

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4533 HHS HB 201 - HB 204

105

from Dept. of Labor.

RIGHT-TO-KNOW VIOLATIONS

October 1, 1985 - April 6, 1986

Total Violations: 185 establishments were cited for Right-to-Know violations during this period. The Alaska Occupational Safety and Health Section inspected 1,432 establishments during this period.

By industry:

Oil & Gas	2
Construction	<del>49</del>
Seafood Processing	12
Lumber & Wood	3
Other Manufacturing	20
Transportation	9
Wholesale Trade	6
Retail Trade	13
Real Estate	1
Automotive Repair	<del>43</del>
Other Services	18
Health Services	3
Educational Services	3
Government Agencies	3
Total	185

APRIL 2, 1987

TESTIMONY

HB 201: Hazardous Painting Certification Program.

THANK YOU MR. CHAIRMAN. FOR THE RECORD MY NAME IS RESA JERREL, AND I REPRESENT THE ALASKA CHAPTER OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA (A.G.C.) REPRESENTING MORE THAN 700 MEMBER FIRMS.

WE ARE OPPOSED TO THIS LEGISLATION. WHAT THIS BILL ESSENTIALLY REQUIRES: IS A STATE LICENSE TO DO PAINTING WORK IN THE STATE OF ALASKA. BUT IS THERE A NEED FOR SUCH A LICENSE? WE THINK NOT.

THERE ARE LITERALLY THOUSANDS OF POTENTIALLY HAZARDOUS SUBSTANCES THAT ARE HANDLED SAFELY IN TODAY'S WORKPLACE. PAINT SHOULD NOT BE TREATED ANY DIFFERENTLY THAN THE OTHER HAZARDOUS AND TOXIC SUBSTANCES IN THE WORKPLACE.

PRESENTLY, PROTECTION FOR THE WORKER IS COVERED UNDER THE 1983 LEGISLATION CALLED "WORKER RIGHT TO KNOW" ABOUT TOXIC AND HAZARDOUS SUBSTANCES IN THE WORKPLACE.

FOR A BRIEF HISTORY OF THAT LEGISLATION:

IN 1983 THERE WAS GREAT CONCERN, NATIONWIDE, TO ESTABLISH "WORKERS RIGHT TO KNOW" LAWS - WHICH WAS CONTROVERSIAL - ALASKA WAS NO EXCEPTION. IT SEEMED AT THE TIME THAT EVERYONE WAS INTERESTED IN THE LEGISLATION BUT, WITH VERY DEFINITE DIFFERENT POINTS OF VIEW. THERE WAS US, THE OIL INDUSTRY,

PAGE TWO

THE TRUCKERS, THE HOSPITAL ASSOCIATION, THE VARIOUS LABOR UNIONS, THE ALASKA HEALTH PROJECT AND SOME ENVIRONMENTALISTS.

THE THEN CHAIRMAN OF THE SENATE RESOURCES COMMITTEE, SENATOR FAHRENKAMP AND HER STAFF PERSON PAT POURCHOT, COULD SEE THIS WAS PITTING EVERYONE AGAINST EACH OTHER. SO, THEY GATHERED US ALL TOGETHER, OVER AT THE DEPARTMENT OF LABOR'S CONFERENCE ROOM, FOR SEVERAL MEETINGS TO HAMMER OUT THE DIFFERENCES - THIS WAS NOT AN EASY TASK. WHAT EMERGED WAS A PIECE OF LEGISLATION ON "WORKERS RIGHT TO KNOW" WHICH WAS WORKABLE AND WRITTEN IN SUCH A MANNER THAT WE WOULD NOT HAVE TO BE WORKING ON LEGISLATION DEALING WITH INDIVIDUAL SUBSTANCES YEAR AFTER YEAR.

THAT LEGISLATION PASSED INTO LAW REQUIRES:

HAZARDOUS AND TOXIC SUBSTANCES SHIPPED INTO THE STATE HAVE TO BE ACCOMPANIED BY AN OSHA FORM 20 OR EQUIVALENT, LIKE A MATERIAL SAFETY DATA SHEET (MSDA).

AN EMPLOYER IS REQUIRED TO CONDUCT A SAFETY EDUCATION PROGRAM (IN ADDITION TO WEEKLY SAFETY MEETINGS) FOR EMPLOYEES BEFORE A NEW WORK ASSIGNMENT, IN WHICH AN EMPLOYEE IS EXPOSED TO A SUBSTANCE.

THIS SAFETY EDUCATION PROGRAM "SHALL" INFORM THE EMPLOYEE OF:

PAGE THREE

- LOCATION, PROPERTIES, AND KNOWN OR SUSPECTED ACUTE AND CHRONIC HEALTH EFFECTS OF THE HAZARDOUS OR TOXIC SUBSTANCES IN THE WORKPLACE
- NECESSARY HANDLING OR HYGIENIC PRACTICES OR PRECAUTIONS
- HOW EMPLOYEES COULD BE EXPOSED TO THE SUBSTANCE
- THE LOCATION, PURPOSE AND PROPER USE AND LIMITATIONS OF PERSONAL PROTECTIVE EQUIPMENT

IN YOUR FILE IS A BLANK MATERIAL SAFETY DATA SHEET (MSDA) WHICH HAS TO ACCOMPANY THE SUBSTANCE INTO THE STATE, AND THE EMPLOYER HAS TO POST IN THE WORKPLACE PLUS POST A POSTER. YOU WILL NOTE THAT UNDER SECTION II ON THE FORM, IT IS ENTITLED "PAINTS, PRESERVATIVES, AND SOLVENTS" WHICH KICKS IN THE SAFETY EDUCATION REQUIREMENTS.

WITH ALL THIS IN PLACE, UNDER EXISTING LAW AND REGULATIONS - WE BELIEVE THE REAL QUESTION IS: WHAT DOES A CERTIFICATION PROGRAM PROVIDE THAT IS NOT ALREADY IN CURRENT LAW AND REGULATIONS? THE ANSWER IS - NOTHING.

SUFFICIENT HEALTH STANDARDS ALREADY EXIST, WHICH I OUTLINED BEFORE, WHICH COVER THE PROTECTION OF WORKERS USING PAINT.

PAGE FOUR

I BELIEVE THAT THE GROUP THAT STRUGGLED IN 1983, TO COME UP WITH SOUND LEGISLATION TO PROTECT THE WORKER AND ALSO NOT HAVE TO DEAL WITH LEGISLATION ON INDIVIDUAL SUBSTANCES YEARLY, DID A GOOD JOB AND COVERED AS MANY FORESEEABLE PROBLEMS AND HAZARDS POSSIBLE.

I WOULD SUGGEST THAT IF WE MISSED SOMETHING ON PAINT - OR THERE IS A LOOPHOLE THAT IS NOT COVERED BY THE "WORKERS RIGHT TO KNOW" LAW - YOU HAVE RIGHT HERE IN THE LEGISLATURE, TWO PEOPLE THAT ARE VERY, VERY FAMILIAR WITH THE ISSUES AND CONCERNS OF THE VARIOUS PARTIES - SENATOR FAHRENKAMP AND REPRESENTATIVE POURCHOT - I WOULD APPRECIATE YOU CONSIDERING PUTTING TOGETHER ANOTHER GROUP, LIKE IN 1983, WITH THOSE TWO LEGISLATORS, TO WORK OUT THE PROBLEM, IF THERE IS ONE - AND TO COME BACK BEFORE YOUR FULL COMMITTEE WITH A WORKABLE SOLUTION.

THANK YOU VERY MUCH FOR YOUR TIME AND ATTENTION.

U.S. DEPARTMENT OF LABOR  
Occupational Safety and Health Administration

Form Approved  
OMB No. 44-R1387

# MATERIAL SAFETY DATA SHEET

Required under USDL Safety and Health Regulations for Ship Repairing,  
Shipbuilding, and Shipbreaking (29 CFR 1915, 1916, 1917)

## SECTION I

MANUFACTURER'S NAME		EMERGENCY TELEPHONE NO.
ADDRESS (Number, Street, City, State, and ZIP Code)		
CHEMICAL NAME AND SYNONYMS		TRADE NAME AND SYNONYMS
CHEMICAL FAMILY	FORMULA	

## SECTION II - HAZARDOUS INGREDIENTS

PAINTS, PRESERVATIVES, & SOLVENTS	%	TLV (Units)	ALLOYS AND METALLIC COATINGS	%	TLV (Units)
PIGMENTS			BASE METAL		
CATALYST			ALLOYS		
VEHICLE			METALLIC COATINGS		
SOLVENTS			FILLER METAL PLUS COATING OR CORE FLUX		
ADDITIVES			OTHERS		
OTHERS					
HAZARDOUS MIXTURES OF OTHER LIQUIDS, SOLIDS, OR GASES				%	TLV (Units)

## SECTION III - PHYSICAL DATA

BOILING POINT (°F.)		SPECIFIC GRAVITY (H <sub>2</sub> O=1)	
VAPOR PRESSURE (mm Hg.)		PERCENT VOLATILE BY VOLUME (%)	
VAPOR DENSITY (AIR=1)		EVAPORATION RATE (_____ %)	
SOLUBILITY IN WATER			
APPEARANCE AND ODOR			

## SECTION IV - FIRE AND EXPLOSION HAZARD DATA

FLASH POINT (Method used)	FLAMMABLE LIMITS	Lim	Uel
EXTINGUISHING MEDIA			
SPECIAL FIRE FIGHTING PROCEDURES			
UNUSUAL FIRE AND EXPLOSION HAZARDS			



# MATERIAL SAFETY DATA SHEET

## SUBSTANCE

(Chemical Name)

## NO.

PRODUCT NAME, NUMBER, SYNONYM

COMMON OR TRADE NAME

MANUFACTURER'S NAME AND ADDRESS

TELEPHONE NUMBER

### HEALTH HAZARDS

HAZARD RATING                    ( ) DANGER                    ( ) WARNING                    ( ) CAUTION

TYPE OF HAZARD

SYMPTOMS OF EXPOSURE

EFFECTS OF EXPOSURE

### EMERGENCY FIRST AID

### FIRE, EXPLOSION, AND REACTIVITY DATA

EXTINGUISHING AGENTS AND FIRE FIGHTING METHODS

FLASH POINT

FLAMMABLE OR EXPLOSIVE LIMIT

OPEN CUP                    ° C    CLOSED CUP                    ° C    LOWER                    %    UPPER                    %

IGNITION TEMPERATURE                    ° C    AUTO-IGNITION TEMPERATURE                    ° C

PRODUCTS FORMED BY FIRE OR EXCESSIVE HEAT

CONDITIONS TO AVOID

STABILITY                    ( ) Stable                    ( ) Unstable -- Explain Conditions

INCOMPATIBLE MATERIALS AND REACTIONS

PRODUCTS OF DECOMPOSITION

HAZARDOUS POLYMERIZATION                    ( ) Will not occur                    ( ) May occur -- Explain Reaction and Products

### PROTECTION EQUIPMENT

PERSONAL PROTECTION

VENTILATION

ADDITIONAL PROTECTIVE EQUIPMENT

**It's  
Your  
Right to Know**

**about**

**toxic and hazardous substances**





# What the Right-To-Know Law Says:

1. The location and nature of an operation that could result in exposure to a hazardous or toxic substance are to be given by employers.
2. An employee safety instruction program shall inform employees of the location, purpose, proper use, and limitations of personal protective equipment used in the workplace.
3. AS 18.60.067 requires employers to make available a material safety data sheet, OSHA Form 20, or equivalent written information for a toxic or hazardous substance to which employees may be exposed. It also requires employers to remove employees from exposure to the substance if a copy of this information is not made available to the employee within 15 calendar days.
4. The Alaska Department of Labor will provide assistance to employers in the form of material safety data sheets, workplace inspections and safety seminars.
5. For more information, employers, employees, and concerned citizens may contact:

Alaska Department of Labor  
Division of Labor Standards and Safety  
Material Safety Data Unit  
3301 Eagle Street  
Anchorage, Alaska 99510  
(907) 264-2599

or any local Department of Labor field office.

AS 18.60.068 requires this poster displayed in a prominent place on business premises.

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May 1, 1987

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YEARLY. THAT LEGISLATION COVERS PAINTER SAFETY. WE URGE YOU  
TO NOT PASS HB 201.

THANK YOU VERY MUCH FOR YOUR TIME AND ATTENTION.

HB

204

# STATE OF ALASKA THE LEGISLATURE

POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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

House Hess

April 15, 1987

April 16, 1987

April 22, 1987

April 24, 1987

# HOUSE COMMITTEE REPORT

(7)

Date referred: 3/23/87

FURTHER REFERRALS:

Finance

DATE: 4-24-87

The Health, Education and Social Services Committee has considered HB 204

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

**RECOMMENDS:**

- replace with CSHB 204 (HESS)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

Roll E. Kelly  
Glenn Spindley  
Bill Hudson  
Walter Munkey  
John Ellis  
Frank Donley

**SIGNING OTHER RECOMMENDATIONS:**

John Koponen needs fiscal note adequate

John Ellis  
 Chairman's signature  
John Koponen

HB 204

An Act relating to state aid for school construction; and providing for an effective date.

FILE CONTENTS

- 1) HB 204
- 2) Zero Fiscal Note, Department of Revenue, 4/14/87
- 3) Letter, Governor's Task Force on Local Government to Governor Cowper, 4/15/87
- 4) School Construction Debt Retirement stats
- 5) Memorandum, Dorothy Gones, 3/17/87
- 6) HB 204 Back-up (blue cover)
- 7) CS for HB 204 (HESS) (Levy, 4/22/87)
- 8) HESS Minutes, 4/15/87
- 9) HESS Minutes, 4/16/87
- 10) HESS Minutes, 4/22/87
- 11) HESS Minutes, 4/24/87

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: HB 204

Publish Date: \_\_\_\_\_

REQUEST: \_\_\_\_\_

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

Title: State Aid for School Construction

Agency Affected: Department of Revenue

BRU: Treasury

Sponsor: Swackhammer

Requestor: House HESS

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB

Division: Treasury

Phone: 465-2350

Date: April 14, 1987

Approved by Commissioner: [Signature]

Agency: Department of Revenue

Date: 9/15/87

Distribution (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Senate Secretary

GOVERNOR'S TASK FORCE ON LOCAL GOVERNMENT  
Dorothy Jones, Chairperson  
P.O. Box 1608  
Palmer, Alaska 99645

April 15, 1987

The Honorable Steve Cowper  
Alaska State Legislators

We, the Mayors of Alaskan Municipalities after many meetings and considerable investigation and work, have agreed upon the following points:

1. The legislature should act as quickly as possible to allow municipalities to refinance their existing school bond indebtedness. HB 204 represents the best approach. To avoid large impacts to local property taxes in most boroughs, the bill must be passed by May 1, 1987. Over 80% of the annual savings would accrue to the State.

2. SB 119, changes to the Education Foundation Formula should be passed as originally introduced, without amendments.

3. The state must continue adequate maintenance of state roads. The \$.08 increase in the motor fuel tax should be enacted and the funds targeted for operations and maintenance. Recent layoffs of maintenance personnel throughout the system indicate that FY '87 revised levels of appropriation are inadequate, even in a year when weather was not severe.

4. The senior citizens property tax exemption should be funded at \$3.0 million. Even if the legislature enacts HB 159, making the exemption a local option, this will not aid municipalities this year. Most municipalities have already granted the state mandated exemption for 1987.

5. Reductions to Municipal Assistance and Revenue Sharing should be the same as reduction to the overall state general programs--approximately 8.4%, not 20%. At least \$7.5 million, \$5.5 million and \$23 million respectively should be added to the current proposal levels of appropriations to meet this "fairness test."

Tom Knut  
Mayor of Anchorage

Dorothy A. Jones  
Mayor, Mat-Su

Juanita Helms  
Mayor, Fairbanks  
North Star

Stan Thompson  
Mayor - Kenai Borough

John R. Puskas  
Mayor, City of Kodiak

## GOVERNOR'S TASK FORCE ON LOCAL GOVERNMENT

Dorothy Jones, Chairperson  
 P.O. Box 1608  
 Palmer, Alaska 99645

April 10, 1987

The Honorable Steve Cowper  
 Alaska State Legislators

We, the Mayors of Alaskan Municipalities after many meetings and considerable investigation and work, have agreed upon the following points:

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5. Reductions to Municipal Assistance, Revenue Sharing and School Debt Retirement should be the same as reductions to the overall state general programs--approximately 8.4%, not 20%. At least \$7.5 million, \$5.5 million and \$23 million respectively should be added to the current proposal levels of appropriations to meet this "fairness test."

  
 \_\_\_\_\_  
 Ralph Gregory, Mayor  
 Ketchikan Gateway Borough  
 \_\_\_\_\_  
 \_\_\_\_\_

## SCHOOL CONSTRUCTION DEBT RETIREMENT -FY87 ACTUALS &amp; FY88 ESTIMATED STATE AID

PREPARED 2/25/87

SCHOOL DISTRICTS	FY87 DISTRICT ENTITLEMENT	FY87 ENTITLEMENT PRO RATA AT 90%	FY88 DISTRICT PROJECTED ENTITLEMENT	FY88 ENTITLEMENT PRO RATA AT 70%
ANCHORAGE	\$28,097,901	\$25,288,111	\$25,777,072	\$18,043,950
BRISTOL BAY	\$434,470	\$391,023	\$609,662	\$426,763
CORDOVA	\$419,765	\$377,789	\$35,022	\$24,515
DILLINGHAM	\$208,686	\$187,817	\$6,961	\$4,873
FAIRBANKS	\$14,758,107	\$13,282,296	\$15,758,936	\$11,031,255
GALENA	\$190,045	\$171,041	\$50,953	\$35,667
HAINES	\$166,036	\$149,432	\$75,858	\$53,101
JUNEAU	\$6,798,517	\$6,118,665	\$6,882,712	\$4,817,898
KENAI	\$24,749,282	\$22,274,354	\$23,784,361	\$16,649,053
KETCHIKAN	\$4,165,716	\$3,749,144	\$3,236,407	\$2,265,485
KING COVE	\$17,727	\$15,954	\$0	\$0
KODIAK	\$5,766,287	\$5,189,658	\$4,957,476	\$3,470,233
MAT-SU	\$21,490,634	\$19,341,571	\$21,024,298	\$14,717,009
NENANA	\$18,296	\$16,466	\$189,944	\$132,961
NOME	\$854,869	\$759,382	\$881,738	\$617,217
NORTH SLOPE	\$12,881,687	\$11,593,518	\$9,248,588	\$6,474,012
PETERSBURG	\$733,544	\$660,190	\$632,352	\$442,646
SITKA	\$2,858,306	\$2,572,475	\$2,581,587	\$1,807,111
UNALASKA	\$231,510	\$208,359	\$230,154	\$161,108
VALDEZ	\$3,155,762	\$2,840,186	\$3,095,712	\$2,166,998
WRANGELL	\$890,189	\$801,170	\$909,835	\$636,885
YAKUTAT	\$0	\$0	\$68,912	\$48,238
TOTALS	\$128,887,336	\$115,998,601	\$120,038,540	\$84,026,978

M E M O R A N D U M

Date: March 17, 1987

TO: Dorothy Jones, Chairperson  
Governor's Task Force on Local Government

FROM: LeRoy H. Barton, Kenai Peninsula Borough,  
Task Force Member  
Susan M. Bendio, Municipal Underwriter,  
Task Force Resource  
Eric Wohlforth, Bond Counsel,  
Task Force Resource

SUBJECT: Result of Rating Agency and Bond Insurer Meetings  
March 11, 1987 -- March 13, 1987

The purpose of this memorandum is to give a brief summary of our recent trip to New York for meetings with:

- o Standard & Poor - Rating Agency
- o Moody's Investor Service - Rating Agency
- o AMBAC - Bond Insurer
- o FGIC - Bond Insurer
- o MBIA - Bond Insurer

The meetings at each of these firms were with the senior management and the specific analyst who evaluate Alaska municipal and State of Alaska issues. The individuals were:

- o Frieda Ackerman, Executive Vice President, Municipal Department, Moody's
- o Joe Rosenblum, Vice President, Municipal Department, Moody's
- o Robin Goldston, Municipal Analyst, Moody's
- o Hy Grossman, Executive Vice President, Municipals, Standard & Poor
- o Maury Cooper, Vice President, Municipal Finance Department, Standard and Poor
- o Dick Huff, Senior Vice President, Municipal Underwriting, AMBAC
- o Kenneth Alterman, Senior Vice President, Deputy Director of Underwriting
- o Deputy Director of Underwriting, AMBAC
- o C. Davis Palmer, First Vice President, Municipal Underwriting, AMBAC
- o Kate Hackett, Vice President, Municipal, AMBAC
- o Karen Daly, Acting Vice President, G.O. Underwriting, MBIA
- o David Lopp, Analyst, G.O. Underwriting, MBIA
- o Joe Lynch, Vice President/Manager, G.O. Underwriting

Each of the meetings were approximately 2-3 hours in length. The discussions were primarily directed at getting feedback on how they would respond to:

- o Local issuers restructuring outstanding school debt?
- o What impact would local restructuring of school debt have on the State of Alaska G.O. rating?
- o What is perceived as the "Prudhoe Bay Curve"?
- o Would the restructure and extension of G.O. School Debt to 20-year terms cause a downgrading either for the local issuer or the State?

The rating agencies and the bond insurers were very familiar with Kenai Peninsula Borough, Mr. Barton, Ms. Bendio, and Mr. Wohlforth. The discussions with both rating agencies and Bond Insurers were very candid and encompassed various aspects of state and local debt -- and their relationship to each. A brief overview is outlined below of their comments:

- o Restructure of Local debt does not have an impact on the State of Alaska debt.
- o Neither the State of Alaska nor Local issuers are or have been on "Credit Watch" - informally or formally. Like all issuers who have a resource based economy, they routinely review the state on an on-going basis.
- o Extension of debt beyond "The Prudhoe Bay Curve" has more of a direct relationship to State of Alaska debt - since its primary revenues are dependent on oil. Even that has changed in recent years with the establishment of the Permanent Fund, the Budget Reserve, etc.
- o Alaskan local governments have typically low millage rates, especially compared to national trends. While not being politically palatable, revenues can be projected over a more traditional term than the "Prudhoe Bay Curve," based on conservative population and tax base growth.
- o A restructure of local debt alone will not usually have an effect on an issuers rating. Other factors that are considered to be mitigating factors with a restructure are:
  - "Run-away" Capital Project Programs.
  - Inaction in assuring that annual revenues equal expenditures.
  - Unrealistic growth projections of tax base.

- o Alaskan Local issuers are very unique in so far as the shortness of the terms on their bonds..typically 10 to 12 years.

The Rating Agencies and Bond Insurers consider them very prudent to have taken advantage of short pay-down when State revenues were plentiful.

- o The Local issuers are wise to address the decline in state revenue sharing and other programs by developing short and long term fiscal plans to deal with their cash flow impact. The Rating Agencies were confused and surprised that local issuers were not using restructuring and other fiscal tools to deal with the decline of state revenues.
- o However, they expressed surprise that current legislation does not permit local issuers the flexibility to quickly respond to those almost certain reductions in revenue sharing programs. They expressed concern that these reductions may create a significant and rather abrupt change in the burden on their local tax base at a time when the local economies are already fragile.
- o A concern was voiced regarding the lack of direct communication in recent months with the State of Alaska. The sentiments were expressed that during cash flow shortfalls and declining revenues, it is especially important to keep communications open. So the agencies can continue to evaluate accurately the fiscal strategies and policies--rather than reading out-of-context media reports.
- o They also expressed the importance for State and Local issuers to keep in perspective -- That Rating Agencies DO NOT - nor will they, make fiscal policies -- they simply evaluate the impact of those policies on debt issued.
- o Another point they suggested be kept in perspective: If a down-grading is done, it would be extremely unusual to go from Aa to A (a full rating decrease). Therefore, they felt if, and it was stated that way, if a downgrade were to occur the additional interest cost would be in the range of 15-20 points or .15 of 1% to .20 of 1%.
- o Both agencies stated they would be happy to meet by telephone with Legislators and the Administration to answer questions or clarifications regarding these topics.
- o The recent informational statement by Moody's was not issued as a concern to the investor community that the state was about to default. But, rather as a rational response to the New York Times' article quoting the Administration that "...the State of Alaska was going to run out of money on

March \_\_\_\_ ..." Also, to rationally point out to the public that the Budget Reserve Fund, Permanent Fund earnings and etc., gave the Legislature alternatives to deal with cash flow shortfalls.

In summary, the meetings were positive and the consistent communication of both agencies were that they perceive the Alaskan local issuers as:

- o Acknowledging the realities of changed economic circumstances.
- o Developing prudent fiscal strategies to deal successfully with both short and long term.
- o Actively pursuing legislation to allow flexibility to proactively respond to local revenue program cuts in an orderly fashion.
- o And clearly communicating them to the rating agencies and the capital markets as a whole.

All of the entities look forward to coming to Alaska for a statewide economic to be held in August or September.

HOUSE BILL 204

HOUSE BILL 204  
INDEX

1. HOUSE BILL 204
2. SECTIONAL ANALYSIS
3. BILL SUMMARY
4. SUPPORT LETTERS
5. SCHOOL CONSTRUCTION COSTS FY79-FY86
6. SCHOOL CONSTRUCTION FUNDING-OTHER STATES
7. CURRENT STATUTES



1 IN THE HOUSE

BY SWACKHAMMER

2

HOUSE BILL NO. 204

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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

7

8

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

9

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

10

(j) The state may not allocate money to a municipality for a

11

school construction project under (a)(5) of this section unless the

12

municipality complies with the requirements of (1) and (2) [(1) - (4)]

13

of this subsection and the project is approved by the commissioner

14

before the local vote on the bond issue for the project. In approving

15

a project under this subsection, the commissioner shall require

16

(1) the municipality to include on the ballot for the bond

17

issue the estimated total cost of each project including estimated

18

annual operation and maintenance costs and the estimated amounts that

19

will be paid by the state and by the municipality; and

20

(2) [THAT THE BONDS MAY NOT BE REFUNDED UNLESS THE ANNUAL

21

DEBT SERVICE ON THE REFUNDING ISSUE IS NOT GREATER THAN THE ANNUAL

22

DEBT SERVICE ON THE ORIGINAL ISSUE;

23

(3) THAT THE BONDS MUST BE REPAID IN APPROXIMATELY EQUAL

24

ANNUAL PRINCIPAL PAYMENTS OR APPROXIMATE EQUAL DEBT SERVICE PAYMENTS

25

OVER A PERIOD OF AT LEAST 10 YEARS;

26

(4)] the municipality to demonstrate need for the project

27

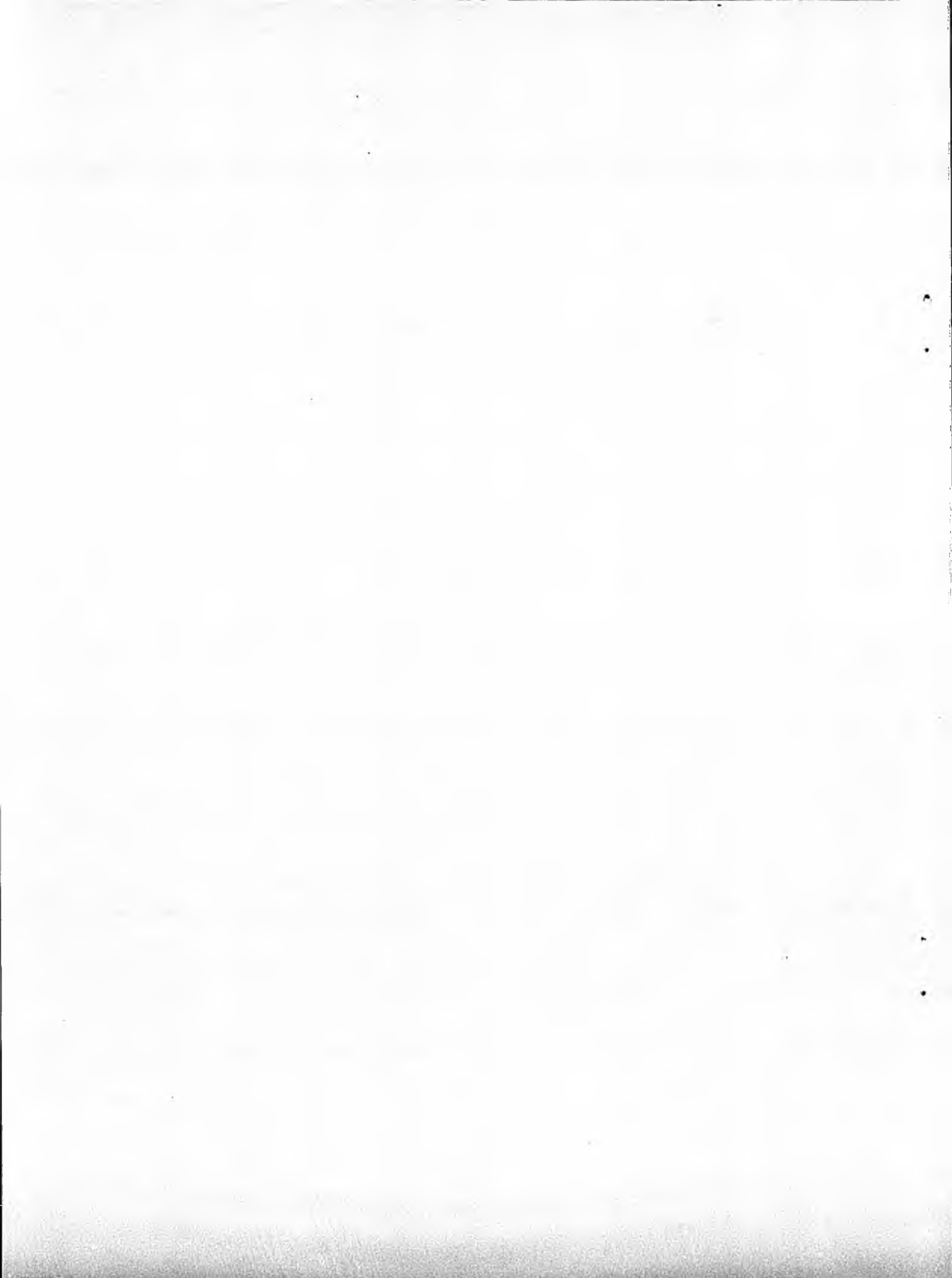
by establishing that the school district has

28

(A) projected long-term student enrollment that indi-

29

cates the district has inadequate facilities to meet present or



STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 J800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

April 3, 1987

SUBJECT: State aid for school construction  
(HB 204)

TO: Representative C. E. Swackhammer

FROM: Keith B. Levy *KBL*  
Legislative Counsel

You have requested a sectional analysis of HB 204. As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 amends AS 14.11.100(j) to repeal two requirements that bond issues for municipal school construction projects authorized since July 1, 1983, have had to comply with to receive debt retirement from the state. The first requirement is 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 (AS 14.11.100(j)(2)). The second requirement is that the bonds be repaid in equal payments over a period of at least 10 years (AS 14.11.100(j)(3)).

Section 2 makes the repeal of these requirements retroactive to July 1, 1983. Accordingly, projects that were approved between that date and the effective date of the bill would not have to meet those two requirements.

Section 3 provides for an immediate effective date.

KBL:csh  
c7/113





ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

P.O. Box Y, State Capitol  
Juneau, Alaska 99811-3100  
Mail Stop 3100  
(907) 465-3991

February 27, 1987

MEMORANDUM

TO: Representative C. E. Swackhammer

ATTN: Tom Wright

FROM: Jay Livey *JL*  
Legislative Analyst

RE: Implications of Proposed Changes in the Law Regarding Reimbursement  
of School Debt Service Payments  
Research Request 87.160

You asked that we analyze the effect of a proposed change in the law which would eliminate paragraphs (3) and (4) of AS 14.11.100(j). This change would allow municipalities more latitude in refinancing school bonds. Below, we explain the legal effect of the change and discuss the effect of the change on the finances of the State and municipalities.

EFFECT OF STATUTORY CHANGES

Alaska Statute 14.11.100 authorizes the State to reimburse municipalities for municipal debt service payments for school construction bonds. Section 14.11.100(j)(2) requires that "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." Section 14.11.100(j)(3) states that "bonds must be repaid in approximately equal annual principal or approximate equal debt service payments over a period of at least 10 years."

In effect, these two paragraphs prohibit a municipality from refunding a bond if the annual debt service payments on the refunded bond exceed what the annual payments would have been on the original bond. If the refunding extends the debt service over more years than the original payment schedule, some payments will be made in years in which no payments would have been made under the original issue. This violates the provision of current law which requires lower annual debt service payments after refunding.

Bonds are normally refinanced to either take advantage of lower interest rates or to alter the debt service schedule. The latter reason is the primary motivation behind these proposed changes. Although the repayment schedule on a bond that was used to finance a building would normally





## KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669  
PHONE 262-4441

STAN THOMPSON  
MAYOR

March 30, 1987

The Honorable C. E. Swackhammer  
Pouch V  
Juneau, AK 99811

Dear Representative Swackhammer:

Reference HB 204 which you have introduced, "An Act relating to state aid for school construction and providing for an effective date."

We, the borough mayors of most of the boroughs in Alaska, have been meeting regularly on the finance problems that we are having this year, and the funding problem for our school construction is our number one priority.

Your bill, HB 204, is, we feel, the proper and correct way to solve part of the problem. This would allow us to refinance any bonds that we feel it wise to refinance and would return the local control of the refinancing to the boroughs involved.

This could make the difference, in our borough, of  $2\frac{1}{2}$  to  $2\frac{1}{2}$  mills, depending on the bonds that it would be wise to refinance; and if all boroughs work together on this and refinanced, it could save the state \$50 million this year alone.

We do understand, and I think everyone concerned understands, that in the long run, if refinancing does occur, interest payments would increase - much like if you refinance a home or a car. We have run charts and graphs to show exactly what it could be, and we feel that, considering our tight finances at present, this is something that is essential for our borough at the present time and other borough mayors feel the same way.

We strongly support your bill, HB 204, and we thank you for introducing it. We hope that the legislature, both house and senate, will pass it as rapidly as possible as time is of the essence. If this isn't passed rapidly, we will not have time to refinance this year; which, again, means an increase in local taxes of as much as  $2\frac{1}{2}$  to  $2\frac{1}{2}$  mills.

Thank you again for introducing the bill and for your consideration of our borough problems.

Sincerely,

Stan Thompson  
Kenai Peninsula Borough Mayor

ST:lc



# Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-3246

BOROUGH MAYOR

April 2, 1987

Honorable C.E. Swackhammer, Representative  
House Finance Committee  
P.O. Box V  
Juneau, AK 99811

RE: HB 204

Dear Representative Swackhammer:

Several weeks ago, concerned mayors and finance personnel from the majority of the organized boroughs in Alaska, met to identify ways to better cope with the reduction in State funds which appear to be available in fiscal year 1988 and in ensuing years. We rapidly determined that one of the most critical issues facing local governments, was our ability to deal with payments on bonds which were issued for the purpose of constructing educational facilities. We identified two obstacles to having the flexibility to manage our bonded debt; 1) Department of Education regulations and 2) provisions of Alaska Statute Title 14 Chapter 11.

Members of this task force have met on several occasions with the Governor, Commissioner of Revenue, Director of OMB, and various other State officials seeking to identify a method of recifying our problems.

House Bill 204, introduced by Representative Swackhammer, contains modifications to Alaska Statute 14.11.100 that will eliminate one of the major roadblocks. I urge you in the strongest possible terms to lend your support in obtaining passage on this piece of legislation.

Passage of this legislation will restore to local governments the flexibility in structure to their bonded debt to schools in order to better cope with diminishing cash flows from the State. Your cooperation in this matter will be greatly appreciated.

Sincerely,

*Dorothy A. Jones*  
Dorothy A. Jones *uj*  
Mayor

VR:ld



April 2, 1987

The Honorable C.E. Swackhammer  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, Alaska 99811

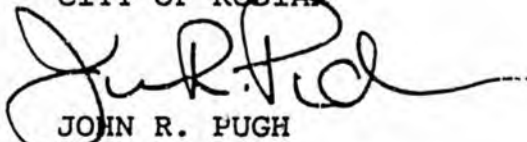
RE: House Bill 204

Dear Representative Swackhammer:

House Bill 204 relating to state aid for school construction by amending AS 14.11.100(j) provides the flexibility needed by municipalities to fund annual debt service. I support the bill and thank you for working to reduce the impact of impending revenue reduction.

Sincerely,

CITY OF KODIAK



JOHN R. PUGH  
Mayor

JRP:RAD/mhd

cc: The Honorable Jan Faiks  
The Honorable Don Bennett  
The Honorable John (Jack) Coghill  
The Honorable Fred Zharoff  
The Honorable Cliff Davidson



# Fairbanks North Star Borough

Mayor: Juanita Helms

March 31, 1987

Honorable C.E. Swackhammer  
Alaska State Legislature  
Pouch V  
Juneau AK 99811

Dear Representative Swackhammer:

I would like to offer my support for House Bill No. 204, which you recently introduced, relating to state aid for school construction.

Local municipalities have been hard hit the past two years and this bill would allow them the ability to carefully assess their option toward cash flow relief.

Again, I would like to reiterate my support for HB 204, and appreciate your timely introduction of this important bill.

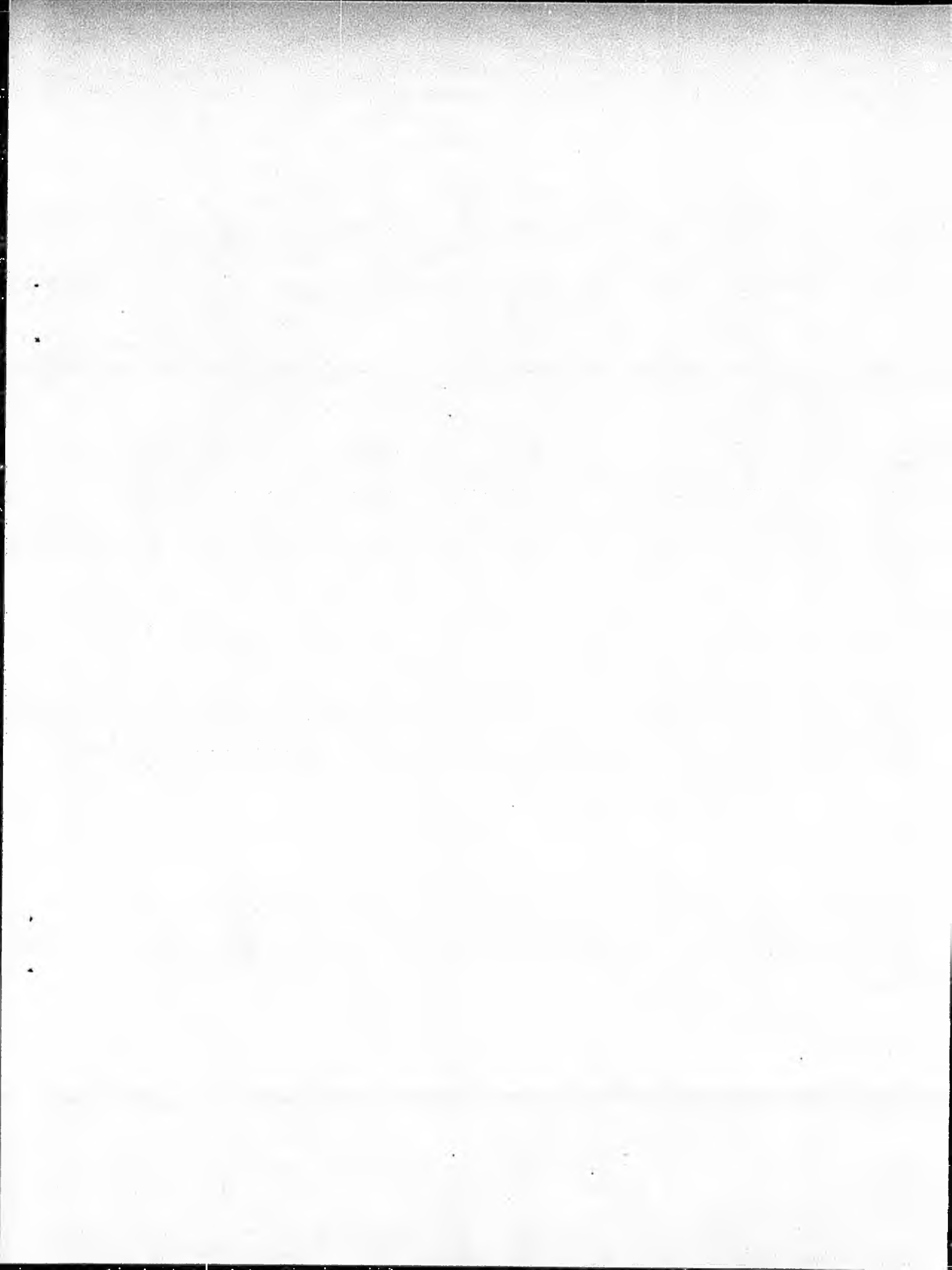
Sincerely,

A handwritten signature in cursive script that reads "Juanita Helms".

JUANITA HELMS  
Borough Mayor

JH:al

cc: Interior Legislative Delegation





ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

P.O. Box Y, State Capitol  
Juneau, Alaska 99811-3100  
Mail Stop 3100

You asked that we update House Research Agency memorandum 85-233, "School Construction Costs FY 79 - FY 85," to include fiscal years 1986 and 1987. The following tables, 8 through 15, contain the updated information that you requested. (Tables 1 through 7 in the original memorandum are unchanged by the addition of this information so are not included in this memorandum.) Tables 8 and 9 are new tables and provide State payments for debt service reimbursement to the city and borough districts for fiscal years 1986 and 1987. Tables 10 through 15 use the same format as used in tables 8 through 13 in the original memorandum except that fiscal years 1986 and 1987 have been included.

Tables 8 and 9. Table 8 contains FY 86 State payments to reimburse city and borough districts for school bond debt service payments. Table 9 projects the State payments to city and borough districts for FY 87. Each district's entitlement is reduced by its cigarette tax payment. If a district's debt service is insufficient to offset its cigarette tax payment, the cigarette tax payment is included as a State payment to the district.

Table 10. This table provides a summary of State payments for reimbursement of city and borough debt service payments for fiscal years 1979 through 1987.

Tables 11 and 12. These tables contain capital appropriations for school repair and construction for fiscal years 1979 through 1987. Fiscal Year 1987 appropriations have been adjusted to reflect budget restrictions imposed by Governor Sheffield.

Table 13. Table 13 contains municipal grants to city and borough districts for FY 81 (the first year grants to municipalities were authorized) through FY 87. As with capital appropriations, the FY 87 municipal grant appropriations have been adjusted to reflect Governor Sheffield's budget restrictions.

Representative Larson  
February 4, 1987  
Page 2

Table 14. Table 14 summarizes the debt retirement payments, capital appropriations and municipal grants for school construction made to city and borough school districts from FY 79 through FY 87.

Table 15. This table ranks Alaska's school districts according to the State's contribution to construction funding per average ADM for the period FY 79 through FY 87.

I hope you find this information useful. Should you need additional research, please contact the agency.

JL

Attachments

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**





ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

P.O. Box Y, State Capitol  
Juneau, Alaska 99811-3100  
Mail Stop 3100  
(907) 465-3991

February 27, 1987

MEMORANDUM

TO: Representative C. E. Swackhammer

ATTN: Tom Wright

FROM: Jay Livey *JL*  
Legislative Analyst

RE: Implications of Proposed Changes in the Law Regarding Reimbursement  
of School Debt Service Payments  
Research Request 87.160

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Bonds are normally refinanced to either take advantage of lower interest rates or to alter the debt service schedule. The latter reason is the primary motivation behind these proposed changes. Although the repayment schedule on a bond that was used to finance a building would normally

Representative Swackhammer  
February 27, 1987  
Page 2

match the useful life of that building (20 to 30 years), many school bonds in Alaska have shorter pay back schedules to correspond to the "Prudhoe Bay curve." Municipal bond debt service payments were structured so that the bonds would be paid back before petroleum revenue from Prudhoe Bay production declined significantly. It is common for school bonds in Alaska to have pay back schedules of 10 to 12 years. As a result, the annual debt service payments of municipalities are higher than if the payments were extended over more years.

The recent decline in oil prices and subsequent State budget reductions have adversely affected the finances of many communities. One way for communities to respond to budgetary shortfalls is to restructure their debt so that principal and interest payments are made over a longer period of time. Although more debt service is paid if the payments are extended, the annual payments are reduced, helping to alleviate municipalities' immediate cash flow problems. The proposed changes to the law allow this restructuring.





## KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669  
PHONE 262-4441

STAN THOMPSON  
MAYOR

March 30, 1987

The Honorable C. E. Swackhammer  
Pouch V  
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Dorothy A. Jones *uj*  
Mayor

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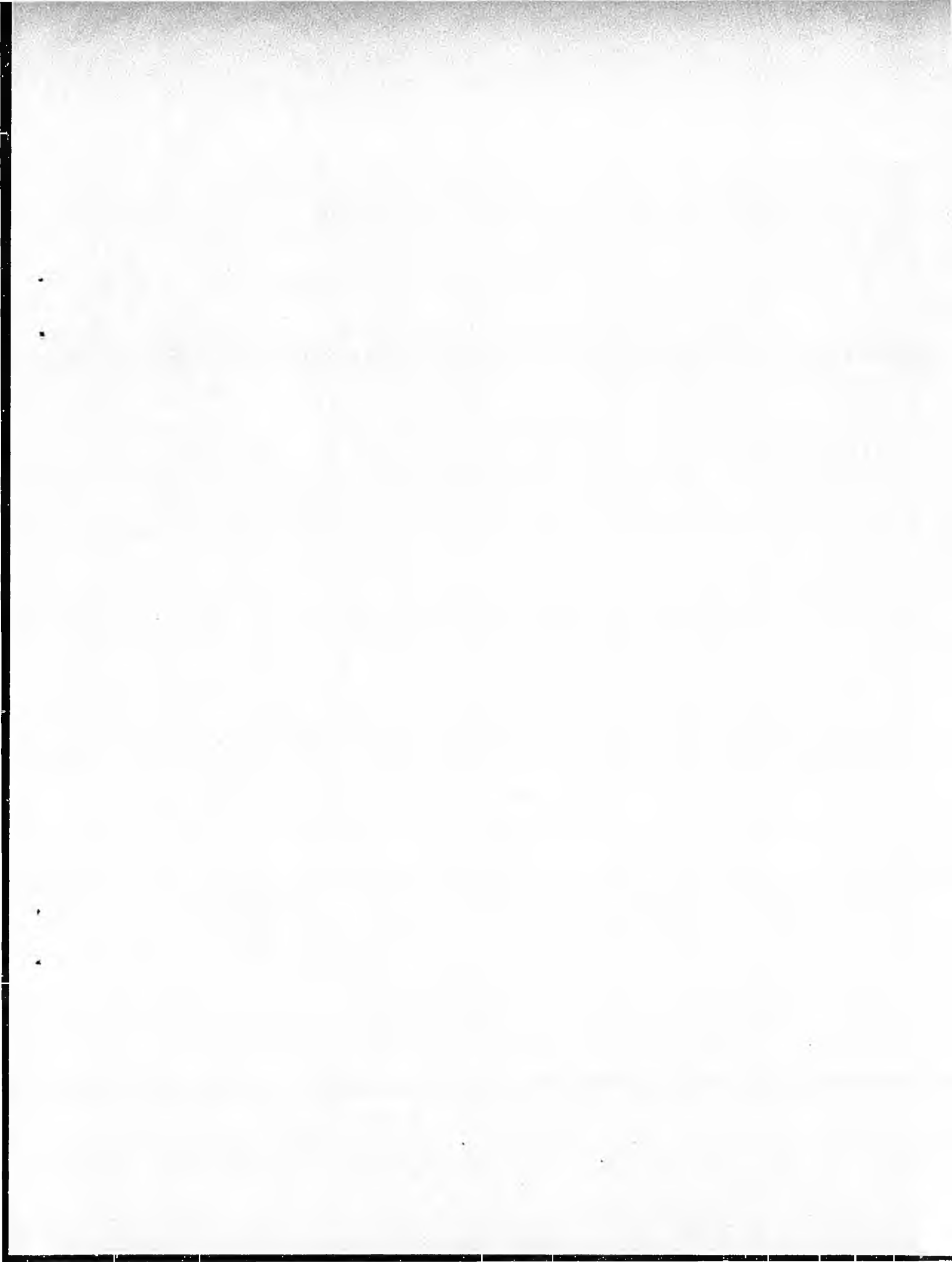
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JUANITA HELMS  
Borough Mayor

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cc: Interior Legislative Delegation





ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
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JL

Attachments

TABLE 8  
School District Debt Retirement FY 86

School District	Total District Entitlement	Less FY 84 Cigarette Tax	District Entitlement Pro Rata @ 96.9078
Anchorage	\$24,777,370	\$1,069,038	\$22,975,223
Bristol Bay	676,839	11,959	644,321
Cordova	282,379	18,651	255,573
Craig	0	9,784	9,784
Dillingham	258,549	19,203	231,945
Fairbanks	13,763,500	306,306	13,041,071
Galena	53,116	10,247	41,543
Haines	146,989	18,480	124,535
Hoonah	0	12,136	12,136
Hydaburg	0	7,268	7,268
Juneau	6,750,865	134,083	6,412,178
Kenai	0	11,205	11,205
Kenai	16,014,986	225,209	15,301,526
Ketchikan	3,238,163	84,391	3,056,251
King Cove	78,837	9,038	67,641
Klawock	0	9,968	9,968
Kodiak	6,415,689	74,996	6,144,626
Mat-Su	14,489,254	178,290	13,868,440
Nenana	223,702	10,544	206,567
Nome	0	29,540	29,540
North Slope	19,037,435	53,934	18,396,493
Pelican	0	5,733	5,733
Petersburg	1,039,061	23,027	984,616
Sand Point	0	8,461	8,461
Sitka	643,113	56,326	568,642
Skagway	11,146	10,387	736
St. Mary's	0	9,677	9,677
Tanana	0	7,333	7,333
Unalaska	238,986	10,543	221,379
Valdez	3,030,321	33,917	2,903,749
Wrangell	916,409	20,222	868,475
Yakutat	0	10,113	10,113

Source: Department of Education, Division of Management, Law and Finance.

Note: If the school district has insufficient local debt with which to offset the cigarette tax, the cigarette tax payment made two years previously is included in the pro-rata district entitlement column.

Prepared by the House Research Agency, February 1987 (debt86;010787-08).

TABLE 9  
Projected School District Debt Retirement FY 87

School District	Total District Entitlement	Less FY 84 Cigarette Tax	District Entitlement Pro Rata @ 89.0
Anchorage	\$29,176,969	\$1,079,068	\$25,007,132
Bristol Bay	445,859	11,389	386,678
Cordova	637,288	17,524	551,590
Craig	0	9,211	9,211
Dillingham	228,818	20,132	185,731
Fairbanks	15,065,339	307,232	13,134,715
Galena	200,145	10,101	169,139
Haines	183,323	17,287	147,772
Hoonah	0	11,488	11,488
Hydaburg	0	7,776	7,776
Juneau	6,929,048	130,529	6,050,682
Kake	0	11,479	11,479
Kenai	24,973,664	224,383	22,026,860
Ketchikan	4,243,394	77,678	3,707,487
King Cove	26,313	8,587	15,776
Klawock	0	9,180	9,180
Kodiak	5,838,344	72,057	5,131,995
Mat-Su	21,693,292	202,659	19,126,663
Nenana	27,700	9,404	16,283
Nome	883,990	29,122	760,833
North Slope	12,934,404	52,718	11,464,701
Pelican	0	5,344	5,344
Petersburg	755,520	21,977	652,853
Sand Point	0	7,457	7,457
Sitka	2,911,075	52,770	2,543,891
Skagway	0	8,587	8,587
St. Mary's	0	8,345	8,345
Tanana	0	7,171	7,171
Unalaska	241,258	9,749	206,043
Valdez	3,186,960	31,198	2,808,628
Wrangell	909,154	18,966	792,267
Yakutat	0	9,432	9,432

Source: Department of Education, Division of Management, Law and Finance.

Note: If the school district has insufficient local debt with which to offset the cigarette tax, the cigarette tax payment made two years previously is included in the pro-rata district entitlement column.

Prepared by the House Research Agency, February 1987 (debt87;010787-08).

TABLE 10

Summary of School Debt Reimbursement  
City and Borough School Districts  
FY 1979- FY 1987

School District	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	Total Debt Service Reimbursement
Anchorage	\$9,944,228	\$9,739,145	\$11,446,809	\$9,914,812	\$10,600,508	\$18,552,237	\$17,368,912	\$22,975,223	\$25,007,132	\$135,549,006
Bristol Bay	115,702	66,666	83,934	18,033	248,427	369,613	348,873	644,321	386,678	2,282,247
Cordova	88,853	79,773	100,172	107,594	92,023	105,881	102,702	255,573	551,590	1,484,161
Craig	0	0	8,870	9,615	9,494	10,673	27,579	9,784	9,211	85,226
Dillingham	0	52,527	25,773	56,244	289,767	19,752	171,456	231,945	185,731	1,033,194
Fairbanks	3,423,535	2,950,046	4,682,779	4,264,639	3,957,939	10,572,624	12,235,372	13,041,071	13,134,715	68,262,720
Galena	41,472	8,900	19,591	8,861	38,899	45,998	310,177	41,543	169,139	684,581
Haines	59,180	62,281	79,347	76,815	70,287	71,383	45,375	124,535	147,772	736,975
Hoonah	0	0	12,648	11,940	11,480	13,013	30,578	12,136	11,488	103,283
Hydaburg	0	0	6,641	7,234	6,451	7,589	15,585	7,268	7,776	56,544
Juneau	951,494	906,071	750,591	716,130	596,430	6,862,038	6,459,259	6,412,178	6,050,682	29,704,873
Kake	20,226	17,842	10,044	10,243	10,047	12,037	28,579	11,205	11,479	131,702
Kenai	2,935,930	2,752,344	5,137,595	5,305,047	4,976,771	14,689,874	14,297,498	15,301,526	22,026,860	87,423,445
Ketchikan	445,871	474,445	633,000	829,553	579,141	2,497,585	2,850,188	3,056,251	3,707,487	15,073,521
King Cove	0	45,686	8,032	7,904	8,147	9,412	21,189	67,641	15,776	183,787
Klawock	0	0	5,250	5,517	5,793	7,149	15,683	9,968	9,180	58,540
Kodiak	283,949	317,600	616,090	634,491	409,500	3,080,245	5,581,074	6,144,626	5,131,995	22,199,591
Mat-Su	1,702,318	2,013,834	3,366,634	3,886,096	3,649,216	10,130,371	10,328,641	13,868,440	19,126,663	68,072,264
Menana	17,614	16,569	37,045	12,520	10,231	9,956	26,007	206,567	16,283	352,822
Nome	0	223	28,617	28,100	22,872	34,787	90,256	29,540	760,833	995,228
North Slope	1,427,177	2,385,356	8,874,459	9,197,724	9,635,035	18,269,302	17,415,286	18,396,493	11,464,701	97,065,933
Pelican	0	0	4,539	4,535	4,779	5,000	9,293	5,733	5,344	39,223
Petersburg	27,194	268,710	417,198	491,695	539,307	874,758	779,415	984,616	652,853	5,280,746
Sand Point	0	0	0	8,081	7,684	9,064	19,222	8,461	7,457	59,969
Sitka	339,460	430,335	400,861	657,758	658,421	1,019,581	242,348	568,642	2,543,891	6,861,298
Skagway	12,142	14,700	14,588	16,219	23,035	21,530	7,972	736	8,587	119,509
St. Mary's	76,559	0	43,963	8,486	8,424	9,522	21,532	9,677	8,345	186,508
Tanana	0	0	0	0	0	0	0	7,333	171	14,504
Unalaska	1,103	0	8,364	8,203	9,145	144,184	215,201	221,379	206,043	813,622
Valdez	103,004	1,484,242	1,604,466	1,993,931	2,716,220	3,117,975	4,056,164	2,903,749	2,808,628	20,788,379
Wrangell	10,799	2,485	45,261	82,855	63,803	161,514	322,277	868,475	792,267	2,349,736
Yakutat	0	0	8,165	8,049	8,473	28,130	14,785	10,113	9,432	87,147

Source: Department of Education, Division of Management, Law and Finance.

Notes: FY 1987 debt service reimbursements are estimated.

Prepared by the House Research Agency, February 1987 (sundre; 010787-08).

TABLE 11  
 Capital Appropriations For School Construction  
 Regional Educational Attendance Areas  
 FY 1979-1987

School District	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	Total App. FY 79-87	Average	Total
											ADM FY 79-87	Approp. Per ADM
Adak	\$2,000,000	\$0	\$0	\$0	\$480,800	\$0	\$0	\$0	\$50,000	\$2,530,800	585	\$4,326
Alaska Gateway	2,615,000	144,000	1,529,200	3,610,300	145,000	2,250,000	7,900,000	0	200,000	18,393,500	453	40,584
Aleutian	2,417,400	0	0	2,630,600	1,800,000	0	1,462,000	600,000	0	8,910,000	124	72,113
Annette	0	0	4,392,500	1,100,000	120,000	0	0	1,000,000	0	6,612,500	364	18,144
Bering Strait	13,310,700	0	4,666,000	8,934,300	2,200,000	2,340,000	4,300,000	0	0	35,751,000	821	43,552
Chatham	1,900,000	0	1,251,000	1,216,000	435,500	1,950,000	1,450,000	493,700	0	8,696,200	257	33,779
Chugach	0	1,600,000	0	0	0	160,000	2,170,000	325,000	0	4,255,000	83	51,541
Copper River	0	81,500	1,200,000	75,000	1,134,600	0	1,400,000	3,000,000	575,000	7,466,100	547	13,652
Delta/Greely	40,000	865,100	0	3,800,000	85,000	0	3,460,000	734,600	0	8,984,700	901	9,974
Iditarod	5,693,500	829,300	2,711,000	2,357,500	250,000	3,200,000	4,300,000	50,000	856,300	18,247,600	325	56,089
Kuspuk	4,656,500	605,000	8,438,700	5,630,000	230,000	1,000,000	1,640,000	0	0	22,200,200	334	66,401
Lake & Peninsula	5,252,700	406,900	4,305,900	2,594,800	3,983,400	0	420,000	0	900,000	17,863,700	351	50,878
Lower Kuskokwim	24,815,700	1,151,100	12,432,000	7,331,000	300,000	6,149,000	8,785,000	3,000,000	200,000	64,163,800	2,143	29,947
Lower Yukon	5,770,500	1,670,800	3,741,000	5,012,200	1,631,800	0	3,421,000	200,000	0	21,447,300	1,214	17,660
Northwest Arctic	12,211,400	542,900	10,658,700	10,091,500	0	2,550,000	0	2,000,000	4,400,000	42,454,500	1,466	28,966
Pribilof	1,000,000	0	445,000	115,000	200,000	0	0	0	0	1,760,000	163	10,768
Railbelt	3,400,000	401,000	2,735,000	0	100,000	500,000	2,500,000	0	0	9,636,000	338	28,528
Southeast Island	571,000	0	856,000	776,000	0	1,590,000	1,353,000	635,000	105,600	5,886,600	378	15,568
Southwest Region	6,420,900	0	2,392,000	5,523,200	1,000,000	2,035,000	1,750,000	0	50,000	19,171,100	486	39,474
Yukon Flats	2,485,100	1,665,000	2,672,500	3,148,500	1,070,000	500,000	6,155,000	2,400,000	0	20,096,100	321	62,583
Yukon Koyukuk	7,536,000	400,000	1,575,000	1,339,000	3,420,000	1,000,000	2,739,000	100,000	55,800	18,164,800	541	33,597
Kashunamiut								0	0	0	162	0
Yupit								0	0	0	288	0

Notes: FY 81 appropriations include a \$75,000 municipal grant to Stebbins (Bering Strait) and a \$75,000 municipal grant to Ruby (Yukon-Koyukuk).  
 FY 82 appropriations includes municipal grants totaling \$71,000 to Eagle and Tanacross (Alaska Gateway), a grant of \$8,840,000 to Kotzebua (Northwest Arctic) and a \$35,000 municipal grant to Mulatto (Yukon-Koyukuk).  
 FY 83 appropriations include municipal grants totaling \$200,000 awarded to Stebbins and Koyuk (Bering Straits).  
 FY 85 appropriations include an \$808,300 municipal grant to Teller (Northwest Arctic).  
 FY 87 appropriations reflect Governor's budget restrictions imposed September 1986.  
 Kashunamiut and Yupit became school districts in FY 86.

Source: Department of Transportation and Public Facilities, Central Regional Office; Department of Education, Division of Management, Law and Finance; Summaries of Legis'lative Appropriations, FY 79-FY 87.

Prepared by the House Research Agency, February 1987 (reacap87;010787-08).

TABLE 12

Capital Appropriations FY 1979-FY 1987  
City and Borough School Districts

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	Total App. FY 79-FY 87
Anchorage	\$0	\$150,000	\$3,180,000	\$0	\$0	\$17,121,500	\$0	\$0	\$0	\$20,451,500
Bristol Bay	0	600,000	0	0	0	0	0	0	0	600,000
Cordova	0	0	0	0	0	0	0	0	400,000	400,000
Craig	1,250,000	0	2,949,000	0	0	0	0	941,000	100,000	5,240,000
Dillingham	0	4,135,000	0	1,984,000	0	190,000	2,800,000	0	0	9,109,000
Fairbanks	0	0	10,000	0	1,859,900	2,691,600	0	0	0	4,561,500
Galena	0	65,000	0	0	0	0	3,000,000	0	0	3,065,000
Haines	245,000	250,000	1,332,000	1,089,200	0	0	34,000	0	0	2,950,200
Hoonah	0	0	0	0	0	0	0	0	0	0
Hydaburg	0	0	0	0	0	0	90,000	15,000	0	105,000
Juneau	0	0	2,500,000	0	0	0	2,250,000	0	0	4,750,000
Kenai	500,000	20,000	0	0	0	0	2,516,000	0	0	3,036,000
Kenai	0	0	0	0	0	0	0	0	0	0
Ketchikan	0	0	0	1,250,000	500,000	0	0	545,000	0	2,295,000
King Cove	0	0	0	0	0	0	3,200,000	0	0	3,200,000
Klawock	0	150,000	1,628,000	1,628,000	0	0	0	800,000	50,000	4,256,000
Kodiak	2,638,100	118,600	1,460,000	2,000,000	0	0	0	100,000	0	6,316,700
Mat-Su	0	340,000	225,000	0	106,705	2,000,000	30,000	0	0	2,701,705
Menana	0	0	102,000	1,400,000	900,000	1,300,000	5,800,000	0	0	9,502,000
Nome	500,000	100,000	1,850,000	1,500,000	0	0	5,000,000	0	2,500,000	11,450,000
North Slope	400,000	0	0	0	0	0	0	0	0	400,000
Pelican	0	0	0	0	0	0	0	0	0	0
Petersburg	0	0	0	0	610,000	0	3,500,000	0	0	4,110,000
Sand Point	0	0	0	8,000,000	0	0	0	0	0	8,000,000
Sitka	0	0	0	0	0	0	0	0	0	0
Skagway	2,500,000	0	0	2,230,000	0	1,500,000	1,500,000	0	0	7,730,000
St. Mary's	0	208,000	2,035,000	2,000,000	200,000	200,000	750,000	0	0	5,393,000
Tanana	0	0	0	0	0	0	150,000	0	0	150,000
Unalaska	0	0	0	0	318,000	0	0	0	0	318,000
Valdez	0	0	0	0	0	0	0	0	0	0
Wrangell	3,000,000	250,000	1,500,000	0	0	6,000,000	0	0	0	10,750,000
Yakutat	0	0	0	0	400,000	0	2,250,000	300,000	0	2,950,000

Source: Department of Transportation and Public Facilities, Central Regional Offices; Department of Education, Division of Management, Law and Finance; Summaries of Legislative Appropriations FY 79 - FY 87. FY 87 appropriations have been revised to reflect the budget revisions of 9/86.

Prepared by the House Research Agency, February 1987. (approp87; 010787-08).

TABLE 13

## Municipal Grants FY 1981-FY 1987

## School Construction

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	Total Grants FY 81-FY 87
Anchorage	\$4,048,000	\$28,618,500	\$29,335,100	\$50,000	\$50,407,300	\$22,467,000	\$35,000	\$138,960,900
Bristol Bay	0	0	0	0	300,000	0	70,000	370,000
Cordova	0	130,000	0	0	0	100,000	0	230,000
Craig	0	600,000	50,000	85,000	0	0	0	735,000
Dillingham	1,620,000	0	0	0	0	0	0	1,620,000
Fairbanks	0	2,626,000	3,156,200	1,875,000	7,617,000	1,876,200	224,000	17,374,400
Galena	100,000	0	0	0	0	0	0	100,000
Haines	0	0	0	186,000	0	30,000	0	216,000
Hoonah	600,000	0	295,500	1,500,000	2,012,500	0	0	4,408,000
Hydaburg	0	3,829,200	0	0	0	0	0	3,829,200
Juneau	0	0	0	3,500,000	0	0	0	3,500,000
Kake	0	0	0	0	0	0	0	0
Kenai	0	0	0	0	10,000	100,000	32,000	142,000
Ketchikan	0	0	0	250,000	750,000	0	0	1,000,000
King Cove	0	0	0	0	0	0	0	0
Klawock	0	0	0	0	0	0	0	0
Kodiak	0	0	450,000	463,000	900,000	2,000,000	0	3,813,000
Mat-Su	0	7,860,300	4,233,000	125,000	8,678,100	1,010,000	0	21,906,400
Nenana	0	0	25,000	0	0	0	0	25,000
Nome	0	0	0	496,500	0	0	0	496,500
North Slope	0	0	0	0	463,500	0	0	463,500
Pelican	0	0	533,000	0	0	0	0	533,000
Petersburg	0	2,100,000	0	287,000	23,874	0	0	2,410,874
Sand Point	0	0	0	0	0	0	0	0
Sitka	0	2,905,178	1,923,000	0	1,587,000	70,000	0	6,485,178
Skagway	0	0	0	0	0	0	0	0
St. Mary's	165,000	0	0	0	0	150,000	0	315,000
Tanana	0	0	0	0	0	0	0	0
Unalaska	0	0	0	0	0	0	0	0
Valdez	0	0	0	0	0	0	0	0
Wrangell	0	530,000	0	0	0	0	0	530,000
Yakutat	0	160,000	0	0	0	0	0	160,000

Source: Department of Administration, Division of Administrative Services; Summaries of Legislative Appropriations FY 79-FY 87.  
FY 1987 grants have been adjusted to reflect the Governors budget restrictions imposed 9/86.

TABLE 14

Summary of Municipal Grants, Capital Appropriations and Debt Service  
City and Borough School District  
FY 1979-FY 1987

	Total Grants FY 81-FY 87	Total App. FY 79-FY 87	Debt Service Reimbursement FY 79- FY 87	Total State Contributions	Av. ADM FY 79-FY 87	State Contributions Per Ave. ADM
Anchorage	\$138,960,900	\$20,451,500	\$135,549,006	\$294,961,406	37,310	\$7,906
Bristol Bay	370,000	600,000	2,282,247	3,252,247	213	15,245
Cordova	230,000	400,000	1,484,161	2,114,161	427	4,949
Craig	735,000	5,240,000	85,226	6,060,226	163	37,154
Dillingham	1,620,000	9,109,000	1,033,194	11,762,194	403	29,187
Fairbanks	17,374,400	4,561,500	68,262,720	90,198,620	11,672	7,728
Galena	100,000	3,065,000	684,581	3,849,581	149	25,778
Haines	216,000	2,950,200	736,975	3,903,175	376	10,372
Hoonah	4,408,000	0	103,283	4,511,283	228	19,815
Hydaburg	3,829,200	105,000	58,544	3,992,744	94	42,376
Juneau	3,500,000	4,750,000	29,704,873	37,954,873	4,263	8,904
Kake	0	3,036,000	131,702	3,167,702	198	15,998
Kenai	142,000	0	87,423,445	87,565,445	6,809	12,861
Ketchikan	1,000,000	2,295,000	15,073,521	18,368,521	2,355	7,801
King Cove	0	3,200,000	183,787	3,383,787	118	28,622
Klawock	0	4,256,000	58,540	4,314,540	123	34,983
Kodiak	3,813,000	6,316,700	22,199,591	32,329,291	2,109	15,327
Mat-Su	21,906,400	2,701,705	68,072,264	92,680,369	6,069	15,271
Menana	25,000	9,502,000	352,822	9,879,822	158	62,707
Nome	496,500	11,450,000	995,228	12,941,728	752	17,202
North Slope	463,500	400,000	97,065,933	97,929,433	1,061	92,280
Pelican	533,000	0	39,223	572,223	46	12,350
Petersburg	2,410,874	4,110,000	5,280,746	11,801,620	570	20,721
Sand Point	0	8,000,000	59,969	8,059,969	113	71,609
Sitka	6,485,178	0	6,861,298	13,346,476	1,621	8,233
Skagway	0	7,730,000	119,509	7,849,509	164	47,960
St. Mary's	315,000	5,393,000	186,508	5,894,508	101	58,490
Tanana	0	150,000	14,504	164,504	77	2,143
Unalaska	0	318,000	813,622	1,131,622	158	7,182
Valdez	0	0	20,788,379	20,788,379	802	25,921
Wrangell	530,000	10,750,000	2,349,736	13,629,736	471	28,938
Yakutat	160,000	2,950,000	87,147	3,197,147	156	20,436

Source: Tables 10, 12 and 13.

TABLE 15

Ranking of State Contributions for School Construction  
City and Borough School Districts and REAA'S  
FY 1979 - FY 1987

Rank	Type of District	District	State Contributions Per Ave. ADM	Rank	Type of District	District	State Contributions Per Ave. ADM
1	C&B	North Slope	\$92,280	32	REAA	Lower Yukon	\$17,660
2	REAA	Aleutian	72,113	33	C&B	Nome	17,202
3	C&B	Sand Point	71,609	34	C&B	Kake	15,998
4	REAA	Kuspuk	66,401	35	REAA	Southeast Island	15,568
5	C&B	Nenana	62,707	36	C&B	Kodiak	15,327
6	REAA	Yukon Flats	62,583	37	C&B	Mat-Su	15,271
7	C&B	St. Mary's	58,490	38	C&B	Bristol Bay	15,245
8	REAA	Iditarod	56,089	39	REAA	Copper River	13,652
9	REAA	Chugach	51,541	40	C&B	Kenai	12,861
10	REAA	Lake & Peninsula	50,878	41	C&B	Pelican	12,350
11	C&B	Skagway	47,960	42	REAA	Pribilof	10,768
12	REAA	Bering Strait	43,552	43	C&B	Haines	10,372
13	C&B	Hydaburg	42,376	44	REAA	Delta/Greely	9,974
14	REAA	Alaska Gateway	40,584	45	C&B	Juneau	8,904
15	REAA	Southwest Region	39,474	46	C&B	Sitka	8,233
16	C&B	Craig	37,154	47	C&B	Anchorage	7,906
17	C&B	Klawock	34,983	48	C&B	Ketchikan	7,801
18	REAA	Chatham	33,779	49	C&B	Fairbanks	7,728
19	REAA	Yukon Koyukuk	33,597	50	C&B	Unalaska	7,182
20	REAA	Lower Kuskokwim	29,947	51	C&B	Cordova	4,949
21	C&B	Dillingham	29,187	52	REAA	Adak	4,326
22	REAA	Northwest Arctic	28,966	53	C&B	Tenana	2,143
23	C&B	Wrangell	28,938	54	REAA	Kashunamiut	0
24	C&B	King Cove	28,622	55	REAA	Yupit	0
25	REAA	Railbelt	28,528				
26	C&B	Valdez	25,921				
27	C&B	Galena	25,778				
28	C&B	Petersburg	20,721				
29	C&B	Yakutat	20,436				
30	C&B	Hoonah	19,815				
31	REAA	Annette	18,144				

Prepared by the House Research Agency, February 1987 (ranking;010787-08).





ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
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- Are there states which fund school construction through direct capital appropriation?
- Are there states which fund school construction through an administrative process?

In the case of states which use an administrative process to fund local school construction, we were also asked to provide examples of statutes used to authorize these programs.

We contacted the Education Commission of the States and obtained survey and descriptive information on the methods used by states to fund school construction. In addition, we contacted state education agencies in Alabama, Illinois, Indiana, Minnesota, Missouri, Nevada, Pennsylvania, South Carolina, Vermont, Washington, and Wisconsin to obtain specific information on school construction aid programs in these states.

#### Direct Legislative Appropriations

We have found only one example of a state other than Alaska which funds school construction through direct capital appropriation. Hawaii has only one school district, a statewide district, through which all school construction is funded. The Hawaii Legislature funds this construction on a project by project basis. According to Kay Jones of the Hawaii Department of Education, a statewide list of priorities is developed by the Department of Education; instructional space needs and facility rehabilitation are given top priority. Ms. Jones stated

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that the legislature generally follows the recommendations of the Department of Education with regards to the order of the projects. However, the department does not recommend the overall funding level; this is determined by the legislature. Ms. Jones noted that the legislature has occasionally funded projects which were not at the top of the priority list; however, these were few in number and usually involved less expensive additions such as recreational facilities and auditoriums, not major projects such as new schools.

In addition, Alabama funds school construction by state bond issues. The Alabama Legislature identifies school projects to be included on the ballot proposition placed before the voters; however, voter approval of the bond issue is required before the projects are funded. While this is not a direct legislative appropriation, the executive branch of government is not involved in the project selection process.

We encountered no other instances where states funded local school construction through direct legislative appropriation. However, we have contacted only eleven states directly. The remainder of our information is derived from two reports provided by the Education Commission of the States (ECS). Neither of these studies contains any reference to the use of direct capital appropriation as a method of providing state aid to local school construction. However, it is not clear that either of the studies intended to address nonadministrative programs for school construction assistance.

#### Administrative Methods of Funding School Construction

There appear to be six general methods used by states to fund local school construction: full state assumption of costs; cost sharing on a percentage basis; flat grants for school construction; an equalization funding system; low interest loan programs; and the creation of an independent authority which leases school facilities to local districts. In this section, we will provide a brief description of each method of school construction assistance, including examples of states which have implemented such programs.

At the end of each description, a list of the possible advantages and disadvantages of the program is provided. This list is derived from a survey article on school construction financing in the Journal of Education Finance.<sup>1</sup> For additional information on state school construction funding programs, we refer you to the article, which is

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<sup>1</sup> Richard Salmon and Stephen Thomas, Journal of Education Finance, "Financing Public School Facilities in the 80's," Volume 17, No. 1, Summer 1981, pp. 88-109.

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provided as Attachment A. In addition, we have provided an appendix which contains authorizing statutes from other states for each type of program.

Full State Support. Under full state support programs, the state undertakes to fund all capital and debt service expenditures associated with the construction of local schools. Full support programs do not always pay for the entire cost of school construction. If the amount of funds available from the state is less than the cost of all planned construction, local districts may have to supplement state funding or cancel projects. In the case of Hawaii, with a single, statewide school district, local governments may supplement school construction funds by donating equipment or locating recreational facilities adjacent to schools. The source of state funding may be legislative appropriation, as in the case of Hawaii, the sale of bonds, a dedicated fund, or from some combination of all three.

States with full support programs generally have a mechanism for determining the capital needs of local districts. As noted earlier, Hawaii develops a priority list giving first preference to instructional space needs, with needs such as recreational facilities given less weight. Florida develops an annual allocation for each school district based on projection of school facility needs, the district's school bond debt, and the district's ability to obtain funding from other sources.

In the appendix, we have included the statutes from Florida authorizing its full state support program.

Advantages:       there is a high degree of fiscal equalization among districts;

                  the local districts avoid over-taxing a single revenue source by using the state's greater access to revenue source;

                  the state can develop an allotment mechanism based on need;

                  there are savings in the bond market resulting from consolidation of bond issues into a single state issuance; and

                  the long delays and costs that may be incurred by local bond referendums are avoided.

Disadvantages: there is an additional concentration of power and control of public schools at the state level;

the unique need of varying localities may not be recognized because of uniformity among facilities within the state;

there may be less experimentation and innovation in local school facilities; and

needed facilities may be unnecessarily delayed due to the competition for resources at the state level.

Percentage-Matching. A percentage-matching state support program provides local school districts with assistance for school construction according to the amount contributed by the local district. Alaska has such a program, but only for the organized boroughs and first-class and home rule cities. Under these programs, the state defines the allowable costs to be used when determining the amount of school construction aid, and then pays a percentage of the total cost, a percentage of the local district's debt service, or both. Such expenses as site acquisition, architectural fees, and moveable equipment may or may not be included when calculating the total cost of the project for the purpose of providing aid.

In Vermont, the state contributes 30 percent of the audited cost of local school construction, not including site acquisition or moveable equipment. In addition, the state also pays for 20 percent of all principal and interest payments made by local districts for school bonds or short-term school construction loans. The statutes authorizing this program have been included in the appendix.

Advantages: initiation of school construction projects remains the prerogative of local school districts;

the state, through use of a project approval process, can encourage cost-effective construction practices; and

state assistance reduces the dependency on local resources.

Disadvantages: school districts with the greatest revenue bases benefit the most from such programs;

substantial resources may be required from the state to meet its percentage-match obligation; and

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school districts without significant facility needs would not benefit from state assistance.

Flat-Rates. Some states reimburse local school districts for school construction costs based on a fixed amount per unit. This unit may be the average attendance of the district, the rated capacity of the facility, or the square footage of the project. The significant feature of a flat-rate support program is that it does not take into account the revenue capacity of the district, the level of local expenditure, or the need for the capital project.

In South Carolina, the Department of Public Instruction provides each district with \$30 per year for every student enrolled in the district. According to Dr. Henry Hollingsworth, with the Department of Public Instruction, South Carolina pays approximately \$18 million per year for school construction to the local district. This covers about 20 percent of the cost of school construction in the state. There is currently a proposal in the South Carolina Legislature to increase the amount per student to \$127 annually next year, with the amount to fluctuate over the next several years, leveling off at \$80 per year.

In Indiana, every district receives a grant of \$40 per registered student each year. The school district must apply this money to any debt service obligations; if there is a remainder, it may be transferred to the district's general fund. We have included the Indiana statute authorizing this program in the appendix.

Advantages: the control of school building programs remains at the local level;

some measure of equalization is provided since money is provided irrespective of the local contribution;

the flat-rate grants reduce the school district's dependency on local revenue sources; and

the program is easily administered, as it has a simple allocation formula.

Disadvantages: programs may not provide sufficient funds to finance projects; and

programs may not take into account the building needs of each district.

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Equalization Aid. Equalization programs for state support of local school construction seek to provide a varying level of aid to different districts based on the district's ability to generate revenue. Thus, they seek to equalize the local districts' ability to finance school construction. Equalization support programs have two principal features: a method of determining the base amount of funding to be used, and a formula for calculating an equalization rate to be applied to the base amount of support to determine the actual amount of aid.

The equalization rate invariably includes some calculation which divides a number representing the size of the district's tax base by some measure of the size of the school system. A district with a large tax base will have lower ratio of reimbursement than a district of equal size with a small tax base. This may not be the only factor in calculating the equalization rate, however. The State of Washington includes projections of student growth and an inventory of existing buildings in the calculation of the district's equalization rate.

States use a variety of methods to determine the initial aid amount which is to be multiplied by the district's equalization ratio. Pennsylvania uses the student capacity of the project to determine the number used with the equalization ratio. For example, if a school district is building a high school with a capacity of 700, then the aid rate per student of \$3,000 is multiplied by 700 to derive a base aid rate of \$2.1 million. This is then multiplied by the district's equalization ratio. If the district had an equalization ratio of .5, it would receive \$1.05 million in aid for the school project.

Washington, on the other hand, uses a percentage match system in conjunction with its equalization program. Depending on the resources and needs of the district, the state reimburses between 20 and 90 percent of the cost of school construction projects.

The authorizing statutes for the Washington, Pennsylvania, and Wisconsin programs have been included in the appendix.

**Advantages:** comparable school facilities are available to districts independent of the capacity of the district to generate revenue; and

reduced need for local revenues for school construction allows municipalities to expend more on other needs.

**Disadvantages:** for the program to be effective, the state must fund the full amount needed for eligible school construction.

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Loans. In addition to providing grants to local school districts for school construction, states may also provide low-interest loans. Loans may be funded through direct appropriation, or the state may establish a revolving loan fund. State loans are generally not charged against the local school district's debt limit for bonding purposes. Some states may make loans available to any district, while some states may have provisions which favor needier districts. The amount of funds available to districts through state loans is usually modest.

Minnesota has a low-interest loan program established to assist newly emerging school districts and districts in areas of rapid population growth. According to Ron Laliberte, with the Minnesota Department of Education, these districts may be faced with a substantial school population before the local tax base has developed sufficiently to support the district's construction needs. Eligibility is determined by computing the taxable property valuation of the district per student. He noted that very few districts qualify for the program because their property valuation is too high.

In Minnesota, the loan program is funded by legislative appropriation. According to Mr. Laliberte, there have been no loans given out in the last two years due to a lack of appropriations from the legislature. There are currently no plans to reactivate the program.

Arkansas has a revolving loan program which makes approximately \$350,000 available annually for loans to local school districts at 6 percent interest. The loans are generally for six years, and the district is required to levy taxes to pay off the principal and interest in this period. Indiana has one loan program which makes a total of \$1.5 million available annually to school districts for school construction loans at an interest rate one percent below the current bond market rate. It also has a Veterans' Memorial School Construction Fund which makes a small amount of loans available at one percent interest rates.

We have included the statutes authorizing school construction loan programs from Indiana and Minnesota in the appendix.

**Advantages:** loan programs provide an economical way for local districts to borrow funds;

loans from the state are not generally charged against the district's debt limit;

the time required to obtain loans is generally less than for bonding; and

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the state, through an approval process, can encourage cost effective construction practices.

**Disadvantages:** state loan funds are frequently limited and provide only a small portion of the funds needed for school construction;

equalization of resources may not be addressed, depending on the structure of the program;

establishment of a loan fund may direct the attention of the legislature away from other, more substantial methods of funding school construction; and

local control of the schools may be diluted by the state approval process.

Authorities. The final method used by states is the establishment of a nonprofit corporation or building authority which issues the bonds for construction of school facilities, retains ownership of the facilities, and leases them to the local school districts. This method is usually used to bypass state limits on local bonded indebtedness by having another party issue the bonds. Generally, the school district is deeded the facility after the lease payments have covered the costs of the bonds.

Kentucky uses this method of school financing, provided districts have levied the maximum general fund tax rate, levied a local tax sufficient to be eligible for their equalization program, submitted a balanced budget and have no current or projected deficit in either general or capital construction funds; and have completed a facilities survey within the last five years.

In the appendix, we have included the Kentucky and Pennsylvania statutes authorizing the creation of building authorities.

**Advantages:** building authorities offer a method of evading tax and debt restrictions imposed by state law or the state constitution;

state, local, and federal revenues may be used by the school district to pay for the rental costs of the schools; and

building authorities may enable local school districts to acquire funds for construction without voter approval.

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Disadvantages: the creation of building authorities ignores the real problems of funding schools by circumventing tax and debt limitations;

building authorities generally use revenues bonds to finance school construction; these bonds have higher interest rates than general obligation bonds; and

the public's right to voter approval of school construction is circumvented by authorities.

In addition to the statutes included in the appendix and the article on school construction financing that is Attachment A, we have also attached to this memorandum a matrix chart prepared by the Education Commission of the States (Attachment B) which shows the operating and capital funding methods for the fifty states. For your purposes, the headings which run horizontally across the page are the pertinent categories; the vertical axis pertains to methods of funding operational expenditures. Unfortunately, the chart does not include information on states which permit building authorities.

There is a table in Attachment A which does show methods of capital funding by states and does include information on authorities; however, our telephone interviews have indicated that there are several inaccuracies in this table. It should be noted that we obtained information in our conversations with school officials in other states that was not in agreement with either chart. Therefore, while these summary tables provide somewhat useful indicators of the degree to which various types of programs are used, it appears likely that both contain at least some errors with regard to specific programs in individual states.

If you have any questions, or if we can provide further assistance, please do not hesitate to contact us.

JS

Attachments

APPENDIX

School Construction Finance Statutes

Florida  
Indiana  
Kentucky  
Minnesota  
Pennsylvania  
Vermont  
Washington  
Wisconsin



that is no less favorable than would have been received had such moneys been invested in accordance with authorized practices.

(7) Boards authorized to participate in the trust fund are district school boards, the community college district boards of trustees, the Trustees of the Florida School for the Deaf and the Blind, the Board of Regents, and other units of the state system of public education, and other educational purposes authorized by the Legislature.

(8)(a) The office shall make a monthly report, by project, of requests for encumbrance authorization from each agency. Each project shall be tracked in the following manner:

1. The date the request is received;
2. The anticipated encumbrance date requested by the agency;
3. The date the project is eligible for encumbrance authorization; and
4. The date the encumbrance authorization is issued.

In addition, the office shall make a monthly report of the amount of cash disbursed to the agency from each appropriated allocation and the amount of cash disbursed by the agency to vendors or contractors from each appropriated allocation, by month.

(b) In addition, the office shall make a monthly report showing updated adjustments to the budget fiscal year forecast for appropriations, encumbrances, disbursements, and cash available for encumbrance status.

History.—s. 14, ch. 74-374, s. 7, ch. 75-292, s. 3, ch. 76-280, s. 1, ch. 77-174, s. 21, ch. 77-454, s. 108, ch. 79-199, s. 30, ch. 81-223, s. 140, ch. 81-279, ss. 12, 14, ch. 82-240.

Note.—Expires July 1, 1985, pursuant to s. 14, ch. 82-240, and is subject to review by the Legislature pursuant to s. 51, ch. 81-223, prior to that date.

Note.—The words "costing in excess of" were substituted by the editors for the word "over."

**235.435 Funds for comprehensive educational plant needs.**—Allocations from the Public Education Capital Outlay and Debt Service Trust Fund to the various boards for capital outlay projects shall be determined as follows:

(1)(a) Funds for remodeling, renovation, maintenance, repairs, and site improvement for existing satisfactory facilities shall be given priority consideration by the Legislature for appropriations allocated to the boards, including the Board of Regents, from the total amount of the Public Education Capital Outlay and Debt Service Trust Fund appropriated. These funds shall be calculated pursuant to the following basic formula: the building value times the building age over the sum of the years' digits assuming a 50-year building life. For relocatable facilities, a 20-year life shall be used. "Building value" is calculated by multiplying each building's total assignable square feet times the appropriate net-to-gross conversion rate found in state board rules and that product times the current average new construction cost. "Building age" is calculated by multiplying the prior year's building age times 1 minus the prior year's sum received from this subsection divided by the prior year's building value. To the net result shall be added the number 1. Each board shall receive the percentage generated by the preceding formula of the total amount appropriated for the purposes of this section.

(b) The provisions of chapters 230, 235, 236, 255, and 287 to the contrary notwithstanding, the remodeling, renovation, maintenance, repair, and site improvement projects funded under this section are exempt from day-labor limitations, performance bond requirements for projects costing less than \$25,000, the Consultants' Competitive Negotiation Act selection process for projects costing less than \$100,000, and the requirement of prior approval of plans and specifications by the Office of Educational Facilities. This exemption does not relieve each board, including the Board of Regents, of the duty and responsibility of ensuring compliance with all requirements of the State Uniform Building Code for Educational Facilities, or other applicable codes, for all remodeling, renovation, maintenance, repair, and site improvement performed or for the prudent management and efficient expenditure of all funds received pursuant to this section.

(c) Each board, including the Board of Regents, shall not use the funds received pursuant to this section to supplant funds in the current fiscal year approved operating budget, and all budgeted funds shall be expended at a rate not less than would have been expended had the funds under this section not been received.

(d) Each board, including the Board of Regents, shall maintain its effort for expenditures for remodeling, renovation, maintenance, repair, and site improvement for the budget fiscal year at not less than the level included in the approved operating budget for the current fiscal year.

(e) Each remodeling, renovation, maintenance, repair, or site improvement project will expand or upgrade current educational plants to prolong the useful life of the plant.

(f) Each board, including the Board of Regents, shall not reduce employment for the remodeling, renovation, maintenance, repair, and site improvement projects that are already budgeted in its current fiscal year approved operating budget.

(g) Each board, including the Board of Regents, shall maintain fund accounting in a manner which will permit a detailed audit of the funds expended in this program.

(h) Remodeling projects shall be based on the recommendations of a survey pursuant to s. 235.15.

(2)(a) The department shall establish, as a part of the Public Education Capital Outlay and Debt Service Trust Fund, a separate account, in an amount determined by the Legislature, to be known as the "Special Facility Construction Account." The Special Facility Construction Account shall be used to provide necessary construction funds to school districts which have urgent construction needs but which lack sufficient resources at present, and cannot reasonably anticipate sufficient resources within the period of the next 3 years, for these purposes from currently authorized sources of revenue. A school district requesting funding from the Special Facility Construction Account shall submit one specific construction project, not to exceed one complete educational plant, to the Special Facility Construction Committee. The request must meet the following criteria to be considered by the committee:

1. The project must be recommended in the mo



five budget request at least 45 days prior to the legislative session. The Division of Community Colleges shall submit a 3-year priority list for the entire State Community College System. The Board of Regents shall submit a 3-year priority list for the entire State University System. The lists shall reflect decisions by the boards concerning program priorities that implement the statewide plan for program growth and quality improvement in education. Should the order of the priority of the projects change from year to year, a justification for such change shall be included with the updated priority list.

(b) The boards of trustees of the community colleges and the Board of Regents shall receive funds for remodeling, renovation, maintenance and repairs, and site improvement for existing satisfactory facilities pursuant to subsection (1).

History.—s. 7, ch. 74-345, s. 24, ch. 74-227, s. 16, ch. 74-374; s. 12, ch. 75-292; s. 1, ch. 76-200; s. 1, ch. 77-174; s. 1, ch. 77-120; s. 24, ch. 77-458; s. 4, ch. 79-426; s. 1, ch. 79-004; s. 11, ch. 79-185; s. 7, ch. 80-378; s. 9, ch. 80-414; s. 35, 50, 2, ch. 81-223; s. 3, ch. 82-137, ss. 7, 14, ch. 82-240.

Note.—  
A.—Expires July 1, 1985, pursuant to s. 52, ch. 81-223; s. 52 is subject to review by the Legislature prior to that date. Expires July 1, 1985, pursuant to s. 52, ch. 81-223. Provides that such repeal (expiration) is subject to review by the Legislature pursuant to s. 54, ch. 81-223. Expires July 1, 1985, pursuant to s. 52, ch. 81-223, and is subject to review by the Legislature pursuant to s. 54, ch. 81-223, prior to that date.  
B.—The amendment of this section by s. 7 of ch. 82-240 during the special session of March 29 and 31, 1982, failed to incorporate the amendment of the same section by s. 14 of ch. 82-137 during the regular session. Although the circumstance that separate sessions were involved takes the transaction out of the operation of s. 191, there was no apparent legislative intent to nullify the amendment from the regular session. Therefore, the section as published gives effect to both amendments.

Note.—The words "energy-saving equipment or equipment using renewable energy" were substituted by the editors for the words "such equipment."  
Note.—Former s. 236.094.

CHAPTER 236

FINANCE AND TAXATION, SCHOOLS

- 236.1223 Additional categorical funds for teaching writing skills.
- 236.25 District school tax.
- 236.261 Levy based on interim assessment roll; reimbursement to state for additional taxes collected upon reconciliation of roll.

236.1223 Additional categorical funds for teaching writing skills.—

(1) This act shall be known as the "Jack Gordon Writing Skills Act of 1982."

(2) Any school district which establishes a separate course for teaching writing skills, or which demonstrates that teaching writing skills is a primary emphasis in English courses included in its existing curriculum and required as a prerequisite for graduation, may receive categorical funds as provided in this section in addition to the funds it receives from the Florida Education Finance Program.

(3) To be eligible to receive funds under this section, a school district shall certify to the Department of Education:

(a) That instruction in writing skills is provided for classes which contain no more than 25 students per teacher and no teacher who teaches writing skills as part of the instruction in an English class that is a

class required by the school district as a prerequisite for graduation teaches more than 100 students per day; however, the Commissioner of Education may approve alternative staffing plans, on an annual basis, submitted by a local district for those schools wherein there is a demonstrated lack of classroom space or a showing is made that the total instructional program requires teachers to instruct classes in English and another subject or subjects;

(b) The number of full-time equivalent students as defined in s. 236.013(2) who are enrolled in the basic 10-12 program and who receive instruction in writing skills as provided in paragraph (a);

(c) That it has complied with all criteria established by the Department of Education pursuant to this section.

(4) The Commissioner of Education shall establish specific criteria for determining whether the teaching of writing skills is a primary emphasis in an existing English course which a school district has required to be a prerequisite for graduation. Included in the criteria shall be a requirement that a student in such course write not less than one essay, report, story, or other work product each week of class.

(5) The annual allocation to each district that is eligible to receive funds under this section shall be distributed to each such district by the Department of Education in the following manner:

(a) The school district shall receive an amount equal to 0.05 times the average number of students enrolled in such writing classes per day during survey weeks times the basic 10-12 program weight used in the Florida Education Finance Program times the Base Student Allocation used in the Florida Education Finance Program.

(b) If the number of dollars generated by using the formula provided in paragraph (a) for all eligible districts exceeds the appropriation made by the Legislature for the year, the department shall prorate each district's share of the appropriation.

History.—s. 1, 2, ch. 82-217

236.25 District school tax.—

(1) Each school board desiring to participate in the state allocation of funds for current operation as prescribed by s. 236.091(6) shall levy on the nonexempt assessed valuation for school purposes of the district, exclusive of millage voted under the provisions of s. 9(b) or s. 12, Art. VII of the State Constitution, a millage rate not to exceed the amount certified by the commissioner as the minimum millage rate necessary to provide the district required local effort for 1982/1983, pursuant to s. 236.091(4)(a)1., plus 1.5 mills. However, in no event shall the nonvoted discretionary millage of a district exceed 25 percent of the millage which is required pursuant to s. 236.091(4);

(2)(a) In addition to the maximum millage levy as provided in subsection (1), each school board may levy not more than a 2-mill equivalent against the nonexempt assessed valuation for school purposes to fund:

1. New construction and remodeling projects, as set forth in s. 235.435(3)(b), without regard to the prioritization in that section, sites and site improve-

ment or expansion of facilities, or ancillary

2. Maintenance of school plants.

3. plant current expenditures for maintenance, renovation or replacement of the prior year shall be subject to the provisions of s. 236.013, Laws of Florida.

4. School bus replacement

(b) Any school district pursuant to this section provided in s. 196.033 to

(c) The 2-mill equivalent shall be a rate computed pursuant to the mill levy for 1981-1982-1983-1984-1985-1986-1987-1988-1989-1990-1991-1992-1993-1994-1995-1996-1997-1998-1999-2000-2001-2002-2003-2004-2005-2006-2007-2008-2009-2010-2011-2012-2013-2014-2015-2016-2017-2018-2019-2020-2021-2022-2023-2024-2025-2026-2027-2028-2029-2030-2031-2032-2033-2034-2035-2036-2037-2038-2039-2040-2041-2042-2043-2044-2045-2046-2047-2048-2049-2050-2051-2052-2053-2054-2055-2056-2057-2058-2059-2060-2061-2062-2063-2064-2065-2066-2067-2068-2069-2070-2071-2072-2073-2074-2075-2076-2077-2078-2079-2080-2081-2082-2083-2084-2085-2086-2087-2088-2089-2090-2091-2092-2093-2094-2095-2096-2097-2098-2099-2100-2101-2102-2103-2104-2105-2106-2107-2108-2109-2110-2111-2112-2113-2114-2115-2116-2117-2118-2119-2120-2121-2122-2123-2124-2125-2126-2127-2128-2129-2130-2131-2132-2133-2134-2135-2136-2137-2138-2139-2140-2141-2142-2143-2144-2145-2146-2147-2148-2149-2150-2151-2152-2153-2154-2155-2156-2157-2158-2159-2160-2161-2162-2163-2164-2165-2166-2167-2168-2169-2170-2171-2172-2173-2174-2175-2176-2177-2178-2179-2180-2181-2182-2183-2184-2185-2186-2187-2188-2189-2190-2191-2192-2193-2194-2195-2196-2197-2198-2199-2200-2201-2202-2203-2204-2205-2206-2207-2208-2209-2210-2211-2212-2213-2214-2215-2216-2217-2218-2219-2220-2221-2222-2223-2224-2225-2226-2227-2228-2229-2230-2231-2232-2233-2234-2235-2236-2237-2238-2239-2240-2241-2242-2243-2244-2245-2246-2247-2248-2249-2250-2251-2252-2253-2254-2255-2256-2257-2258-2259-2260-2261-2262-2263-2264-2265-2266-2267-2268-2269-2270-2271-2272-2273-2274-2275-2276-2277-2278-2279-2280-2281-2282-2283-2284-2285-2286-2287-2288-2289-2290-2291-2292-2293-2294-2295-2296-2297-2298-2299-2300-2301-2302-2303-2304-2305-2306-2307-2308-2309-2310-2311-2312-2313-2314-2315-2316-2317-2318-2319-2320-2321-2322-2323-2324-2325-2326-2327-2328-2329-2330-2331-2332-2333-2334-2335-2336-2337-2338-2339-2340-2341-2342-2343-2344-2345-2346-2347-2348-2349-2350-2351-2352-2353-2354-2355-2356-2357-2358-2359-2360-2361-2362-2363-2364-2365-2366-2367-2368-2369-2370-2371-2372-2373-2374-2375-2376-2377-2378-2379-2380-2381-2382-2383-2384-2385-2386-2387-2388-2389-2390-2391-2392-2393-2394-2395-2396-2397-2398-2399-2400-2401-2402-2403-2404-2405-2406-2407-2408-2409-2410-2411-2412-2413-2414-2415-2416-2417-2418-2419-2420-2421-2422-2423-2424-2425-2426-2427-2428-2429-2430-2431-2432-2433-2434-2435-2436-2437-2438-2439-2440-2441-2442-2443-2444-2445-2446-2447-2448-2449-2450-2451-2452-2453-2454-2455-2456-2457-2458-2459-2460-2461-2462-2463-2464-2465-2466-2467-2468-2469-2470-2471-2472-2473-2474-2475-2476-2477-2478-2479-2480-2481-2482-2483-2484-2485-2486-2487-2488-2489-2490-2491-2492-2493-2494-2495-2496-2497-2498-2499-2500-2501-2502-2503-2504-2505-2506-2507-2508-2509-2510-2511-2512-2513-2514-2515-2516-2517-2518-2519-2520-2521-2522-2523-2524-2525-2526-2527-2528-2529-2530-2531-2532-2533-2534-2535-2536-2537-2538-2539-2540-2541-2542-2543-2544-2545-2546-2547-2548-2549-2550-2551-2552-2553-2554-2555-2556-2557-2558-2559-2560-2561-2562-2563-2564-2565-2566-2567-2568-2569-2570-2571-2572-2573-2574-2575-2576-2577-2578-2579-2580-2581-2582-2583-2584-2585-2586-2587-2588-2589-2590-2591-2592-2593-2594-2595-2596-2597-2598-2599-2600-2601-2602-2603-2604-2605-2606-2607-2608-2609-2610-2611-2612-2613-2614-2615-2616-2617-2618-2619-2620-2621-2622-2623-2624-2625-2626-2627-2628-2629-2630-2631-2632-2633-2634-2635-2636-2637-2638-2639-2640-2641-2642-2643-2644-2645-2646-2647-2648-2649-2650-2651-2652-2653-2654-2655-2656-2657-2658-2659-2660-2661-2662-2663-2664-2665-2666-2667-2668-2669-2670-2671-2672-2673-2674-2675-2676-2677-2678-2679-2680-2681-2682-2683-2684-2685-2686-2687-2688-2689-2690-2691-2692-2693-2694-2695-2696-2697-2698-2699-2700-2701-2702-2703-2704-2705-2706-2707-2708-2709-2710-2711-2712-2713-2714-2715-2716-2717-2718-2719-2720-2721-2722-2723-2724-2725-2726-2727-2728-2729-2730-2731-2732-2733-2734-2735-2736-2737-2738-2739-2740-2741-2742-2743-2744-2745-2746-2747-2748-2749-2750-2751-2752-2753-2754-2755-2756-2757-2758-2759-2760-2761-2762-2763-2764-2765-2766-2767-2768-2769-2770-2771-2772-2773-2774-2775-2776-2777-2778-2779-2780-2781-2782-2783-2784-2785-2786-2787-2788-2789-2790-2791-2792-2793-2794-2795-2796-2797-2798-2799-2800-2801-2802-2803-2804-2805-2806-2807-2808-2809-2810-2811-2812-2813-2814-2815-2816-2817-2818-2819-2820-2821-2822-2823-2824-2825-2826-2827-2828-2829-2830-2831-2832-2833-2834-2835-2836-2837-2838-2839-2840-2841-2842-2843-2844-2845-2846-2847-2848-2849-2850-2851-2852-2853-2854-2855-2856-2857-2858-2859-2860-2861-2862-2863-2864-2865-2866-2867-2868-2869-2870-2871-2872-2873-2874-2875-2876-2877-2878-2879-2880-2881-2882-2883-2884-2885-2886-2887-2888-2889-2890-2891-2892-2893-2894-2895-2896-2897-2898-2899-2900-2901-2902-2903-2904-2905-2906-2907-2908-2909-2910-2911-2912-2913-2914-2915-2916-2917-2918-2919-2920-2921-2922-2923-2924-2925-2926-2927-2928-2929-2930-2931-2932-2933-2934-2935-2936-2937-2938-2939-2940-2941-2942-2943-2944-2945-2946-2947-2948-2949-2950-2951-2952-2953-2954-2955-2956-2957-2958-2959-2960-2961-2962-2963-2964-2965-2966-2967-2968-2969-2970-2971-2972-2973-2974-2975-2976-2977-2978-2979-2980-2981-2982-2983-2984-2985-2986-2987-2988-2989-2990-2991-2992-2993-2994-2995-2996-2997-2998-2999-3000-3001-3002-3003-3004-3005-3006-3007-3008-3009-3010-3011-3012-3013-3014-3015-3016-3017-3018-3019-3020-3021-3022-3023-3024-3025-3026-3027-3028-3029-3030-3031-3032-3033-3034-3035-3036-3037-3038-3039-3040-3041-3042-3043-3044-3045-3046-3047-3048-3049-3050-3051-3052-3053-3054-3055-3056-3057-3058-3059-3060-3061-3062-3063-3064-3065-3066-3067-3068-3069-3070-3071-3072-3073-3074-3075-3076-3077-3078-3079-3080-3081-3082-3083-3084-3085-3086-3087-3088-3089-3090-3091-3092-3093-3094-3095-3096-3097-3098-3099-3100-3101-3102-3103-3104-3105-3106-3107-3108-3109-3110-3111-3112-3113-3114-3115-3116-3117-3118-3119-3120-3121-3122-3123-3124-3125-3126-3127-3128-3129-3130-3131-3132-3133-3134-3135-3136-3137-3138-3139-3140-3141-3142-3143-3144-3145-3146-3147-3148-3149-3150-3151-3152-3153-3154-3155-3156-3157-3158-3159-3160-3161-3162-3163-3164-3165-3166-3167-3168-3169-3170-3171-3172-3173-3174-3175-3176-3177-3178-3179-3180-3181-3182-3183-3184-3185-3186-3187-3188-3189-3190-3191-3192-3193-3194-3195-3196-3197-3198-3199-3200-3201-3202-3203-3204-3205-3206-3207-3208-3209-3210-3211-3212-3213-3214-3215-3216-3217-3218-3219-3220-3221-3222-3223-3224-3225-3226-3227-3228-3229-3230-3231-3232-3233-3234-3235-3236-3237-3238-3239-3240-3241-3242-3243-3244-3245-3246-3247-3248-3249-3250-3251-3252-3253-3254-3255-3256-3257-3258-3259-3260-3261-3262-3263-3264-3265-3266-3267-3268-3269-3270-3271-3272-3273-3274-3275-3276-3277-3278-3279-3280-3281-3282-3283-3284-3285-3286-3287-3288-3289-3290-3291-3292-3293-3294-3295-3296-3297-3298-3299-3300-3301-3302-3303-3304-3305-3306-3307-3308-3309-3310-3311-3312-3313-3314-3315-3316-3317-3318-3319-3320-3321-3322-3323-3324-3325-3326-3327-3328-3329-3330-3331-3332-3333-3334-3335-3336-3337-3338-3339-3340-3341-3342-3343-3344-3345-3346-3347-3348-3349-3350-3351-3352-3353-3354-3355-3356-3357-3358-3359-3360-3361-3362-3363-3364-3365-3366-3367-3368-3369-3370-3371-3372-3373-3374-3375-3376-3377-3378-3379-3380-3381-3382-3383-3384-3385-3386-3387-3388-3389-3390-3391-3392-3393-3394-3395-3396-3397-3398-3399-3400-3401-3402-3403-3404-3405-3406-3407-3408-3409-3410-3411-3412-3413-3414-3415-3416-3417-3418-3419-3420-3421-3422-3423-3424-3425-3426-3427-3428-3429-3430-3431-3432-3433-3434-3435-3436-3437-3438-3439-3440-3441-3442-3443-3444-3445-3446-3447-3448-3449-3450-3451-3452-3453-3454-3455-3456-3457-3458-3459-3460-3461-3462-3463-3464-3465-3466-3467-3468-3469-3470-3471-3472-3473-3474-3475-3476-3477-3478-3479-3480-3481-3482-3483-3484-3485-3486-3487-3488-3489-3490-3491-3492-3493-3494-3495-3496-3497-3498-3499-3500-3501-3502-3503-3504-3505-3506-3507-3508-3509-3510-3511-3512-3513-3514-3515-3516-3517-3518-3519-3520-3521-3522-3523-3524-3525-3526-3527-3528-3529-3530-3531-3532-3533-3534-3535-3536-3537-3538-3539-3540-3541-3542-3543-3544-3545-3546-3547-3548-3549-3550-3551-3552-3553-3554-3555-3556-3557-3558-3559-3560-3561-3562-3563-3564-3565-3566-3567-3568-3569-3570-3571-3572-3573-3574-3575-3576-3577-3578-3579-3580-3581-3582-3583-3584-3585-3586-3587-3588-3589-3590-3591-3592-3593-3594-3595-3596-3597-3598-3599-3600-3601-3602-3603-3604-3605-3606-3607-3608-3609-3610-3611-3612-3613-3614-3615-3616-3617-3618-3619-3620-3621-3622-3623-3624-3625-3626-3627-3628-3629-3630-3631-3632-3633-3634-3635-3636-3637-3638-3639-3640-3641-3642-3643-3644-3645-3646-3647-3648-3649-3650-3651-3652-3653-3654-3655-3656-3657-3658-3659-3660-3661-3662-3663-3664-3665-3666-3667-3668-3669-3670-3671-3672-3673-3674-3675-3676-3677-3678-3679-3680-3681-3682-3683-3684-3685-3686-3687-3688-3689-3690-3691-3692-3693-3694-3695-3696-3697-3698-3699-3700-3701-3702-3703-3704-3705-3706-3707-3708-3709-3710-3711-3712-3713-3714-3715-3716-3717-3718-3719-3720-3721-3722-3723-3724-3725-3726-3727-3728-3729-3730-3731-3732-3733-3734-3735-3736-3737-3738-3739-3740-3741-3742-3743-3744-3745-3746-3747-3748-3749-3750-3751-3752-3753-3754-3755-3756-3757-3758-3759-3760-3761-3762-3763-3764-3765-3766-3767-3768-3769-3770-3771-3772-3773-3774-3775-3776-3777-3778-3779-3780-3781-3782-3783-3784-3785-3786-3787-3788-3789-3790-3791-3792-3793-3794-3795-3796-3797-3798-3799-3800-3801-3802-3803-3804-3805-3806-3807-3808-3809-3810-3811-3812-3813-3814-3815-3816-3817-3818-3819-3820-3821-3822-3823-3824-3825-3826-3827-3828-3829-3830-3831-3832-3833-3834-3835-3836-3837-3838-3839-3840-3841-3842-3843-3844-384

Indiana General Assembly of 1947" following "any school building corporation created pursuant to the provisions of."

Separability. Section 14 of Acts 1953, ch. 141, reads: "In case any section or provision or part of this act or application thereof shall be declared unconstitutional or invalid, it shall not in any way affect any other section, provision or part hereof or any other application hereof."

Repeals. Section 15 of Acts 1953, ch. 141, reads: "All acts or parts of acts now in effect inconsistent with the provisions of this act are hereby repealed or superseded to the extent of such in-

consistency and so far as necessary to conform to and give full force and effect to the provisions of this act."

Section 11 of Acts 1973, P. L. 234, reads: "IC 1971, 21-1-4-14 is hereby repealed."

Emergencies. Section 16 of Acts 1953, ch. 141 declared an emergency. Approved March 11, 1953.

Section 3 of Acts 1957, ch. 18 declared an emergency. Approved February 25, 1957.

Section 12 of Acts 1973, P. L. 234 declared an emergency. Approved April 10, 1973.

#### 21-1-4-14. [Repealed.]

Compiler's Note. This section (Acts 1957, ch. 18, § 2, p. 30), a saving clause,

was repealed by Acts 1973, P. L. 234, § 11.

### CHAPTER 5

#### COMMON SCHOOL FUND BUILDING COMMISSION— ADVANCEMENTS TO CONSOLIDATED SCHOOLS—DISASTER LOSS

SECTION.		SECTION.	
21-1-5-1.	Advancements to consolidated school corporations—Application of act.	21-1-5-6.	Petition for advancement—Contents.
21-1-5-2.	Eminent domain by certain school corporations—Limitation on size of area taken—Replacement of damaged buildings.	21-1-5-7.	Advancement not obligation of school corporation—Constitutional limitation on indebtedness unaffected by advancement.
21-1-5-3.	Commission authorized to make advancements.	21-1-5-8.	Tax levy in debt service fund authorized—Transfer to general fund.
21-1-5-4.	Qualifications necessary for advancement.	21-1-5-9.	Priority of advancements.
21-1-5-5.	Length of time of advancement—Interest rate.	21-1-5-10.	Allocation of funds in government securities.

21-1-5-1 [28-814]. Advancements to consolidated school corporations—Application of act.—The provisions of this act [21-1-5-1—21-1-5-10] shall apply to those school corporations organized and formed through reorganization under ch. 123, of the Acts of 1947 [20-4-5-1—20-4-5-14], as now or hereafter amended, ch. 226 of the Acts of 1949 [20-4-8-1—20-4-8-26], as amended, and ch. 202 of the Acts of 1959 [20-4-1-2—20-4-1-40], as now or hereafter amended. Provided, That whenever any local school corporation in the state of Indiana has suffered loss by fire, wind, cyclone or other disaster, of all or the major part of its school building or buildings then the provisions of this act shall apply, notwithstanding any other provisions to the contrary. [Acts 1959, ch. 379, § 1, p. 1030; 1961, ch. 49, § 1, p. 96; 1965, ch. 210, § 1, p. 480.]

Compiler's Note. The words "Funds; Common School Funds" which preceded the chapter designation in the Code were omitted by the compiler.

Title of Act. The title of Acts 1959, ch. 379, reads: "An act authorizing advancements from the Indiana common

school fund by the Indiana common school fund building commission to certain consolidated school corporations to be used for the purpose of purchasing real estate, constructing school buildings and equipping such buildings." In force March 14, 1959.

so far as necessary to give full force and effect to this act."

of Acts 1973, P. L. 234, 271, 21-1-4-14 is hereby re-

Section 16 of Acts 1953, declared an emergency. Approved April 11, 1953.

of Acts 1957, ch. 18 declared an emergency. Approved February

of Acts 1973, P. L. 234 declared an emergency. Approved April 10,

by Acts 1973, P. L. 234,

#### COMMISSION— L.S.—DISASTER LOSS

Constitution for advancement — Contents.

Advancement not obligation of school corporation — Constitutional limitation on indebtedness unaffected by advancement.

Tax levy in debt service fund authorized — Transfer to general fund.

Priority of advancements. Allocation of funds in government securities.

Consolidated school corporations act [21-1-5-1—21-1-5-2] organized and formed by Acts of 1947 [20-4-5-1—20-4-5-2] of the Acts of 1949 [21-1-5-1—21-1-5-2] of the Acts of 1959 [21-1-5-1—21-1-5-2] amended. Provided, That the state of Indiana has suffered, of all or the more, then the provisions of this act apply to the provisions to the constitution, ch. 49, § 1, p. 96; 1965,

by the Indiana common school building commission to certified school corporations to the purpose of purchasing and constructing school buildings and such buildings." In force

Titles of Amendatory Acts. The title of Acts 1961, ch. 49, reads: "An act to amend section 1 of an act entitled '[Here follows title of 1959 Act]' approved March 14, 1959; and by adding a new and additional section to said act to be numbered section 1a wherein certain limitations and procedures for procurement of land on which to construct school buildings is prescribed."

The title of Acts 1965, ch. 210, reads: "An act to amend sections 1 and 4 of an act entitled '[Here follows title of 1959 Act]' as amended."

Amendments. As originally enacted this section read: "The provisions of this act shall apply only to those consolidated school corporations that have an average daily attendance not less than two hundred and seventy resident pupils in grades nine through twelve, as reported to the state superintendent of public instruction and which, subsequent to the effective date of this act, have been organized and formed by the consolidation of two or more school townships or by the consolidation of one or more school townships and a school city, school town, or consolidated school corporation in existence at the time of the effective date of this act. As used in this act the term 'consolidated school corporation' shall mean any school corporation where the original units have lost their individual corporate identity and shall not

mean and include any joint school corporation."

The 1961 amendment inserted the present proviso following the former first sentence.

The 1965 amendment placed this section in its present form.

Emergency. Section 3 of Acts 1961, ch. 49 declared an emergency. Approved March 6, 1961.

Cross-Reference. Veterans memorial school construction fund advancements for school construction where losses incurred through fire, wind, cyclone or other disaster, 21-1-11-3.1.

Opinions of Attorney-General. The Brown County school corporation organized by consolidation prior to the effective date of the above statute does not qualify for a loan under the 2½% Loan Act. The statute applies solely to school corporations organized by consolidation subsequent to its effective date. 1960, No. 15, p. 79.

If the county school corporation of Brown County is reorganized pursuant to provisions of the act above, the Indiana common school fund building commission could accept applications for loan from such school corporation. The purpose of this legislation seems to be to encourage larger school units. 1960, No. 15, p. 79.

21-1-5-2 [28-4008]. Eminent domain by certain school corporations — Limitation on size of area taken — Replacement of damaged buildings. — Whenever a school corporation has suffered loss by fire, wind, cyclone or other disaster of all or the major part of its school building or buildings then provisions of limitation shall be fixed as follows:

Any such school corporation seeking to exercise its right of eminent domain under the existing laws of the state of Indiana for the purpose of obtaining land for use in reconstruction of such destroyed school building, or buildings, or to replace the same, shall not be authorized to condemn more than twice the acreage now set by the state board of education as its minimum acreage requirement for the particular type of school building so destroyed and being replaced. In determining such acreage, any lands already owned by such school corporation which adjoin any part of the tract or acreage out of which some additional acreage is sought to be condemned shall be used in computing the total acreage for the reconstruction of such school building under the above provisions. The need of such school building shall be subject to judicial review in the court where such condemnation action is filed, and may, at the request of either party be tried either by the court or a jury before appraisers are appointed with full rights of appeal, by either party, from such interlocutory finding. This act shall be supplemental to any existing law and repeals by implication any act or parts of acts in conflict therewith. [Acts 1959, ch. 379, § 1a, as added by Acts 1961, ch. 49, § 2, p. 96.]

Compiler's Notes. Since this section is added as a section to "Acts 1959, ch. 379" it would seem that the words "this act" would refer to such entire act compiled as 21-1-5-1—21-1-5-10.

By Acts 1959, ch. 379, § 1 (21-1-5-1), this section applies only to the following school corporations: consolidated school corporations under 20-4-5-1—20-4-5-14; county school corporations under 20-4-8-

1—20-4-8-11; metropolitan school corporations under 20-4-8-12—20-4-8-26 and community school corporations under 20-4-1-2—20-4-1-10.

Emergency. Section 3 of Acts 1961, ch. 49 declared an emergency. Approved March 6, 1961.

Cross-Reference. Eminent domain by school corporations. 20-5-23-1—20-5-23-4.

#### Collateral References

Right to condemn property in excess of needs for a particular public purpose. 6 A. L. R. (3d) 297.

21-1-5-3 [28-815]. Commission authorized to make advancements. --The commission on general education of the Indiana state board of education created pursuant to the provisions of IC 1971, 20-1-1 [20-1-1-1—20-1-1-5] is hereby authorized to advance sums of money to consolidated school corporations from the Indiana common school fund to be used by such school corporations for the purchase of real estate, the construction of school buildings and the equipment of such buildings, subject to the limitations and conditions as prescribed in this chapter [21-1-5-1—21-1-5-10]. [Acts 1959, ch. 379, § 2, p. 1030; 1973, P. L. 234, § 9, p. 1211.]

Compiler's Note. Acts 1973, P. L. 234, § 8 is compiled as 21-1-4-13.

Amendment. The 1973 amendment at the beginning of the section substituted "The commission on general education of the Indiana state board of education created pursuant to the provisions of IC 1971, 20-1-1" for "The Indiana common school fund building commission" and at the end of the section substituted "chapter" for "act."

Opinions of Attorney-General. Where the Indiana common school fund building commission advances sums of money to consolidated school corporations from the Indiana common school fund it does not constitute an obligation of the school corporation within the meaning of the constitutional limitation against indebtedness. 1959, No. 22, p. 104.

Where the Indiana common school fund building commission advances sums

of money to consolidated school corporations from the Indiana common school fund, the prescribing of interest to be collected on the advancement is merely to meet the requirements of such constitutional provisions and to mitigate the loss of revenue by virtue of such change of investment of such common school fund and does not change the advancement into a loan or the creation of an indebtedness. 1959, No. 22, p. 104.

The Indiana common school fund building commission is authorized to advance sums of money to consolidated school corporations from the Indiana common school fund. The words "state school tuition fund" appearing in the first line of 21-1-5-7 should be construed to read "Indiana common school fund." 1959, No. 22, p. 104.

21-1-5-4 [28-816]. Qualifications necessary for advancement.—In order to qualify for an advancement under the provisions of this act [21-1-5-1—21-1-5-10], the consolidated school corporation is required to raise, either by a bond issue or by a cumulative fund tax levy or by both such bond issue and tax levy, a sum of money equivalent to not less than two per cent [2%] of the adjusted assessed valuation of its geographical district; and any advancement so made shall not exceed the sum of two thousand dollars [\$2,000] per pupil accommodated in the new structure less the sum of money raised by and made available to the corporation. [Acts 1959, ch. 379, § 3, p. 1030; 1963, ch. 321, § 1, p. 771.]

ropolitan school corporations, 20-1-8-12—20-1-8-26 and school corporations under 20-1-40.

Section 3 of Acts 1961, ch. 210, an emergency. Approved

1961. Eminent domain by school corporations, 20-5-23-1—20-5-23-4.

to make advancements. The Indiana state board of education, IC 1971, 20-1-1-1-1, advance sums of money from the Indiana common school fund for the purchase of real estate and the equipment of such buildings as prescribed in Acts 1965, ch. 379, § 2, p. 1030;

consolidated school corporations. The Indiana common school fund, 20-1-1-1-1, describing of interest to be advanced is merely to advance sums of money from the Indiana common school fund and to mitigate the loss of such sums by virtue of such change of the Indiana common school funds. The Indiana common school fund, 20-1-1-1-1, change the advancement of the common school fund by the creation of an indebtedness, No. 22, p. 104.

common school fund building commission. The Indiana common school fund building commission is authorized to advance money to consolidated school corporations from the Indiana common school fund. The words "state school fund" appearing in the first line of the Indiana common school fund should be construed to read "common school fund." 1959, No. 22, p. 104.

for advancement.—In the provisions of this act authorizing a school corporation to advance money from the Indiana common school fund by the creation of an indebtedness, the words "state school fund" appearing in the first line of the Indiana common school fund should be construed to read "common school fund." 1959, No. 22, p. 104.

Title of Amendatory Act. The title of Act 1963, ch. 321, reads: "An act to amend an act authorizing advancements from the Indiana common school fund by the Indiana common school fund building commission to certain consolidated school corporations to be used for the purpose of purchasing real estate, constructing school buildings and equipping such buildings."

Amendment. The 1963 amendment substituted "two thousand dollars" for "sixteen hundred dollars" following "shall not exceed the sum of."

Cross-Reference. Cumulative fund of school corporations, 21-2-6-1—21-2-6-3, 21-2-7-1, 21-2-8-1.

21-1-5-5 [28-817]. Length of time of advancement—Interest rate.—The money advanced pursuant to the provisions of this chapter [21-1-5-1—21-1-5-10] may be advanced for any period of time not exceeding twenty [20] years, and the receiving school corporation shall be required to pay interest, at the rate of not less than two and one half per cent [2½%] and not more than four per cent [4%] per annum, on the unpaid balance. In order to guarantee the payment of any advancement made, the state of Indiana is authorized in its sole discretion to withhold semi-annually from funds due to the school corporation an amount of money that could be raised by a tax levy not to exceed seventy-five cents [75c] on the adjusted valuation of the consolidated school corporation of such greater tax levy as shall be necessary to pay such advancement and interest in such twenty [20] year period, the exact sum to be fixed by the commission on general education of the Indiana state board of education at the time the advancement is negotiated by the school corporation: Provided, That in the case of any school corporation that currently has a loan hereunder such semi-annual withholding payment may be adjusted to conform with the provisions of this chapter. If available, such money should first be withheld from the distribution of the state school tuition fund: Provided, That if such distribution is not adequate, then money may be withheld from the distribution of other school funds. [Acts 1959, ch. 379, § 4, p. 1030; 1963, ch. 321, § 2, p. 771; 1965, ch. 210, § 2, p. 480; 1973, P. L. 234, § 10, p. 1211.]

Amendments. The 1963 amendment in the first sentence inserted "not less than" following "rate of" and inserted "and not more than four per cent" preceding "per annum"; and in the second sentence substituted "seventy-five" for "fifty" following "tax levy not to exceed."

The 1965 amendment in the second sentence substituted "in its sole discretion to withhold" for "but not limited to a withholding" following "authorized," inserted "of such greater tax levy as shall be necessary to pay such advancement and interest in such twenty year period" following "consolidated school corporation" and inserted the present first proviso.

The 1973 amendment substituted "chapter" for "act" wherever it appears and in the second sentence substituted "the commission on general education of the Indiana state board of education" for "the Indiana common school fund building commission" following "the exact sum to be fixed by."

Repeal. Section 11 of Acts 1973, P. L. 234, reads: "IC 1971, 21-1-4-14 is hereby repealed."

Emergencies. Section 3 of Acts 1965, ch. 210 declared an emergency. Approved March 9, 1965.

Section 12 of Acts 1973, P. L. 234 declared an emergency. Approved April 10, 1973.

Cross-Reference. State school tuition fund, 21-3-1-1—21-3-1-9.

Opinions of Attorney-General. The amount provided to be withheld from distribution under this section in an amount of money that could be raised by a tax levy of not less than seventy-five cents on the adjusted valuation of the consolidated school corporation is a mandatory minimum. 1964, No. 34, p. 183.

Where an agreement between the common school fund building commission and a school corporation was not finalized prior to August 12, 1963, the effective date of this act, the commission has

no authority subsequent to said date to agree to a repayment schedule at any lesser minimum rate than that prescribed in this section. 1964, No. 34, p. 183.

21-1-5-6 [28-818]. **Petition for advancement—Contents.**—Any consolidated school corporation desiring to obtain an advancement of funds pursuant to the provisions of this act [21-1-5-1—21-1-5-10] shall be required to submit a verified petition to the commission, said petition to contain the following information:

- (1) The date of the consolidation of the petitioning school corporation;
- (2) The average daily attendance of pupils in grades nine [9] through twelve [12];
- (3) The amount of money that has been raised and made available to the school corporation either by a bond issue or tax levy for the purpose of providing a cumulative building fund;
- (4) The amount of money needed and requested by the school corporation; and
- (5) Such other information as may be requested by the commission. [Acts 1959, ch. 379, § 5, p. 1030.]

**Cross-Reference.** Cumulative building fund of school corporation, 21-2-6-1—21-2-6-3, 21-2-7-1, 21-2-8-1.

21-1-5-7 [28-819]. **Advancement not obligation of school corporation—Constitutional limitation on indebtedness unaffected by advancement.**—Any such advancement out of the state school tuition fund shall not be an obligation of the school corporation within the meaning of the constitutional limitation against indebtedness. Nothing herein contained shall relieve the board of school trustees of any consolidated school corporation, receiving an advancement under the provisions of this act [21-1-5-1—21-1-5-10], of any obligation under the laws of this state to qualify such school corporation for state school tuition; and such board of school trustees shall continue to perform all the acts necessary to obtain such funds. Any consolidated school corporation receiving an advancement under the provisions of this act shall agree to have the total amount of money so advanced plus the semi-annual interest deducted from the semi-annual distribution of state school tuition support for a period of not to exceed twenty [20] years or until all of the money so advanced has been so deducted. The commission shall reduce the amount of each semi-annual distribution of state school tuition support to any consolidated school corporation which has received an advancement under the provisions of this act in an amount to be agreed upon by and between the commission and the consolidated school corporation. [Acts 1959, ch. 379, § 6, p. 1030.]

**Compiler's Note.** The "state school tuition fund" appearing in the first sentence of this section should be construed to read "Indiana common school fund." See 21-1-5-3 and Opinions of Attorney-General, 1959, No. 22, p. 104 set forth below.

**Opinions of Attorney-General.** Where the Indiana common school fund building commission advances sums of money to consolidated school corporations from the Indiana common school fund, it does

not constitute an obligation of the school corporation within the meaning of the constitutional limitation against indebtedness. 1959, No. 22, p. 104.

Where the Indiana common school fund building commission advances sums of money to consolidated school corporations from the Indiana common school fund, the prescribing of interest to be collected on the advancement is merely to meet the requirements of such constitutional provisions and to mitigate