

5/9/55

Date 3-10-56

Mr. President

The Committee on HESS considered SB 319

special education cooperative service unit.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 319 (HESS)
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Chairman

Chairman recommendation

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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JUNEAU, ALASKA 99811  
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

*H/ESS 2-27-86 1:36 pm*

S B

z h b

Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: SB 345

Sponsor: Kerttula

Date referred to committee: 1-16-86

Synopsis completed:

Fiscal note:

Further referrals:

CONTACTS:

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

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SS SB-345  
 Title : ...State Support For Education  
 \_\_\_\_\_  
 Sponsor : Kerttula  
 Requestor : Senate HESS  
 Date of Request : February 5, 1986

**FISCAL DETAIL**

Agency Affected : Department of Education  
 BRU : Foundation Support  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

**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		117,871.0	117,871.0	117,871.0	117,871.0	117,871.0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		117,871.0	117,871.0	117,871.0	117,871.0	117,871.0

CAPITAL						
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REVENUE						
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND		117,871.0	117,871.0	117,871.0	117,871.0	117,871.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary See attached detail.

FY 87 cost: Governor's Budget 490,097.7  
 Bill Cost 607,968.7  
 Difference 117,871.0

Post FY 87 cost estimates have not been adjusted for inflation. Actual costs will vary due to reimbursement provisions of the bill.

Prepared by : Steve Hole Phone : 465-2800  
 Division : Commissioner's Office Date : February 5, 1986

Approved by Commissioner : Harold Reynolds, Jr. Date : February 5, 1986  
 Agency : Department of Education

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE- SPONSOR SUBSTITUTION -REAR  
 FEBRUARY 21, 1998

DISTRICT	COLLAGE	LIMITED	NON-PERSONNE	PERSONNEL	4% OF	2.5 MILL	STATE	FUND	ESTIMATED	STATE
		TO USE	AMOUNT FROM	FUND	PERSONNEL \$	PAID	AMOUNT	FORMULA	INTEREST	ENTITLEMENT
		NON-PERSONNEL	FISCAL	PERSONNEL	NON-PERSONNEL	\$100,000			SP. 01	
ADAK	3,075,241	548,469	1,856,008	5,244,046	2,097,149		1,139,100	3,145,107		3,145,107
ALASKA GATEWAY	3,075,103	768,777	1,372,853	4,467,171	1,731,859		741,771	3,228,771		3,228,771
ALUTIANS	500,445	130,304	724,255	1,204,771	501,908		112,029	1,191,741		1,191,741
ANCHORAGE	107,450,452	51,562,131	27,815,897	225,213,166	125,715,225	55,042,925	211,182	213,957,465	2250000	226,127,465
ANNETTE	2,402,555	600,943	1,194,467	3,395,139	1,435,224		1,488,491	1,158,222		1,158,222
BERING STRAITS	2,014,532	2,501,171	7,847,122	16,551,805	3,527,722		41,111,168	12,410,730		12,410,730
BRISTOL BAY	1,905,950	475,498	818,365	2,724,332	1,035,841	255,125	330,511	1,158,144		1,158,144
CHATHAM	1,532,537	363,134	1,426,726	2,169,263	1,197,705		937,175	1,161,534		1,161,534
CHUGACH	564,640	141,150	364,310	1,129,150	451,700		303,577	1,122,673		1,122,673
COPPER RIVER	3,099,355	774,954	393,358	4,093,133	1,337,477		119,130	3,174,363		3,174,363
CORDOVA	2,527,001	631,750	670,750	3,200,761	1,250,315	322,355	22,575	1,255,307		1,255,307
CRAIG	1,353,335	339,709	397,475	1,726,310	690,324	21,476	32,914	1,671,921		1,671,921
DELTA-GREELEY	3,623,566	1,455,892	2,318,702	6,142,268	3,256,907		1,132,226	3,290,641		3,290,641
DILLINGHAM	3,171,115	792,779	1,231,911	4,452,727	1,731,391		341,845	3,170,317		3,170,317
FAIRBANKS	57,224,064	16,806,016	11,612,366	64,030,060	33,612,032	14,823,492	0	31,791,588	1199500	70,581,088
SALENA	1,166,001	391,300	548,172	1,714,173	635,639		513,114	1,128,304		1,128,304
HAINES	2,640,583	660,146	732,975	3,373,558	1,349,423	228,809	44,127	3,100,612		3,100,612
HODENAH	1,502,324	400,306	356,393	1,958,417	733,367		220,433	1,737,984		1,737,984
KYDABURG	509,477	227,374	321,627	1,332,324	492,525		0	1,132,324		1,132,324
KOTIAROD	2,505,228	623,307	2,172,778	4,373,006	1,871,202		0	1,088,623		1,088,623
KUNEAU	24,319,532	6,075,663	3,524,574	30,399,416	12,159,766	5,546,861	30,070	24,822,484	500100	25,322,484
KAKE	1,538,350	354,312	321,344	2,359,094	943,637		502,213	1,856,875	50000	1,906,875
KASHUNAMUT	1,921,938	467,984		2,439,922	975,969		0	2,439,922		2,439,922
KENAI	42,439,022	10,609,756	11,719,621	54,158,643	21,675,537	11,413,767	212,071	42,560,235	233500	42,793,235
KETCHIKAN	12,140,279	3,635,070	2,863,745	14,954,024	5,993,610	2,263,948	3,056	12,709,968	233500	12,943,468
KING COVE	1,065,272	268,318	239,777	1,305,249	522,100		125,495	1,179,754		1,179,754
KLADOK	1,225,787	306,447	597,044	1,822,831	729,132		0	1,103,206	50000	1,153,206
KODIAK	11,231,451	2,820,363	2,876,462	14,157,913	5,663,165	1,193,297	251,954	12,002,652	216300	12,218,652
KUSKOK	2,568,031	642,008	3,082,413	3,250,444	2,260,178		1,100,652	4,549,786	30000	4,579,786
LAKE & PENINSU	2,020,927	505,157	2,503,334	4,524,511	1,809,804		1,322,920	3,201,891		3,201,891
LOWER KUSHKOWI	18,548,200	4,637,050	7,122,172	25,670,372	10,268,149		0	6,543,466		19,126,906
LOWER YUKON	10,595,935	2,648,933	3,330,439	13,926,372	6,270,549		0	3,699,330		3,699,330
MAT-SU	44,117,682	11,029,416	5,072,225	55,147,073	22,058,831	8,183,922	26,277	46,924,879		46,924,879
NEENANA	1,097,182	274,295	845,546	1,942,723	777,091		1,642	1,140,336		1,140,336
NOOME	3,760,757	1,440,199	1,679,010	7,439,807	2,975,923	303,495	52,126	7,037,164	50000	7,089,164
NORTH SLOPE	2,273,549	2,318,912	3,364,051	17,639,700	7,055,880	44,963,734	4,142,123	10,583,820		10,583,820
NORTHWEST ARCT	12,328,916	3,081,729	5,861,195	17,908,111	7,163,245		0	3,730,420		3,730,420
PELLICAN	537,368	134,342	225,971	763,339	305,336		0	763,339		763,339
PETERSBURG	3,040,877	760,219	723,329	3,764,206	1,505,683	464,266	9,929	3,290,610		3,290,610
PRIBILOFS	1,257,747	314,437	807,342	2,065,089	826,736		0	743,781		743,781
RADLEBELT	1,799,282	449,821	1,096,056	2,895,338	1,158,135		0	1,05,033		1,05,033
SAND POINT	978,453	241,615	295,771	1,274,229	509,692	148,304	0	1,125,425		1,125,425
SITKA	3,548,142	2,137,036	1,303,161	10,635,178	4,274,071	1,286,796	127,433	9,270,947	100000	9,370,947
SKAGWAY	1,007,955	251,939	174,635	1,259,943	503,977		0	1,153,379		1,153,379
SOUTHEAST ISLA	2,106,321	527,080	1,620,908	3,929,229	1,571,692		0	1,131,670		1,131,670
SOUTHWEST REGI	3,634,101	908,525	3,063,355	5,698,056	2,579,222		0	2,135,360		2,135,360
ST. MARY'S	1,198,094	299,524	632,254	1,830,348	732,139		0	475,116		475,116
TANANA	757,772	189,443	463,981	1,221,753	488,701		0	1,071,357		1,071,357
UNALASKA	1,215,720	304,180	706,521	1,923,241	769,296	268,583	182,133	1,472,526		1,472,526
VALDEZ	3,628,721	907,180	1,994,628	5,623,349	2,249,340	5,991,512	29,417	3,374,309	1300000	4,674,309
WRANGELL	3,023,745	755,936	415,451	3,779,681	1,511,873	291,150	2,524	3,465,996	66500	3,532,496
YAKUTAT	1,223,143	303,786	326,427	1,749,570	699,828		0	1,591,327		1,591,327
YUKON FLATS	2,527,503	631,876	2,115,676	4,642,679	1,857,032		0	1,726,114		1,726,114
YUKON KODYUKA	3,321,531	830,408	3,934,302	7,255,933	2,972,373		0	1,920,984		1,920,984
YUPIIT	1,914,432	476,608		2,393,040	957,216		0	2,393,040		2,393,040
CENTRALIZED CO	3,612,840	903,210		3,612,840	0		0	3,612,840		3,612,840
	265,686,271	142,422,066	143,519,024	756,878,463	291,306,249	153,903,934	46,410,234	601,559,171	6,379,500	607,938,671

file SB 345

## STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SB-345  
 Title : ...state support for education  
 \_\_\_\_\_  
 Sponsor : Kertulla  
 Requestor : Senate HESS  
 Date of Request : January 29, 1986

**FISCAL DETAIL**

Agency Affected : Education  
 BRU : Foundation Support  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

**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		(45,330.1)	(45,330.1)	(45,330.1)	(45,330.1)	(45,330.1)
MISCELLANEOUS						
<b>TOTAL OPERATING</b>						

CAPITAL						
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REVENUE						
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND		(45,330.1)	(45,330.1)	(45,330.1)	(45,330.1)	(45,330.1)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

See attached detail. FY 88 and succeeding fiscal years are approximate. Actual amounts will vary slightly due to reimbursement provisions of the bill. No inflation has been allowed.

Prepared by : Steve Holey *th - AR* Phone : 465-2800  
 Division : Commissioner's Office Date : 1/29/86

Approved by Commissioner : Harold Reynolds, Jr. Date : 1/29/86  
 Agency : Education

**Distribution (by Agency preparing fiscal note):**

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

Assumptions:

1. Kashunamiut has the same geographical factor as Lower Yukon.
2. Yupiit has the same geographical factor as Lower Yukon.
3. Non-personnel expenses are a one-year figure taken from the FY85 Fiscal Report. No attempt was made to average each non-personnel cost incurred by the district over the past two years. No judgements were made as to whether the amount is fairly representative of the district.

No non-personnel expense exists for Kashunamuit or Yupiit, therefore the 25 percent limitation is used.

4. Millage values are based on full and true value from the Alaska Taxable publication from Community & Regional Affairs.
5. Intensive special education amounts are estimates only, as data has not been collected in this manner for expense reimbursement. The estimates exist only in districts which reported intensive students on the initial FY87 enrollment report.
6. No special education numbers are available for Yupiit.
7. No amounts were added for supplemental programs.

fiscal note - se  
January 27, 1986

District	T & E (40%)	geog. factor	ENROLL- MENT
ADAK	1.179	0.08	607
ALASKA GATEWAY	1.198	0.1	516
ALEUTIANS	1.18	0.22	87
ANCHORAGE	1.358		40674
ANNETTE	1.144		413
BEERING STRAITS	1.076	0.16	1233
BRISTOL BAY	1.203	0.06	241
CHATHAM	1.205		306
CHUSACH	1.088		128.5
COPPER RIVER	1.302	0.06	575
CORDOVA	1.285		390
CRAIG	1.079		166
DELTA-GREELEY	1.22	0.06	1084
DILLINGHAM	1.251	0.1	485
FAIRBANKS	1.255	0.04	13431
GALENA	1.195	0.06	144
HAINES	1.305		350.5
HOENAH	1.223		214
HYDABURG	1		97
ICITAROD	1.252	0.08	399
JUNEAU	1.373		4700
KAKE	1.09		202
KASHUNAMIUT	1.152	0.22	166
KENAI	1.301		8547.6
KETCHIKAN	1.273		2439
KING COVE	1.235	0.1	120
KLADOCK	1.15		156
KODIAK	1.21		2278
KUSPUK	1.159	0.08	408
LAKE & PENINSULA	1.127	0.05	370
LOWER KUSKOKWIM	1.151	0.08	2575
LOWER YUKON	1.162	0.22	1256
MAT-SU	1.213		7365
NENANA	1.254		122
NOHE	1.293	0.16	850
NORTH SLOPE	1.224	0.26	1155
NORTHWEST ARCTIC	1.199	0.16	1526
PELICAN	1.301		54
PETERSBURG	1.323		596.5
PRIBILOFS	1.314	0.14	169
RAILBELT	1.262	0.06	357
SAND POINT	1.14	0.1	115
SITKA	1.352		1654
SKAGWAY	1.167		136
SOUTHEAST ISLAND	1.211		458
SOUTHWEST REGION	1.219	0.06	486
ST. MARY'S	1.084	0.06	115
TANANA	1.194	0.12	78
UNALASKA	1.308	0.1	141
VALDEZ	1.261		791
WRANGELL	1.35		451
YAKUTAT	1.169		157
YUKON FLATS	1.186	0.14	377
YUKON KOYUKUK	1.114	0.06	596
YUPIIT	1.029	0.08	285
CENTRALIZED CORR			924
			105854

FISCAL NOTE- SENATOR NERTTULA  
 JANUARY 27, 1986

District	DOLLARS	LIMITED TO 25% NON-PERSONNEL	NON-PERSONNEL AMOUNT FROM FISCAL 85 REVENUE	PERSONNEL PLUS NON-PERSONNEL	40% OF PERSONNEL & NON-PERSONNEL	3.5 MILLS MINUS \$100,000	PL874 AMOUNTS	FINAL FORMULA AMOUNT
ADAK	2,574,091	642,773	1,850,208	4,521,299	1,768,520	0	2,069,811	2,652,779
ALASKA GATEWAY	2,329,628	582,407	1,747,221	3,722,191	1,488,876	0	741,971	2,989,220
ALEUTIANS	394,254	98,563	295,691	1,178,009	471,444	0	114,029	1,064,580
ANCHORAGE	157,159,434	39,289,858	27,869,577	178,445,222	78,577,717	55,043,939	311,182	141,393,692
ANNETTE	1,820,949	455,237	1,365,712	3,005,356	1,208,142	0	1,486,491	1,809,214
BERING STRAITS	6,973,244	1,743,311	5,230,933	14,320,367	5,728,147	0	4,141,088	10,179,299
BRISTOL BAY	1,443,932	360,983	1,082,949	2,322,797	905,119	256,296	330,510	1,675,991
CHATHAM	1,161,013	290,253	870,760	2,597,739	1,039,095	0	937,379	1,601,360
CHUGACH	427,758	106,739	321,019	1,092,368	436,947	0	205,577	688,791
COPPER RIVER	2,348,375	587,394	1,760,981	3,342,213	1,336,835	0	119,130	3,223,083
CORDOVA	1,944,395	478,599	1,465,796	2,568,155	1,035,262	322,356	22,579	2,242,220
CRAIG	1,029,421	257,355	772,066	1,376,896	538,753	21,476	32,914	1,340,805
DELTA-GREELEY	4,411,793	1,102,548	3,309,245	6,730,495	2,692,198	0	1,352,226	3,476,263
DILLINGHAM	2,402,361	600,590	1,801,771	3,383,972	1,473,589	241,845	440,065	3,002,062
FAIRBANKS	50,927,321	12,731,830	38,195,491	63,859,151	25,463,650	14,638,492	0	49,020,659
GALENA	883,334	220,834	662,500	1,431,506	572,603	0	613,114	858,904
HAINES	2,000,442	500,110	1,500,332	2,733,417	1,095,367	228,609	44,127	2,460,481
HODNAH	1,213,855	303,414	910,441	1,570,048	628,019	0	220,433	1,349,614
HYDABURG	589,013	147,253	441,760	1,011,840	404,736	0	0	1,011,840
IOITAROD	1,877,900	474,475	1,403,425	4,070,878	1,628,271	0	1,388,825	2,781,853
JUNEAU	18,425,688	4,605,972	13,819,716	23,029,860	9,211,944	5,546,861	30,070	17,452,929
KAKE	1,165,189	291,297	873,892	1,786,233	794,493	0	502,218	1,484,615
KASHUNAMIUT	1,478,141	369,685	1,108,456	1,848,426	739,370	0	0	1,848,426
KENAI	32,150,774	8,037,694	24,113,080	43,900,595	17,560,238	11,415,767	212,791	32,272,037
KETCHIKAN	9,197,181	2,299,295	6,897,886	12,040,928	4,816,371	2,265,948	5,088	9,766,890
KING COVE	807,025	201,756	605,269	1,047,002	418,201	0	189,499	857,503
KLAWOCK	928,626	232,157	696,469	1,525,870	610,298	0	419,624	1,106,046
KODIAK	3,546,654	886,639	2,660,015	11,425,016	4,569,216	1,703,297	251,964	9,267,754
KUSKOK	1,945,478	486,370	1,459,108	3,027,891	1,211,156	0	1,100,656	3,927,233
LAKE & PENINSU	1,530,773	382,895	1,147,878	4,334,562	1,613,865	0	1,322,920	2,711,742
LOWER KUSKOWI	14,051,667	3,512,917	10,538,750	21,473,839	8,489,532	0	6,543,466	14,630,373
LOWER YUKON	3,027,222	756,805	2,270,417	13,357,881	5,343,064	0	5,699,330	8,014,596
MAT-SU	33,422,471	8,355,612	25,066,859	41,778,089	16,711,236	5,185,922	26,277	33,585,691
NENANA	831,199	207,800	623,399	1,378,745	570,898	0	1,842	1,674,702
NOME	4,364,240	1,091,050	3,273,190	6,043,250	2,417,300	308,495	92,128	5,842,627
NORTH SLOPE	7,027,007	1,756,752	5,270,255	13,391,058	5,156,423	4,968,754	4,142,133	9,234,535
NORTHWEST ARCT	9,338,575	2,334,643	7,003,932	14,919,768	5,967,907	0	3,730,416	11,189,353
PELICAN	407,097	101,774	305,323	633,068	253,227	0	0	633,068
PETERSBURG	2,303,695	575,924	1,727,771	3,957,924	1,540,810	664,268	9,929	2,552,828
PRIBILOFS	952,839	238,210	714,629	1,760,131	704,072	0	748,781	1,056,103
RAILBELT	1,363,093	340,773	1,022,320	2,459,149	983,659	0	106,088	2,353,081
SAND POINT	741,256	185,314	555,942	1,037,027	414,811	148,804	0	988,223
SITKA	6,475,865	1,618,966	4,856,899	8,094,632	3,237,933	1,286,798	127,433	6,880,601
SKAGWAY	763,602	190,901	572,701	934,503	381,801	104,565	0	849,928
SOUTHEAST ISLA	1,597,213	399,303	1,197,910	3,416,121	1,387,248	0	1,131,670	2,268,451
SOUTHWEST RESI	2,753,107	688,277	2,064,830	3,317,062	1,326,825	0	1,155,860	3,681,202
ST. MARY'S	907,847	226,912	680,935	1,539,901	615,960	0	475,116	1,064,785
TANANA	574,070	143,517	430,553	1,038,051	415,220	0	130,396	937,855
UNALASKA	921,758	230,439	691,319	1,628,279	651,311	268,583	182,133	1,177,542
VALDEZ	2,749,031	687,258	2,061,773	4,743,859	1,897,464	5,991,512	29,417	2,846,195
WRANGELL	2,290,716	572,679	1,718,037	2,863,395	1,145,358	291,150	2,534	2,569,712
YAKUTAT	926,623	231,656	694,967	1,453,050	581,220	0	158,243	1,294,808
YUKON FLATS	1,914,775	478,694	1,436,081	4,029,851	1,611,940	0	716,465	3,313,386
YUKON KODYUKUK	2,516,387	629,097	1,887,290	5,450,689	2,180,276	0	1,920,984	4,329,705
YUPIIT	1,450,327	362,582	1,087,745	1,812,909	723,164	0	0	1,812,909
CENTRALIZED CO	2,737,000	684,250	2,052,750	2,737,000	0	0	0	2,737,000
	431,582,023	107,895,506	323,686,517	596,980,627	237,697,531	153,903,934	46,310,234	444,767,567



FISCAL NOTE- 5  
 JANUARY 27, 19

District	FINAL FORMULA AMOUNT	ESTIMATED STATE INTENSIVE SP. ED.	STATE ENTITLEMENT
ADAK	2,652,779		2,652,779
ALASKA GATEWAY	2,980,220		2,980,220
ALEUTIANS	1,064,580		1,064,580
ANCHORAGE	141,093,692	2280000	143,373,692
ANNETTE	1,809,214		1,809,214
BERING STRAITS	10,179,299		10,179,299
BRISTOL BAY	1,675,991		1,675,991
CHATHAM	1,610,360		1,610,360
CHUGACH	666,791		666,791
COPPER RIVER	3,223,083		3,223,083
CORDOVA	2,243,220		2,243,220
CRAIG	1,342,506		1,342,506
DELTA-GREELEY	5,478,268		5,478,268
DILLINGHAM	3,002,062		3,002,062
FAIRBANKS	49,020,659	1199500	50,220,159
SALENA	353,904		353,904
HAINES	2,460,481		2,460,481
HOONAH	1,349,614		1,349,614
HYDABURG	1,011,840		1,011,840
IDITAROD	2,981,853		2,981,853
JUNEAU	17,452,929	500000	17,952,929
KASE	1,434,015	50000	1,534,015
KASHUNAMIUT	1,846,426		1,846,426
KENAI	32,272,037	233500	32,505,537
KETCHIKAN	9,766,890	263500	10,050,390
KING COVE	857,503		857,503
KLANOCK	1,156,046	50000	1,156,046
KOPIAK	9,267,754	216500	9,484,254
KUSPUK	3,927,233	50000	3,977,233
LAKE & PENINSU	2,711,742		2,711,742
LOWER KUSKOKWI	14,630,373		14,630,373
LOWER YUKON	8,014,596		8,014,596
MAT-SU	33,565,891		33,565,891
NENANA	1,674,902		1,674,902
NOME	5,642,627	50000	5,692,627
NORTH SLOPE	9,234,635		9,234,635
NORTHWEST ARCT	11,189,353		11,189,353
PELICAN	633,068		633,068
PETERSBURG	2,552,828		2,552,828
PRIBILOFS	1,056,108		1,056,108
RAILBELT	2,353,061		2,353,061
SAND POINT	888,223		888,223
SITKA	6,680,601	100000	6,780,601
SKAGWAY	849,938		849,938
SOUTHEAST ISLA	2,286,451		2,286,451
SOUTHWEST REGI	3,661,202		3,661,202
ST. MARY'S	1,064,785		1,064,785
TANANA	887,655		887,655
UNALASKA	1,177,563		1,177,563
VALDEZ	2,846,195	1300000	4,146,195
WRANGELL	2,569,712	66500	2,636,212
YAKUTAT	1,294,808		1,294,808
YUKON FLATS	3,313,386		3,313,386
YUKON KOYUKUK	4,529,705		4,529,705
YUPIIT	1,812,909		1,812,909
CENTRALIZED CO	2,737,000		2,737,000
	444,767,563	6,379,500	451,147,063



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

*James O. Smith*  
Signature of Camera Operator

*10/31/89*  
Date

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Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: 351  
Sponsor: P. Fischer  
Date referred to committee: 1-20-86  
Synopsis completed:  
Fiscal note:  
Further referrals:

CONTACTS:

✓ P. Fischer 3791 (ferry others)

✓ Bob Greene 6-1083

~~message~~ ✓ Don MacKinnon 6-9702 out of town -  
Admin. Assoc. supports.

~~message~~ ✓ Steve Hole 2800

✓ Larry Huxel 3865

message Linda Anderson 6-1977

message ✓ ~~Margo <sup>maternity leave</sup> [unclear]~~, OMB 3568  
Dotty Sparks

Mo. Easton

✓ Legal Services, Mike Ford 2450  
"drafted properly"

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

1/20/86

Date 2-10-86

Mr. President

The Committee on HESS considered SB 351  
relating to retirement of school construction debt; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

Paul Fisher  
Joe P. Josephson  
Arliss Jungblut  
Edw. DeVries  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

Lettie Fahrenkamp Do Pass  
Chairman

Chairman recommendation

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 20, 1986

The Honorable Bettye Fahrenkamp  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

Re: SB 351  
AS 14.11.100(k)

Dear Senator Fahrenkamp:

Please excuse my delay in responding to your letter of February 8, 1986. I did not receive it until February 18.

You have inquired regarding the interpretation given to AS 14.11.100(k) which results in the reduction of the amount reimbursed for debt retirement by the amount of interest earned on bond proceeds which is applied to the costs of the project, the payment of accrued interest, bond redemption, or the costs of the bond sale, except in the case of cost overruns which are unforeseeable or unavoidable under prudent management. This interpretation has been placed in regulations found at 4 AAC 31.058.

These regulations are the result of construing the provisions of AS 14.11.100(k) as well as other provisions of AS 14.11.100.

AS 14.11.100(k) requires municipalities to spend the interest earned on proceeds of bond sales for specific items of expense relating to the construction of a school facility. The repayment of all or a portion of these items of expense has the practical effect of reducing the amount of money owed on the debt obligations.

AS 14.11.100(a)5)(A) provides that the state will reimburse up to 80 percent of the costs of school construction for projects approved by the Department of Education. Under AS 14.11.100(k) interest money may only be spent in ways which reduce the outstanding debt obligations arising from the costs of

FEB 21 1986

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE  
SUITE 200  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-3550

1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
AIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568

P.O. Box K  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600  
465-3603

Honorable Bettye Fahrenkamp  
Alaska State Senate

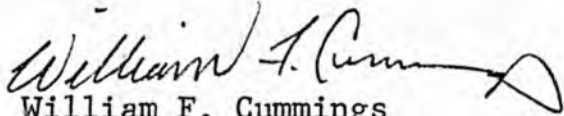
February 20, 1986  
Page 2

school construction, obligations which will be reimbursed by the state.

In our interpretation of the provisions of AS 14.11.100, if there is no reduction of the amount the state will reimburse by the amount of the interest earned on bond proceeds, the state will pay more than 80 percent of the outstanding debt obligations. This result is not intended by the statute as evidenced by its language.

Sincerely yours,

HAROLD M. BROWN  
ATTORNEY GENERAL

By:   
William F. Cummings  
Assistant Attorney General

WFC:prm

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ARLISS STURGULEWSKI, Vice Chairman  
JOE JOSEPHSON  
PAUL FISCHER  
EDNA ARMSTRONG-DE VRIES



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3762

## Senate Committee on Health, Education and Social Services

TO: Members, Senate Committee on Health, Education and  
Social Services

FROM: Committee Staff

RE: SB 351

DATE: February 22, 1986

-----

As you will recall, at our committee hearing on SB 351, regarding regulations adopted by the State Board of Education on the use of interest earned on school construction bonds, the Department's representative testified that the attorney general had reviewed the legislative history and found the regulation to be consistent with existing law. Pursuant to that testimony, we did request information from the attorney on his determination. That information is attached.

SENATE H.E.S.S. COMMITTEE, FEBRUARY 6, 1986

TO: Bettye  
FROM: Sandra

SB 351 RELATING TO RETIREMENT OF SCHOOL CONSTRUCTION DEBT. (P. FISCHER)  
WOULD PROHIBIT THE STATE BOARD OF EDUCATION FROM ADOPTING A SPECIFIC  
REGULATION REGARDING USE OF INTEREST EARNED ON SCHOOL CONSTRUCTION  
BONDS (REQUIRING THAT THE AMOUNT OF REIMBURSEMENT FROM THE STATE  
BE REDUCED BY THE AMOUNT OF INTEREST EARNED). WE OPPOSED PUTTING  
THIS PROVISION IN STATUTE LAST YEAR AND SUBMITTED FORMAL COMMENTS  
OPPOSING THE REGULATION TO THE GOVERNOR THIS FALL.

ISSUES:

- NONCOMPLIANCE WITH LEGISLATIVE INTENT
- ECONOMICS. EXAMPLE: \$300 MILLION IN BONDS AT 10% INTEREST EARNS  
\$30 MILLION. UNDER THE REGULATION, THE STATE WOULD  
GET \$24 MILLION OF THIS (80%) THAT WOULD OTHERWISE  
REMAIN IN THE MUNICIPALITIES.

NOTE:

THE DEPT. ADMINISTRATION IS IN THE PROCESS OF DEVELOPING REGULATIONS  
TO REQUIRE THAT INTEREST EARNED ON ANY STATE GRANT MONIES BE RETURNED  
TO THE STATE OR, WITH THE ADMINISTRATION'S O.K., SPENT ON PROJECT COSTS.  
HB 520, INTRODUCED BY THE GOVERNOR LAST WEEK, WOULD PUT DEPT.  
EDUCATION'S REGULATORY LANGUAGE IN STATUTE.

SEPARATION OF POWERS:

ART PETERSON, ATTORNEY GENERAL'S OFFICE, SAYS LANGUAGE IN SB 351  
WOULD LIKELY WITHSTAND A COURT CHALLENGE. HOWEVER, HE RECOMMENDS THAT  
RATHER THAN SAYING THE DEPT. CAN'T DO SOMETHING, WE AMEND THE SCHOOL  
CONSTRUCTION STATUTE TO BE MORE CLEAR ON THE USE OF INTEREST.

4 AAC 31.011(b), (c), (d) and (e) are proposed for adoption as follows:

(b) The cost of planning, design and construction of a facility will be approved for debt retirement when:

(1) it can be verified by the department that the enrollment of a district or an attendance area within a district will reach design capacity within two years;

(2) the situation cannot be reasonably relieved by adjusting the boundaries of the attendance areas and transporting the children to nearby schools; and

(3) it can be demonstrated by commonly accepted demographic techniques, logically applied, that the new facility will reach and sustain design enrollment within five years of the anticipated occupancy date.

(c) Requests for new facilities under AS 14.11.010 or debt retirement under AS 14.11.100 must contain documented evidence, acceptable to the department, supporting the following:

(1) enrollment projections based upon the average survival method or an equivalent methodology offering equal validity;

(2) other demographic information prepared by the district, municipality, the Department of Community and Regional Affairs, the Department of Transportation and Public Facilities, the Department of Labor, the Department of Revenue, or other state or federal agencies which have prepared demographic information on the attendance area; or

(3) any additional information supporting the enrollment projection, including, but not limited to economic and social conditions effecting local growth patterns, school and preschool census, and business or industrial forecasts indicating increased population growth.

(d) Notwithstanding the provisions of subsections (b) and (c) of this section, the cost of planning, design and construction for a new facility or the repair, rehabilitation or remodeling of an existing facility will be approved for debt retirement under the provisions of AS 14.11.100 when:

(1) a condition exists which is in violation of one or more of the nationally recognized building codes, fire codes,

health or safety codes; or state or federal statutes or regulations;

(2) the condition is verified by a means acceptable to the department;

(3) a condition exists which, if unabated, may require that the facility cease being used to provide the educational program or in support of the educational program; and

(4) the means selected by the district to cure the violation is the most cost effective method.

(e) Notwithstanding the other provisions of this section the department may in its discretion approve the planning, design and construction of a facility, as defined in 4 AAC 31.090(10)(B), for debt retirement when the project is in the best interests of the state and the school district. (Eff. 12/2/83, Reg. 88; am / / , Reg. )

Authority: AS 14.07.060  
AS 14.11.010  
AS 14.11.020  
AS 14.11.100  
AS 14.11.102

4 AAC 31.055 is proposed for adoption as follows:

4 AAC 31.055. CRITERIA FOR AMOUNTS ALLOWED FOR DEBT RETIREMENT. (a) A facility will be approved for debt retirement under AS 14.11.100 for planning, design and construction provided the project meets the requirements established in 4 AAC 31.011 and the requirements of this section.

(b) A facility to house and support the education program must meet the following criteria:

(1) the guidelines established in 4 AAC 31.020;

(2) non assignable space may not exceed 25 percent of the total space, though the department may in its discretion grant a variance of up to 35 percent of total space in small schools in remote areas where it can be demonstrated that the variance is in the best interest of the state and the district; and

(3) assignable space must be used for educational purposes at least 75 percent of the scheduled school day.

(c) The department may in its discretion either deny a request for debt retirement under the provisions of AS 14.11.100 or limit its approval to the costs for a facility which complies with the provisions of this section.

(d) The costs of planning, design, or construction of an otherwise approved facility are not eligible for debt retirement if they are incurred for or arise out of:

(1) ~~costs of change orders, contract amendments, contractor's claims, or other modifications which enlarge the scope of the project or increase the total cost of its budget over the lesser of the amount approved by the voters at the bond election, the amount approved by the department, or the contract amount, except for unavoidable or unforeseeable circumstances under prudent management; or~~

(2) the cost of repairing or replacing items not essential to operation of the physical plant or normally scheduled for routine maintenance or replacement.  
(Eff. / / / , Reg. )

Authority: AS 14.07.060  
AS 14.11.100

4 AAC 31.057 is proposed for adoption as follows:

4 AAC 31.057. APPROVALS, ALLOCATIONS, DISALLOWANCE OF COSTS, AUDITS, AND APPEALS. (a) A project approved for debt retirement for planning, design, and construction is subject to review and approval for site selection and acquisition under the provisions of 4 AAC 31.025, and the construction plans are subject to review and approval under the provisions of 4 AAC 31.030 and 040.

(b) A school district may until October 15 of each year submit to the department a request for an allocation of money for bond payments eligible for debt retirement under AS 14.11.100 for the following fiscal year as provided under 4 AAC 31.060(e). Failure to submit a request for an allocation by October 15, shall result in the denial of an allocation of money for otherwise eligible bond payments notwithstanding that allocations had been made for previous years.

(c) The department in its discretion may deny, or limit the reimbursement for costs associated with a facility's construction, when the facility fails to meet the requirements of 4

AAC 31.020 or 4 AAC 31.055 or when upon audit the costs are excessive.

(d) All projects approved for debt retirement which exceed \$300,000 are subject to audit. These audits will be performed by the district's auditor and submitted on forms prescribed by the department. Nothing in this subsection precludes the department in its discretion from auditing a project at any time.

(e) In the event that the department denies or limits reimbursement of costs, the district may appeal the decision in accordance with the provisions of 4 AAC 40.020 through 4 AAC 40.050. (Eff. / / / Reg. )

Authority: AS 14.07.060  
AS 14.11.100

4 AAC 31.058. USE OF INTEREST EARNED ON BOND PROCEEDS. (a) Interest on proceeds of bonds approved by municipal voters before July 1, 1985 and sold after January 1, 1986 and all bonds approved by municipal voters after July 1, 1985 for which debt retirement under AS 14.11.100 is sought may only be used to:

- (1) pay the costs of the project;
- (2) pay accrued interest on the bond issue;
- (3) redeem all or part of the bonds; or
- (4) pay the costs of the bond sale.

(b) If the money earned as interest on the proceeds of bonds is used to pay the costs of the project, then the amount, for which debt retirement is allowed will be reduced by that amount.

(c) If the money earned as interest on the proceeds of bonds is used to pay accrued interest, redeem all or part of the bonds, or pay the costs of the bond sale; then the amount for which debt retirement is allowed will be reduced by that amount.

(d) The accounts in which the proceeds of bonds are placed are subject to audit under the provisions of 4 AAC 31.057 and the district shall report, on forms prescribed by the department, the use to which the money is put. (Eff. / / , Reg. )

Authority: AS 14.07.060  
AS 14.11.100

Register ,

EDUCATION

4 AAC 31.060

4 AAC 31.090

4 AAC 31.060(e) is proposed for amendment as follows:

(e) A request for an allocation for debt retirement under AS 14.11.100 must be submitted on a form prescribed by the commissioner, and must be received by the department not later than October 15 of the fiscal year preceeding the fiscal year in which reimbursement will be sought. A school district's claim must contain at least the following:

- (1) bond sale date or proposed bond sale date;
- (2) bond redemption schedule;
- (3) education facility portion of the bond;
- (4) department's project approval number;
- (5) debt payment schedule or estimated debt service schedule; and
- (6) certification as to accuracy of claim by a bonded official of the municipality. (Eff. 3/1/78, Reg. 65; am 2/24/83, Reg. 85; am 12/2/83, Reg. 88; am / / / , Reg. )

Authority: AS 14.07.020(10) and (11)  
AS 14.07.060  
AS 14.11.010  
AS 14.11.100

4 AAC 31.090(10) is proposed for adoption as follows:

4 AAC 31.090. DEFINITIONS.

(10) "facility" means for the purposes of debt retirement mean

(A) the buildings and grounds need to house and support the educational program; or

(B) the buildings and grounds needed to provide a centralized support service which is required to affect an efficient and cost effective operation of the district's education program.

(Eff. 3/1/78, Reg. 65; am 6/9/83, Reg. 86; am 12/2/83, Reg. 88)

Authority: AS 14.07.020  
AS 14.07.060  
AS 14.11.010  
AS 14.11.020  
AS 14.11.100

payments may not be made for costs that are incurred under a contract after the contract has been released.

The state may not allocate money to a municipality for a school construction project under (a)(5) of this section unless the municipality complies with the requirements of (1) — (4) of this subsection and the project is approved by the commissioner before the local vote on the bond issue for the project. In approving a project under this subsection, the commissioner shall require

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

(2) that the bonds may not be refunded unless the annual debt service on the refunding issue is not greater than the annual debt service on the original issue;

(3) that the bonds must be repaid in approximately equal annual principal payments or approximate equal debt service payments over a period of at least 10 years;

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

(A) projected long-term student enrollment that indicates the district has inadequate facilities to meet present or projected enrollment; or

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

(k) An amount equal to the interest earned on the investment of the proceeds of bonds issued for a school construction project shall be used by the municipality to

(1) pay the costs of the project;

(2) pay accrued interest on the bond issue;

(3) redeem all or part of the bonds; or

(4) pay the costs of issuing the bonds. (§ 1 ch 249 SLA 1970; am § 1 ch 93 SLA 1971; am § 2 ch 137 SLA 1972; am § 1 ch 28 SLA 1973; am § 47 ch 127 SLA 1974; am §§ 1 — 3 ch 120 SLA 1977; am §§ 12, 17 ch 147 SLA 1978; am § 25 ch 168 SLA 1978; am §§ 8 — 10 ch 92 SLA 1982; am §§ 1 — 3 ch 82 SLA 1983; am § 47 ch 6 SLA 1984; am § 1-5 ch 78 SLA 1985)

Revisor's notes. — Enacted as AS 43.18.100. Renumbered in 1983.

Cross references. — For present provisions of former subsection (g) of this section, see AS 14.11.135(3).

Effect of amendments. — The 1982 amendment, substituted "a municipality

that" for "an organized borough or a city which" in the introductory language of subsection (a), substituted "the municipality" for "the borough or city" in paragraphs (1), (2)(A) and (B), and (3)(A) and (B), substituted "90 percent" for "90 percent" in the introductory language of

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# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ARLISS STURGULEWSKI, Vice Chairman  
JOE JOSEPHSON  
PAUL FISCHER  
EDNA ARMSTRONG-DE VRIES

POUCH Y  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3762



## Senate Committee on Health, Education and Social Services

October 7, 1985

The Honorable William Sheffield  
Governor, State of Alaska  
Pouch A  
Juneau, Alaska 99811

Dear Governor Sheffield:

As you are aware, last session the Senate Committee on Health, Education and Social Services developed SB 51, which proposed to revise the State's current system of financing public school construction. The basic intent of the legislation was twofold: to provide an increased level of State support to municipalities for school construction and to control the State's expenditure for schools by limiting the number and type of projects in which the State would participate. The HESS Committee Substitute was developed by working with your office and the Office of Management and Budget, and incorporated many of your recommendations for cost containment. However, as you are also aware, the bill that reached final passage and was signed into law (Chapter 78, SLA 85) differed substantially from the HESS proposal; in short, many of the cost containment provisions were rejected by the Legislature.

The State Board of Education recently adopted emergency regulations to implement Chapter 78; proposed permanent regulations are now out for public comment. I would like to call your attention to the proposed provision governing the use of interest earned on bond proceeds.

Proposed 4 AAC 31.058(a) limits the use of interest to paying the costs of the project, paying accrued interest on the bond issue, redeeming all or part of the bonds, or paying the costs of issuing the bonds, as outlined in Chapter 78. However, 31.058(b)-(c) proposes a reduction in the amount of state reimbursement to municipalities based on the amount of interest earned. This concept was considered by the Legislature and expressly rejected; including the provision in the

Governor Sheffield  
October 7, 1985  
Page 2

permanent regulations is clearly counter to legislative intent. It is therefore my recommendation that proposed 4 AAC 31.058(b)-(c) be dropped.

I appreciate your attention to this matter.

Sincerely,



Bettye Fahrenkamp  
Chairman

cc: Commissioner Reynolds, Department of Education  
Dotty Sparks, Office of Management and Budget  
Ernestine Griffin, President, State Board of Education

BF/ss

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES  
STANDING COMMITTEE  
February 6, 1986  
1:42 P.M.

MEMBERS PRESENT:

Senator Bettye Fahrenkamp, Chairman  
Senator Edna DeVries  
Senator Paul Fischer  
Senator Joe Josephson  
Senator Arliss Sturgulewski

COMMITTEE CALENDAR:

SB 351 Relating to retirement of school construction debt.

HJR 59 Urging Congress to pass AFDC Error Reduction and  
Quality Control Act.

Briefing, Alaska Native Health Services.

WITNESS REGISTER:

Steve Hole  
Department of Education  
P.O. Box F  
Juneau, AK 99811  
Position Statement: State Board of Education has no  
position on SB 351.

Betty Glick  
P.O. Box 528  
Kenai, AK 99611  
Position Statement: Support SB 351

Tom Wagoner  
4040 Primrose Pl.  
Kenai, AK 99611  
Position Statement: Support SB 351

Joyce Fischer  
P.O. Box 784  
Soldotna, AK 99669  
Position Statement: Support SB 351  
Stan Thompson  
P.O.Box 650  
Soldotna, AK 99669  
Position Statement: Support SB 351

John Calhoun  
Mayor of Homer

Homer, AK 99603  
Position Statement: Support SB 351

Representative Max Gruenberg  
Pouch V  
Juneau AK 99811  
Position Statement: Support for CSHJR 59

John Taber, Director  
Div. of Public Assistance, Department of Health and  
Social Services  
P.O. Box H-07  
Juneau, AK 99811  
Position Statement: Support for CSHJR 59

Robert Singyke  
P.O. Box 7-741  
Anchorage, AK 99501  
Position Statement: Overview of Alaska Native Health  
Services

Osamu Matsutani  
P.O. Box 7-741  
Anchorage, AK 99501  
Position Statement: Overview of Alaska Native Health  
Services

PREVIOUS ACTION:

SB 351, No previous action to record.

HJR 59, Please refer to committee minutes dated 01/24/86,  
01/27/86 and 02/07/86 in HESS Committee.

ACTION NARRATIVE

TAPE ONE, SIDE ONE  
February 6, 1986

Number 020

Senator Paul Fischer stated that in the past when school construction bonds were sold the interest they earned stayed with the municipality which used its own judgment regarding use of the money. Last year legislation (SB 51) was passed requiring that the interest go to the cost of the project. In November, 1985 the State Board of Education adopted a regulation requiring that the state's reimbursement to the municipality be reduced by the amount of interest earned.

Number 091

Steve Hole, Special Assistant to the Commissioner, Department of Education, stated that the Board has not taken a position on SB 351. Hole stated that the legislative intent of SB 51 is that the state is to contribute 80% to the cost of a project while municipalities are to contribute 20%. He feels the Department's regulation is consistent with this intent.

Number 232

Hole stated, in response to questions by Senators Fahrenkamp and Josephson, that the Department verified through the attorney general that they had the authority to adopt the regulation.

Number 457

Betty Glick, President, Kenai Peninsula Borough Assembly, stated that the Assembly supports SB 351. The regulations would cause a \$6 million loss of interest income to the Kenai Peninsula Borough. In addition, she said the regulations were implemented after voter approval of the bonds, hence, voters were led to believe that passage of the bond levy would not result in a significant increase in the mill levy. In fact, under the new regulations, the rate would be increased 2 mills.

Number 594

Tom Wagoner, Mayor of Kenai, spoke in support of SB 351.

Number 621

Joyce Fischer, Member, Kenai School Board, stated that the Board supports SB 351 because of the increase in the mill rate necessitated by the Department's regulation.

Number 693

Stan Thompson, Mayor, Kenai Peninsula Borough, spoke in support of overruling the Department's regulation through SB 351.

Number 754

John Calhoun, Mayor of Homer, also spoke in support of SB 351, stating that his community cannot suffer a 2 mill increase.

Number 840

Senator Fischer asked unanimous consent that SB 351 be moved from committee with individual recommendations. There were no objections.

Number 853

Representative Max Gruenberg stated that HJR 59 is necessary in attempting to reduce fiscal sanctions on states for AFDC program errors. TAPE ONE SIDE TWO

Number 109

John Taber, Director, Division of Public Assistance, Department of Health and Social Services, said that the Department is trying to pinpoint fraud because the state is held responsible for client mistakes, intentional or otherwise. Currently, the state is 6.7% over the 5% tolerance for food stamp program errors, Taber said. He stated that Alaska's error rate is rising despite efforts to reduce it because case loads have increased and there have been no staff increases.

Number 393

Senator Josephson asked unanimous consent that HJR 59 be moved from committee with individual recommendations. There were no objections.

Number 429

Robert Singyke, Director, Alaska Native Health Services (ANHS), discussed the impacts of the Gramm-Rudman Act on ANHS. Administration would be cut 13%, while direct services would receive a 2% cut. Because of the cuts, he said, ANHS is beginning to concentrate on prevention efforts such as seatbelt, helmet, and smoking laws. Singyke said that Alaska is probably the only state in which the Indian Health Service (IHS) has a strong working relationship with the state.

Number 565

Singyke emphasized the need for designated beds in various facilities for the mentally ill.

Number 693

Dr. Osamu Matsutani, Deputy Director and Chief Medical Officer, ANHS, discussed two impacts of the Gramm-Rudman Act: first, ANHS will need to reallocate resources among IHS service areas; second, the eligibility criteria for service by IHS will be tightened.

Number 800

Singyke and Senators Fahrenkamp and Sturgulewski discussed the coordination between the Arctic Research commission and

ANHS in researching health and human services needs in Alaska.

Number 805

Senator Fahrenkamp adjourned the meeting at 3:30.



Official Business

# Alaska State Legislature

## Senate

Senator Paul Fischer

Pouch V  
State Capitol  
Juneau, Alaska 99811

To: All Senate HESS Committee Members

From: Senator Paul Fischer *P.F.*

Date: February 1, 1986

Subject: SB 351, Retirement of school construction debt.

I have introduced this legislation to clarify the legislature's intent when Senate Bill 51 became law last year.

From my conversations with officials of the Kenai Peninsula Borough, there is a deep concern that the regulations do not carry out the intent of Senate Bill 51.

Senate Bill 51 requires interest earned on bond proceeds be used for the projects for which the bonds were sold. The regulations which are now in effect do not reflect state statutes, but seem to be the Department of Education's own interpretation. I believe that the department should propose this type of legislation rather than writing it through regulations.

I have included a letter from the Kenai Peninsula Borough that better interprets the problems inherent in the regulations.

To my knowledge, the Anchorage, Matanuska-Susitna, North Star, and the Kenai Peninsula Boroughs are adversely affected by these regulations.

I encourage your support of this bill.

enclosures:



## KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669  
PHONE 262-4441

STAN THOMPSON  
MAYOR

January 24, 1986

The Honorable Paul Fischer  
Pouch V  
Juneau, AK 99811

Dear Senator Fischer:

Enclosed is a detailed summary of our problem with the D.O.E. regulations.

In essence, the D.O.E. regulations would not allow the Borough to retain interest earnings on the investment of bond proceeds. This would result in an estimated loss of \$6 million (2 mills) this year alone.

Remember, too, that this is changing the rules in the middle of the game - after the bonds were voted on and sold.

We feel this is not only totally unfair, but illegal in that it is contrary to the statute.

Sincerely,

Stan Thompson  
Borough Mayor

ST:lc  
Enclosure  
cc: All legislators



## KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669  
PHONE 262-4441

STAN THOMPSON  
MAYOR

January 24, 1986

Senator Paul Fischer  
Pouch V  
Juneau, AK 99811

Re: Department of Education's regulations on school debt reimbursement.

Dear Senator Fischer:

In our last discussions with you regarding the school construction debt reimbursement regulations, you requested that we prepare information regarding our position and views on these regulations. This letter is in response to that and addresses our particular concerns with 4AAC 31.058. That section deals with interest earnings on bond proceeds. It deals with these in two ways. The first is to specify the limitations on the use of these proceeds. These interest earnings may only be used for certain specified items listed in the regulation. The second aspect of this regulation is that any interest earnings reduce eligibility for reimbursement. We are mandated to use the interest earnings for certain purposes and then the regulation contains a Catch-22 that causes us to essentially forfeit those interest earnings. Our analysis of this regulation leads us to three conclusions:

1. The regulations reducing eligibility for debt reimbursement by the amount of interest earnings on the bonds are in direct conflict with the statutory plan of school construction debt reimbursement set forth in AS 14.11.100.
2. These regulations reducing eligibility for debt reimbursement are not authorized by statute and those provisions are therefore beyond the authority of the Department of Education to adopt.
3. That the regulations reducing the debt reimbursement eligibility work an undue hardship and unfairness on local government. This hardship is an unfairness due to the fact that the State passed a plan of debt

reimbursement and required municipalities to submit the estimates under that plan to the voters showing an estimated 80% reimbursement from the State. These regulations if implemented, would in fact substantially reduce the State's share without prior warning to the local governments. These unauthorized regulations increase the cost by introducing a new scheme to be applied to bond issues approved prior to the regulations being adopted.

These additional restrictions and conditions are not set forth in the statute, and as stated above, are directly contrary to the program established by the State legislature. Even were the Legislature to choose to amend the statute to impose additional restrictions regarding the disposition of interest earnings on bond proceeds, it would be most unfair to apply them to bond issues that were passed prior to those changes. We will attempt to set forth in this letter a more detailed analysis regarding the validity of these regulations and the effect of their application to our existing bond issues.

Subsection (a) of 4AAC 31.058 contains language similar to that set out in AS 14.11.100(k). There is a minor variation in the language between the statute and the proposed regulation. The statute, AS 14.11.100(k) reads:

An amount equal to the interest earned on the investment of the proceeds of the bonds issued for school construction projects shall be used by the municipality to 1) cost of the project; 2) pay accrued interest on the bond issue; 3) redeem all or part of the bonds; or 4) pay the cost of issuing the bonds. (Emphasis added.)

The regulations change the emphasis somewhat. They read that the interest on proceeds "may only be used" for the four items listed in the regulations. The statute specifically says they shall be used. In examining AS 14.11.100, of which subsection (k) is a part, it becomes clear that the approval of eligible amounts and the debt reimbursement program are fixed by that statute. The statute provides for project approval which is a maximum amount upon which reimbursement can be given. For example, if the project is approved for \$1 million, only the million dollars together with interest is eligible for the 80% reimbursement. Without adjustment of this amount, no additional amounts in excess of 80% of the million dollar basis could be reimbursed. This statute provides a scheme whereby the project is given approval at a specific amount. Subsection (k) provides that municipalities are not free to use the interest earnings except for the specified purposes. They limit us in our use but do not provide that we lose the interest when we utilize the

interest earnings for the specified purposes. Any attempt by regulation to "forfeit" those interest earnings exceeds the statutory framework which merely requires us to use those earnings for specific purposes.

Subsections (b) and (c) of 4AAC 31.058, by their very wording, cause the local government to forfeit those interest earnings when we utilize them for the purposes that are required under the statute. Under subsection (b), the amount eligible for reimbursement is reduced if we utilize the funds to pay the cost of the project. Subsection (c) causes us to lose eligibility for reimbursement if we utilize them for cost of the bond sale interest payments on the bonds or redemption of the bonds. This is effectively a "Catch-22." The statute through which the regulations are purportedly authorized, requires us to utilize the money for specified purposes. When we utilize the money for those purposes, it reduces the our eligibility for reimbursement, without regard to the amount of monies appropriated by the Legislature for the reimbursement program which is now currently set at up to 80%. The statute provides that if the money is appropriated we are entitled to 80%, yet these regulations provide something totally different. They effectively reduce the rate of reimbursement by the State even if the monies have been appropriated and are available.

Some examples may be helpful to illustrate this.

1. The first example will show the effect of utilizing interest earnings to pay the cost of the project. In this example, we will use a \$1 million bond issue. The project has approval for reimbursement as a million dollar project. The bonds are sold and the interest earnings are \$100,000. In the early stages of construction unexpected site conditions are discovered which require a \$100,000 change order to deal with the problems. This increases the cost of the project to \$1.1 million. Under the regulations, the project approval amount could not increase, thus only 80% of \$1 million is reimbursable yet the project is now \$1.1 million. If the interest earnings are applied to this project, as allowed, and mandated by statute to cover the unexpected site problems, this effectively reduces the State's share because the \$100,000 will be deducted from the reimbursement program.

Alternatively, these regulations could be read as reducing the approved project amount which has an even more serious effect. In that case, the million dollar approval would be reduced to \$900,000, thereby obligating the State only to reimburse 80% of \$900,000 of bonds rather than the originally approved million. Either one of these approaches is contrary to the statutory program that says that if the money is appropriated for the 80% level, then it shall be paid at that level.

2. The second example regards the use of the interest to pay bond sale costs, redeem the bonds, or payment of interest on the bonds. We will use the same \$1 million bond sale with \$100,000 interest earnings. The first annual payment is \$200,000. Under the statute, the State would reimburse the Borough 80% of the \$200,000 payment with the Borough paying \$40,000. Under the regulation, the \$100,000 interest would have to be deducted from the \$160,000 share of the State leaving the State's share at \$60,000. The Borough's share would still be 20% plus the \$100,000 interest earning. Under this, the Borough would pay \$140,000 or 70% of that payment with the State only paying 30%.

The regulations as pointed out in the previous example, state that the amount allowed upon amount for which debt retirement is allowed would be reduced by that amount. Once again, the regulation could be interpreted as reducing the approved project amount by the amount of interest earnings. If this were to occur, under our example, only \$900,000 would be eligible for reimbursement. The State would pay 80% of that reduced payment and the Borough 20% plus the full burden of the debt service on ineligible \$100,000. The payment would still be \$200,000 but only approximately \$180,000 would be subject to reimbursement. That would be split with the State to paying \$144,000 and the Borough paying \$36,000 on that eligible portion. This would result in the State paying 72% instead of 80%. This would of course fix that rate for the life of the bonds by reducing the project amount. If there were further interest earnings, then the State's share would lessen in succeeding years until there were no further interest earnings on the bond proceeds.

It is unclear as to which interpretation is to be given to these regulations. It is also very clear that either interpretation is contrary to the direct statutory intent that the program is to be on an 80/20 split so long as it is in effect and any regulations that try to alter this by counting the interest earnings against reimbursement eligibility would be contrary to the statute. Subsection (k) specifically stated that we could not use the funds on other items but must use them on the projects, yet the regulations seek to penalize and reduce the State's share in a manner not allowed under the statute. These regulations very clearly exceed the scope of statutory authority.

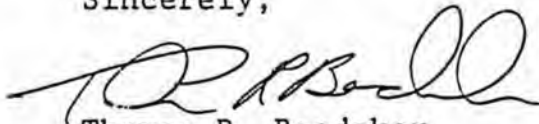
There are certain other provisions to the proposed regulations that concern us very greatly. In particular, these pertain to the criteria for project approval. 4AAC 31.011(b) provides that the cost of planning, design and construction of a facility will be approved for debt retirement when, among other things, the situation cannot be reasonably relieved by adjusting the boundaries of the attendance areas or transporting the children to nearby schools. We have concern over this because there are no standards as to what is meant by "reasonably relieved" by

Senator Paul Fischer  
January 24, 1986  
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adjusting the boundaries or transporting students. This regulation could give rise to denial of project approval because there is a school that has some additional capacity 12 to 15 miles distant to which students can be transported. An example would be, denial of project approval for an elementary school in the Homer/Anchor Point area because there is some classroom space at the McNeil Canyon School 12 miles east of Homer. The Department could apply this regulation as it is written in a rather arbitrary manner. The result would be to increase transportation costs while at the same time the Department of Education is reducing allowances for bus transport. In a district such as the Kenai Peninsula Borough School District, this could be applied to require transport of students as much as 40 or 50 miles if there are seats available in one facility and not in another. It could be applied to defeat the addition of classrooms which could be the most cost effective method for handling extra enrollment in an area.

I believe that this letter sets forth the items that you wanted me to address, and if there are any further questions we may answer regarding this, please do not hesitate to contact me. Once again, we feel that the proposed regulations impose additional requirements not contained in the statutes and those additional requirements effectively increase the local share of school construction contrary to the statutory language. The addition of the language requiring the municipalities to use the interest earnings on bond proceeds for only specified purposes does not authorize regulations which cause us to forfeit all use or benefit from those interest earnings when used for the specified purposes.

Sincerely,



Thomas R. Boedeker  
Borough Attorney

TRB:bl

Introduced by: Moore  
Date: Feb. 4, 1986  
Vote: Unanimous  
Action: Adopted

KENAI PENINSULA BOROUGH

RESOLUTION 86-21

SUPPORTING PASSAGE BY THE ALASKA STATE LEGISLATURE OF SENATE BILL 351, AN ACT RELATING TO RETIREMENT OF SCHOOL CONSTRUCTION DEBT.

WHEREAS, municipalities of the State of Alaska have historically sold bonds to finance construction of public schools; and

WHEREAS, municipalities have invested the proceeds of bond sales during the construction of the school facilities; and

WHEREAS, interest from these investments has been used to help reduce the burden of school construction cost upon the local taxpayer; and

WHEREAS, the State of Alaska, Department of Education, has enacted regulations which would deprive the municipalities of the State of the benefits of bond investment earnings; and

WHEREAS, Senate Bill 351 has been introduced into the Alaska State Senate; and

WHEREAS, Senate Bill 351 would prohibit the Department of Education from adopting regulations reducing the amount for which school construction debt retirement is allowed equal to the amount expended by a municipality under AS 14.11.100(K).

NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

Section 1. That the Kenai Peninsula Borough supports the passage by the Alaska State Legislature of Senate Bill 351, which would nullify the regulations of the Department of Education which would deprive municipalities of the State of interest earnings on invested school construction bonds.

Section 2. That the assembly directs the Borough clerk to forward a copy of this resolution to Governor William Sheffield; Commissioner of Education, Harold Reynolds; Senators Paul Fischer, Jalmar Kerttula, Edna DeVries and John Sackett; and Representatives Mike Navarre, Andre Harrou, Bette Cato, Mike Szymanski, and Kay Wallis

Section 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON  
THIS 4th DAY OF February, 1986.

Betty J. Glyck  
Betty J. Glyck, Assembly President

ATTEST:

Jeanne K. Brindley  
Borough Clerk

1  
SB 351, ~~An Act relating to medical assistance~~ *retirement of school construction debt.*

In January the State Board of Education adopted regulations to implement SB 51, legislation enacted last session which increases the amount of debt reimbursement for school projects from 50% to 80%, requires that a district demonstrate need for a project, and restricts the use of interest earned on bond proceeds. Under the provisions of SB 51, the regulations were submitted to the legislature on the 10th day of session and will take effect the 90th day unless a law is enacted disapproving them.

SB 351 would prohibit the board from requiring through regulation that the amount allowed for debt retirement be reduced by the amount of interest earned on the bond proceeds. This provision is in addition to the interest restrictions enacted by SB 51, specifically that interest be used to pay project costs, pay accrued interest on the bond issue, redeem the bonds, or pay the costs of bond issuance.

The Governor recently introduced HB 520, which would place the reduction requirement in statute.

In addition, the committee will receive a briefing on the mutual concerns of the Alaska Native Health Service (ANHS) and the Department of Health and Social Services. The Alaska Native Health Service provides comprehensive health services to Alaska Natives at hospitals and outpatient clinics across the state. Mr. Robert Singyke, Director of the ANHS, and Commissioner John Pugh will discuss:

- 1) Impacts of the Gramm, Rudmann, Hollings budget deficit procedures on ANHS and DHSS programs,
- 2) the hepatitis B program,
- 3) the ANHS hospital and health facility construction program, and,
- 4) ANHS allocation study.