

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
5882 HOUSE LABOR & COMMERCE

88

May 13, 1985

Honorable M. Mike Miller
Chairman, House Judiciary Committee
Alaska State Legislature
Pouch
Juneau, AK 99811

Re: Southeast Alaska Gasoline
Price Investigation

Dear Representative Miller:

At the request of Representatives Ben Grussendorf, Jim Duncan, Peter Goll, John Sund, Robin Taylor and yourself, made by letter dated March 13, 1985, the antitrust section has been investigating the high retail gasoline prices of Southeast Alaska. This is the second time in recent years that we have looked into this problem. Our 1983 investigation focused on wholesale prices of gasoline in Juneau. This investigation has re-examined the wholesale market for gasoline, but has also looked into the retail market in depth, both in Juneau and elsewhere in Southeast.

During our investigation, we interviewed officials of Chevron, Union Oil Co., Tesoro, and Texaco. The Juneau Consumer Protection Office conducted a detailed price survey of all retail gasoline outlets in Southeast. Statements were taken from a large number of retailers, employees of retailers, and former owners of retail outlets in Southeast. Pursuant to the Attorney General's authority under the Restraint of Trade Act, AS 45.50.-590, six depositions taken of individuals connected with the industry, and several thousand documents relating to the price of gasoline in Southeast were reviewed in detail. The Washington State Attorney General's Office kindly provided us with valuable information about the Seattle gasoline market.

This report contains a general summary of our findings. In most instances, the individuals contacted requested anonymity, and asked that specific information related to us be kept confidential from their competitors. Additionally, information received pursuant to subpoena under the Restraint of Trade Act is confidential as a matter of law. AS 45.50.492(e). Therefore, the material presented in this report is of necessity general in nature. In all instances, the prices charged, volumes of

gasoline sold, and other figures have been verified independently from more than one source.

1. Wholesale prices. The wholesale price of gasoline in Southeast is about ~~\$.20~~ to \$.25 per gallon higher than the wholesale price in either Anchorage or Seattle. Of this, about \$.09 to \$.15 per gallon is attributed by industry sources to the higher cost of distribution in Southeast, including costs of transportation and costs associated with the relatively small volume of fuel sold in Southeast. The remainder of the price difference appears to be due to a very low level of competition between wholesalers in Southeast, which permits higher profit margins.

Anchorage has four wholesale gasoline suppliers, who are engaged in "fierce" price competition according to industry sources. Seattle is served by about 15 major oil companies and independent gasoline suppliers. Industry competition in Seattle is "stiff but not cutthroat," according to the Washington Attorney General's Office. The wholesale prices seem to bear this out: regular gasoline in Anchorage costs \$.75 to \$.80 per gallon wholesale; in Seattle, regular gasoline wholesales for \$.80 to \$.85 per gallon. ^{1/}

By contrast, the wholesale price of regular gasoline in Southeast is reported at \$.99 to \$1.07 per gallon. Unconfirmed reports indicate the wholesale price in smaller Southeast towns is even higher. As noted above, only a part of this price difference can be attributed to the higher costs of doing business in Southeast. The only other factor, we were told bluntly by industry officials, is the low level of competition. Wholesalers in Southeast simply do not have to compete strongly in order to maintain their market share.

* One reason is that there are fewer wholesalers. While four different oil companies sell wholesale gasoline in Southeast, most communities are only served by one or at most two wholesalers. The market shares of the two largest wholesalers in Southeast -- Chevron and Union Oil Co. -- appear to have remained substantially the same for a long period of time. Texaco in Sitka and Mobil in Ketchikan have only made small inroads into the wholesale market.

^{1/}In all instances, the wholesale price of unleaded gasoline is \$.04 to \$.05 higher than the price of regular.

The two largest wholesalers in Southeast appear to be content with their market positions, and do not compete with each other anywhere near as vigorously as do wholesalers in Anchorage. The two smaller wholesalers have not obtained a large enough presence in the Southeast market to make much difference in the overall competitive picture. Wholesale gasoline prices in Southeast change because of price fluctuations at the refinery Outside, not because of local competition.

Both during this investigation and during our 1983 investigation, we looked for evidence of collusion between wholesalers as a reason for the high price of gasoline in Southeast. We have not discovered any evidence of price-fixing, market allocation, or other agreements in restraint of trade among the wholesalers. In general, industry officials appear to understand the antitrust laws, and appear to take precautions to avoid any violations. The prices charged by the wholesalers in Southeast, while not greatly different, are not identical, and have not fluctuated during the past several years in any pattern which would indicate collusion.

Industry officials strongly maintain that the wholesale prices in Southeast are "reasonable," and do not amount to "price-gouging." They insist that the prices in Anchorage and Seattle are artificially low, because of unusual levels of competition. Be that as it may be, competition at the wholesale level in Southeast is low, and both wholesale and retail prices are higher as a direct result.

2. Retail prices. There is a striking difference in retail gasoline prices between Southeast, on the one hand, and Anchorage and Seattle on the other. Regular gasoline in Anchorage retails from \$.95 to \$1.01 per gallon, with some high volume retailers charging as little as \$.88 per gallon. Seattle prices are slightly higher, generally ranging from \$1.04 to \$1.12 per gallon. In April, 1985, regular gasoline cost over \$1.50 per gallon in three Southeast communities, with an average regional price of about \$1.43 per gallon. ^{2/} Thus, there is a price

^{2/}The highest prices found in our survey were in Wrangell, \$1.536 per gallon regular (\$1.576 unleaded); Petersburg, \$1.52 per gallon regular (\$1.54 unleaded); and Hoonah, \$1.59 per gallon regular. Lowest prices were in Sitka, \$1.339 per gallon regular (\$1.389 unleaded); Juneau, \$1.309 per gallon regular (\$1.379 unleaded); and Klawock, with a reported price of \$1.187 per gallon regular (\$1.227 unleaded).

difference of between \$.40 and \$.50 per gallon between Southeast prices and Anchorage or Seattle prices.

This price difference can only be partially explained by the higher wholesale price of gasoline in Southeast. Subtracting the wholesale price differential from the retail prices still leaves a difference of \$.20 to \$.25 per gallon between Anchorage and Southeast retail prices. The costs of running a service station in Ketchikan or Juneau are not markedly different from the costs of running a station in Anchorage. In comparing data, we found the major difference to be the "gross profit per gallon" figures of Southeast and Anchorage retailers.

"Gross profit per gallon" is used by the industry to describe the difference between a retailer's per gallon sales price and the per gallon wholesale price, including federal tax (\$.09 per gallon), state tax (\$.08 per gallon in Alaska, \$.18 in Washington), and any local tax (\$.04 in Juneau, none in Anchorage or Seattle). The "gross profit per gallon" is prior to deduction of overhead costs such as utilities, salaries, insurance, rent, etc.

In making this comparison, we focused on Juneau prices. Juneau, Anchorage, and Seattle gas stations have many similar market characteristics. There is roughly one gas station in Juneau for every 3,200 people; in Anchorage it is one per 2,300 people; in Seattle, one per 2,600. The average number of gallons pumped per month in Juneau is 98,000 per station ^{3/}; in Anchorage, about 100,000 gallons per month per station; and Seattle, about 89,000 gallons per month per station. The "gross profit per gallon" computation does not figure in overhead costs, but industry sources contend that Anchorage and Juneau overhead costs are roughly comparable, with Seattle overhead costs lower.

The gross profit per gallon in Anchorage and Seattle falls between \$.04 and \$.08, with many dealers earning less. At these rates, a retailer selling 100,000 gallons per month will earn from \$4,000 to \$8,000 in gross profit per month from gasoline sales. By contrast, we estimate the current average gross profit in Juneau to be \$.21 per gallon. At 98,000 gallons per month, a Juneau retailer could reap over \$245,000 per year in gross profit from gasoline sales alone. This contrasts with the Anchorage average of about \$60,000 annual gross profit, on slightly higher volume.

^{3/} Excluding two low volume retailers in Auke Bay.

Fishermen's Bend
DeHart

The actual figures for each retailer vary. On the date of our initial price survey, we found one Juneau retailer selling self-serve regular gasoline for \$1.46 per gallon; one selling self-serve regular for \$1.31 per gallon; and four selling self-serve regular at \$1.40. On that date, the wholesale price plus all taxes in Juneau was about \$1.18. Thus, gross profit margins per gallon varied from \$.28 to \$.13 for self-serve regular, with higher margins on full-serve and unleaded.

Gross profit margins elsewhere in Southeast appear to be similar. In many smaller communities, the volume of gasoline sold is nowhere near the Juneau volume, and overhead costs per gallon can be much higher. In Sitka, where there are three competing wholesalers, the average price per gallon and profit margin is lower than Juneau. Nonetheless, the gross retail profit margin on a gallon of gasoline in Southeast is roughly 350 percent to 500 percent higher than the gross profit margin per gallon in either Anchorage or Seattle.

Industry officials, once again, claim that these profit margins are "reasonable." But for stiff competition at both wholesale and retail levels in Anchorage, they say, profit margins (and prices) would be higher there. Still, it came as no surprise to our investigators when one former owner of a Juneau gas station called it "an instant cash machine."

Overall, it appears that the high profit margins in Southeast primarily are due to a lack of vigorous competition on the retail level, and not due to illegal activity.^{4/} Unlike Anchorage or Seattle, where high-volume, low-frill discounters keep the pressure on prices, most gasoline in Southeast is sold by traditional service stations enjoying relatively stable market shares. The boat does not get rocked too often. The few occasions related to us of Southeast retailers drastically lowering prices were when a station changed hands, and the new owners held "opening day specials." These special discounts rarely last more than a day or two, with prices reverting to the "going rate" in short order.

^{4/}Our investigation looked into violations of the antitrust laws as a possible cause of the difference in price between Southeast and Anchorage. We have found indications that collusion on prices may have occurred between two or three of the nine Juneau retailers. At this point, it must be stressed, we have not reached any final conclusions as to whether or not an actionable
(Footnote Continued)

CORRECTION

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

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(Footnote Continued)

Several retailers asserted that Southeast consumers are price-insensitive. They claim that lowering their prices has not, in the past, increased volume enough to make up for lost revenues. However, it should be noted that the lowest priced retailer in Juneau does more than twice the average volume of business -- despite offering none of the amenities of the traditional service station.

3. Conclusions. Unfortunately, the antitrust laws do not provide an easy solution for the problem of low competition in the Southeast Alaska gasoline market. In communities where there are only one or two gasoline wholesalers, and only a handful of retail outlets, competition will not be as high as in a larger, more diverse market. Southeast is fragmented geographically into many small sub-markets, with no inter-community competition for gasoline sales. A high volume, low cost retailer in Ketchikan, for example, will not draw customers from Juneau. By contrast, a price-discounting retailer in a good Anchorage location is able to attract customers who live in all parts of the city.

The industry sources we spoke with are well aware of the low level of price competition, but have little or no incentive to change the situation. One retailer stated, "In a price war, only the customers win." This attitude is pervasive in the Southeast gasoline industry. Only in Sitka, where a new wholesaler entered the market fairly recently, did we identify any real price competition. Even there, due to low volume and high capital costs, the new wholesaler is at a disadvantage, and prices are not as low as they could be.

Sitka
Fuels

Vigorous enforcement of the present antitrust laws can put a stop to any direct price-fixing, or to blatant market allocations between competitors. In the long term, however, the competitive situation in Southeast will not improve unless more actors enter the market, both at the wholesale and retail levels. In pure economic theory, the high profit margins in Southeast should encourage new entrants. Countering the attraction of high profits, however, are the costs of building bulk plants, setting up distribution networks, and establishing retail outlets in the scattered communities of Southeast. What steps could be taken by the Legislature to lower entry barriers to the Southeast gasoline

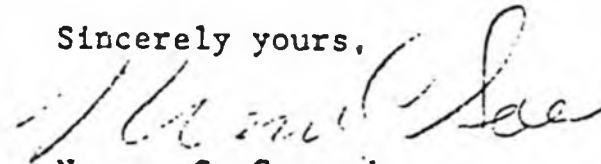
(Footnote Continued)

violation of the antitrust laws occurred. Our investigation in this area is continuing.

Mike Miller
Chairman, House Judiciary Committee

market are beyond the scope of this report, but certain
further attention by the Southeast legislative delegation

Sincerely yours,



Norman C. Gorsuch
Attorney General

NCG/glg

Enclosure

cc: Honorable Ben Grussendorf
Speaker of the House
w/enclosures

Representative Peter Goll
Representative Robin Taylor
Representative Jim Duncan
Representative John Sund
w/enclosures

ATTACHMENT B
Unleaded Regular Gasoline Prices
at Juneau's Retail Outlets

UNLEADED REGULAR GASOLINE PRICES AT JUNEAU'S RETAIL OUTLETS
(In Dollar/Gallon and includes federal,
State and local taxes)

Retail Outlet June 1, 1987 | September 1, 1987 | September 23, 1987

Unocal Brand

Downtown Union 76	\$1.359	\$1.309	\$1.309
Woodsey's Union	1.289	1.289	1.289
Airport Union 76	1.359	1.309	1.309
DeHart's	1.269	1.229	1.229

Chevron Brand

Gas 'n Go	\$1.329	\$1.279	\$1.279
Valley Chevron	1.379	1.379	1.379
Paul's Chevron	1.359	1.309	1.309
Fishermen's Bend	1.229	1.209	1.209

Note: Prices collected via telephone surveys.

Prepared by the House Research Agency, September 1987.

HB

29

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 9, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 1/3/89

The LABOR & COMMERCE Committee recommends that:

HOUSE BILL NO. 29 [PARIMUTUEL HORSE & DOG RACING]
"An Act establishing the Alaska Racing Commission and authorizing parimutuel wagering at sanctioned events; and providing for an effective date."

[] be replaced with CS HB 29 (LHC) [] the same title
[] a new title

[] have attached amendment(s)

- [] 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
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

[Signature]

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Daniel Bouley (no rec)
Mark Boyer - do not pass as amended, page 8 line 18
John [unclear] do not pass
John [unclear] - do not pass
Chas. [unclear] do not PASS
Chas. [unclear] (no rec)
[Signature]
Chairman's signature

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

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 Labor & Commerce
January 19, 1989

3:00 pm

HB 29

Alaska State Legislature



Session Address:
STATE CAPITOL BUILDING
BOX V
JUNEAU, ALASKA 99811
(907) 465-3727

Interim Address:
BOX 53
PALMER, ALASKA 99645
(907) 745-3828 - Palmer
(907) 376-8828 - Wasilla

Representative Ronald L. Larson
District 16B

TO: House Labor & Commerce Committee Members
FROM: Ronald L. Larson *R.L.*
DATE: January 17, 1989
RE: HB 29, Establishing the Alaska Racing Commission

On Thursday, January 19, HB 29 is scheduled to come before the House Labor & Commerce Committee for hearing. I would like to take this opportunity to share with you some of my thoughts on the contents of this proposal.

HB 29, an Act establishing the Alaska Racing Commission and authorizing Parimutuel Wagering, is basically the same as the final form of HB 32 from the Fifteenth Legislative Session. Last year, HB 32 was held in the Senate Finance Committee upon adjournment. HB 32, after eight committee hearings and over seventy five (75) amendments, had grown from a good bill to a better bill. It is my hope that we will be successful in passing this legislation (now HB 29) during this current legislative session.

Enclosed are some questions and corresponding answers relating to parimutuel wagering. These were prepared to give you and your staff some general information on the subject before presenting it to you in committee.

I ask and urge for your support of HB 29 during the Sixteenth Legislative Session. If I or my staff can be of any assistance to you, please do not hesitate to contact my office. We would appreciate any opportunity to chat with you.

Thank you for your time.

QUESTIONS ABOUT PARIMUTUEL WAGERING AND HB 29

1. What is parimutuel wagering?

Parimutuel wagering is a system of betting dating back to the mid 1800's. Differing from typical gambling by virtue of the fact that the odds are not arbitrary, parimutuel wagering occurs when all collective bettors pool their money together. The total amount wagered versus the individual bets determines the amount which is divided among the winners

2. Has there been any local support shown for parimutuel wagering?

Both the cities of Palmer and Wasilla placed an advisory proposition on the ballot of the October 7, 1986 election concerning parimutuel wagering on certain horse events. (see attachments)

The result in Palmer was 58.2% in favor of the concept of the concept of local option parimutuel horse racing. In addition, the Palmer Municipal Code (Chapter 3.32) addresses parimutuel wagering by virtue of city ordinance #321. The city of Wasilla showed 62% of the voters approved the concept, with the City Council adopting resolution W85-J-6 supporting local option for parimutuel wagering.

In addition to local municipalities, the Matanuska-Susitna Borough has passed a resolution of support for state controlled, local option parimutuel wagering.

3. What type of benefits will parimutuel racing provide?

The most obvious benefit, initially, would be the generation of the racing business itself by the private sector. Infrastructure, such as breeding, training, and racing facilities, will create employment for the construction industry. Additionally, racing events will create a destination and accompanying services for the tourism trade. These are not to mention possible increases in the racing profession itself, with added jockeys, trainers, breeders, and handlers.

Clearly, an obvious benefit would be the added state revenue after the racing commences. The income will come painlessly to the state, without burdening the taxpayer. The amount of revenue depends on the frequency of the events authorized by the commission.

4. Is parimutuel wagering legal elsewhere?

Currently 37 states allow parimutuel wagering for either horses, dogs, or both.

5. What is the development scenario for parimutuel racing?

After the necessary local endorsement by the voters, preparation time could be six months to several years, depending on the level of development. A racing season in Alaska would be for approximately ten (10) weeks. As participation increases, so would the growth.

Parimutuel professionals tell us that an average scenario would typically include eight races a day, with eight entries per field.

The most important thing about this type of racing is the controlled conditions which will guarantee the integrity of the race. Sophisticated racing equipment would be rented - this being the normal procedure in other places where racing is on a similiary small scale. HB 29 also requires extensive review procedures for both Commission members and sanctioned events.

6. How have other states benefited from parimutuel wagering?

Other states have benefited by revenue to the general fund, tourism potential, animal care, facility construction, and real estate purchase. For example, the state of Washington collected over \$2.3 million in 1986 from license and registration fees.

Some states allow constitutional dedicated funds, benefiting specific groups such as school systems, rehabilitation, and capital improvement projects.

7. What are the fiscal implications for HB 29?

Our fiscal expectation is relatively small, based on the assumption that racing is only a 10 week season. The commission will provide the initial professional expertise, with possibly one or two staff persons to assist part-time in the preparation of regulations, public hearings, and paperwork. Depending on the development of races and facilities, the employment requirements would follow the same growth curve.

8. What is the role of the Racing Commission?

The Commission will regulate racing and parimutuel wagering. Their wide range of regulatory responsibilities are clearly outlined in HB 29. Included are their specific enforcement powers regarding prohibited acts and penalties.

The Commission shall adopt regulations; appoint officials; supervise and distribute the pool; ascertain standards for veterinaries, equipment, audits, and other related matters; license races; inspect racetracks and account for all records, collections and disbursements; hire staff; compel witnesses; and appoint hearing officers.

9. How is parimutuel wagering different from games of chance and contests of skill?

Oversight and regulation is much greater for parimutuel. The complexities of the wagering system and accompanying safeguards were built into it purposefully.

HB 29 legislates parimutuel guidelines to strongly prevent abuse. The regulatory nature of the Commission, coupled with required sophisticated equipment, enhances the parimutuel system, and ensures security for the establishment and participators.

10. What is a "typical participant" in parimutuel wagering?

Studies have shown that participants are generally white collar workers, with one or more years of higher education and an income of \$35,000 or more. Managers, administrators, business leaders, educators, or politicians are common participants in parimutuel events.

11. How would this system affect those who do not participate?

By choice, it would not. First, it would require a local decision to allow parimutuel wagering within a municipality. Sec. 05.40.120 of HB 29 requires a majority approval of a referendum authorizing parimutuel racing within a municipality. A public hearing is also required before the issuance or renewal of a license.

Secondly, it is an individual choice to partake in wagering. Persons under the age of 21 are prohibited to participate in parimutuel wagering.

12. Who would be the monetary beneficiaries?

The licensee makes money by taking 15% of the pool. This figure is set high at the beginning so as to allow for a quicker return on the private investment.

The state, which establishes the Commission, takes a percentage equal to 10% of the pool. In addition, the state is the recipient of all licensing revenue, and can collect up to \$1.00 of the admission ticket.

The entrants would receive 10% of the pool in the form of purse money.

The participants who have the winning tickets share the remaining 65% of the pool.



Requested by: Mayor Bumpus
Prepared by: Mayor's Office

CITY OF WASILLA

P.O. BOX 870430
WASILLA, ALASKA 99687
PHONE: 376-5227

RESOLUTION NO. W85-J-6

A RESOLUTION OF THE CITY OF WASILLA SUPPORTING LOCAL OPTION FOR PARI-MUTUEL GAMBLING.

WHEREAS, the State of Alaska no longer has the funds to support local Capital Improvements that accomodates current growth patterns; and

WHEREAS, it is the City of Wasilla's goal to become financially independent, if possible; and

WHEREAS, Pari-Mutuel Gambling would enhance economic development and provide a major tax revenue source for the City of Wasilla;

NOW, THEREFORE BE IT RESOLVED that the City of Wasilla supports local option for pari-mutuel gambling.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 12th day of August, 1985.

APPROVED:

Charles H. Bumpus, Mayor

ATTEST:

Erling P. Nelson, City Clerk, CMC

(SEAL)

File with 17B 5L

CITY OF PALMER, ALASKA

ORDINANCE NO. 021

AN ORDINANCE CREATING A NEW CHAPTER 3.32 OF TITLE 3 OF THE PALMER MUNICIPAL CODE ENTITLED PARI-MUTUEL WAGERING ON CERTAIN HORSE RACES.

THE CITY OF PALMER, ALASKA, ORDAINS:

Section 1. Classification. This ordinance shall be of a permanent nature and shall become a part of the City of Palmer Code of Ordinances.

Section 2. Severability. If any provisions of this ordinance, or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Chapter 3.32-Pari-Mutuel Wagering of Title 3 of the Palmer Municipal Code is hereby created as follows:

3.32.010 General. Pari-mutuel betting on horse racing may be permitted under this chapter to the extent not prohibited by Alaska State Statutes.

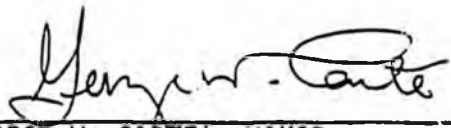
3.32.020 Sales Tax Applicability. A two (2) percent sales tax shall be charged on all gate admissions, concessions and gross monies deposited in the pari-mutuel system, to the extent not prohibited by Alaska State Statutes.

Section 4. Publication and Effective Date. This ordinance shall become effective immediately upon its adoption and publication shall be by posting a copy hereof on the City Hall bulletin board for a period of ten (10) days following its adoption, and it shall be published by being printed and included in the Palmer Municipal Code at its next regular supplementation and printing. A notice of public hearing shall be given by such posting at least five (5) days before final passage.

First Reading: August 1, 1985

Public Hearing &
Second Reading: August 13, 1985

Adopted by the City Council of the City of Palmer, Alaska, this 13th day of August, 1985.



GEORGE W. CARVE, MAYOR

DAVID L. SOULAK, CITY CLERK

Original sponsors: Larson, Zawacki,
and Menard

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 29 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Racing Commission and
7 authorizing parimutuel wagering at sanctioned events;
8 and providing for an effective date."

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

10 * Section 1. AS 05 is amended by adding a new chapter to read:

11 CHAPTER 40. HORSE RACING.

12 ARTICLE 1. ALASKA RACING COMMISSION.

13 Sec. 05.40.010. ALASKA RACING COMMISSION. (a) The Alaska
14 Racing Commission is established in the Department of Commerce and
15 Economic Development. The commission is composed of five members
16 appointed by the governor. One member shall have experience in the
17 regulation, supervision, or conduct of parimutuel wagering or horse
18 racing; one member shall have experience in law enforcement; one
19 member shall have experience in bookkeeping or accounting; two members
20 shall be public members.

21 (b) Each member of the commission shall at the time of the
22 member's appointment be a resident of the state.

23 (c) A person may not serve as a member of the commission if that
24 person has been convicted of

25 (1) a felony; or

26 (2) an offense defined in AS 05.40.950, AS 11.66.200 -
27 11.66.280, or a comparable provision of municipal, state, or federal
28 law.

29 (d) A person may not serve as a member of the commission until

1 the investigation required under AS 18.65.080 is completed.

2 (e) The commission shall elect a chairman from its membership.

3 (f) Three members of the commission constitute a quorum for the
4 transaction of business.

5 Sec. 05.40.020. TERM OF OFFICE. Members of the commission serve
6 staggered terms of four years. A vacancy is filled by appointment for
7 the unexpired term. A member of the commission holds office until a
8 successor is appointed and qualifies.

9 Sec. 05.40.030. REMOVAL AND SUSPENSION OF MEMBERS. (a) The
10 governor may remove a member for cause, including incompetence, ne-
11 glect of duty, or misconduct in office. A member being removed for
12 cause shall be given a copy of the charges and afforded an opportunity
13 to publicly present a defense in person or by counsel upon not less
14 than 10 days' notice. If a member is removed for cause, the governor
15 shall file with the lieutenant governor a complete statement of all
16 charges made against the member and the governor's findings based on
17 the charges, together with a complete record of the proceedings.

18 (b) The governor may immediately suspend a member for a vio-
19 lation of law or for misconduct in office pending removal from office
20 under (a) of this section.

21 Sec. 05.40.040. COMPENSATION AND PER DIEM. Members of the
22 commission do not receive a salary for their service on the commission
23 but are entitled to per diem and travel expenses authorized by law for
24 state boards and commissions under AS 39.20.180.

25 Sec. 05.40.050. DUTIES AND POWERS OF THE COMMISSION. (a) The
commission shall, in consultation with the attorney general,

(1) adopt regulations concerning

(A) the issuance, renewal, suspension, and revocation
of licenses and special permits;

CORRECTION

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

1 the investigation required under AS 18.65.080 is completed.

2 (e) The commission shall elect a chairman from its membership.

3 (f) Three members of the commission constitute a quorum for the
4 transaction of business.

5 Sec. 05.40.020. TERM OF OFFICE. Members of the commission serve
6 staggered terms of four years. A vacancy is filled by appointment for
7 the unexpired term. A member of the commission holds office until a
8 successor is appointed and qualifies.

9 Sec. 05.40.030. REMOVAL AND SUSPENSION OF MEMBERS. (a) The
10 governor may remove a member for cause, including incompetence, ne-
11 glect of duty, or misconduct in office. A member being removed for
12 cause shall be given a copy of the charges and afforded an opportunity
13 to publicly present a defense in person or by counsel upon not less
14 than 10 days' notice. If a member is removed for cause, the governor
15 shall file with the lieutenant governor a complete statement of all
16 charges made against the member and the governor's findings based on
17 the charges, together with a complete record of the proceedings.

18 (b) The governor may immediately suspend a member for a vio-
19 lat' of law or for misconduct in office pending removal from office
20 under (a) of this section.

21 Sec. 05.40.040. COMPENSATION AND PER DIEM. Members of the
22 commission do not receive a salary for their service on the commission
23 but are entitled to per diem and travel expenses authorized by law for
24 state boards and commissions under AS 39.20.180.

25 Sec. 05.40.050. DUTIES AND POWERS OF THE COMMISSION. (a) The
commission shall, in consultation with the attorney general,

(1) adopt regulations concerning

(A) the issuance, renewal, suspension, and revocation
of licenses and special permits;

1 (B) the immediate suspension of a license or special
2 permit of a person subject to this chapter during an investiga-
3 tion of a violation of this chapter or a regulation adopted under
4 this chapter;

5 (C) the appointment of race officials, including race
6 meet observers, and their duties;

7 (D) the distribution of the parimutuel pool among the
8 race meet operator, purse money, winning tickets, and the commis-
9 sion;

10 (E) retention of breakage by a race meet operator;

11 (F) veterinary standards for race meets;

12 (G) parimutuel equipment to be used by race meet
13 operators;

14 (H) auditing procedures; and

15 (I) other matters directly related to horse racing and
16 parimutuel wagering;

17 (2) regulate and supervise all horse races;

18 (3) inspect and approve race tracks and race horses;

19 (4) establish racing dates and durations;

20 (5) sanction horse racing within municipalities at loca-
21 tions approved by the commission;

22 (6) set all license and special permit fees;

23 (7) make an annual report to the commissioner of commerce
24 and economic development and the legislature of its administration of
25 this chapter before February 15 of each year;

26 (8) keep detailed records of all race meets and of all col-
27 lections and disbursements;

28 (9) supervise the making and distribution of parimutuel
29 pools.

1 (b) The commission may

2 (1) hire staff, and appoint persons as race meet observers,
3 as needed to administer this chapter, if the investigation required
4 under AS 18.65.080 finds that the person has not been convicted of a
5 crime set out in AS 05.40.010(c);

6 (2) issue subpoenas to compel witnesses to appear before
7 it;

8 (3) compel the production of documents showing the receipts
9 and disbursements of a race meet operator;

10 (4) appoint a hearing officer to conduct a hearing required
11 by this chapter or by a regulation adopted under it;

12 (5) by regulation, impose an admission surcharge for a race
13 meet not to exceed \$1 without regard to whether the race meet operator
14 charges an admission fee.

15 Sec. 05.40.060. EMPLOYEES OF THE COMMISSION. Employees of the
16 commission are in the partially exempt service under AS 39.25.120.

17 Sec. 05.40.070. REGULATIONS OF THE COMMISSION. The attorney
18 general shall enforce the regulations of the commission.

19 Sec. 05.40.080. RECORDS OF THE COMMISSION. All records of the
20 commission are public records and subject to public inspection.

21 Sec. 05.40.090. PROCEEDS. Fees and other money received by the
22 commission shall be paid into the general fund.

23 ARTICLE 2. RACE MEETS.

24 Sec. 05.40.100. RACE MEET OPERATOR'S LICENSE. (a) A person may
25 not conduct a race meet in the state without a race meet operator's
26 license issued by the commission. A race meet operator's license is
27 valid for three years unless revoked or suspended by the commission.

28 (b) The race meet operator has the exclusive right to operate or
29 contract for the operation of concessions at the site of the race

1 meet.

2 (c) A race meet operator's license may not be issued until the
3 investigation required under AS 18.65.080 is completed. A person
4 convicted of a crime set out in AS 05.40.010(c) may not receive a race
5 meet operator's license.

6 (d) A race meet may be conducted only within a municipality.

7 Sec. 05.40.110. SPECIAL PERMITS. (a) A person may not partici-
8 pate in a race meet as an owner of an animal participating in the race
9 meet, trainer, jockey, driver, attendant, groom, stable person, veter-
10 inarian, employee of a race meet operator, concessionaire, or conces-
11 sion employee without a special permit issued by the commission.

12 (b) A special permit is valid for one year unless revoked or
13 suspended by the commission. The commission may not issue a special
14 permit under this section until the investigation required under
15 AS 18.65.080 is completed. A person convicted of a crime set out in
16 AS 05.40.010(c) may not receive a special permit.

17 Sec. 05.40.120. LOCAL OPTION. The commission may not sanction a
18 race meet within a municipality unless

19 (1) a majority of the voters in the municipality has ap-
20 proved a referendum authorizing parimutuel wagering on horse races and
21 providing for municipal licensing of race meets within the municipal-
22 ity; and

23 (2) the municipality, after a public hearing on the li-
24 cense, has approved issuance or renewal of the municipal license for
25 the race meet.

26 Sec. 05.40.130. DISTRIBUTION OF PARIMUTUEL POOL. (a) Except as
27 provided in (b) and (c) of this section, the parimutuel pool shall be
28 distributed

29 (1) 65 percent to the holders of winning tickets;

1 (2) 15 percent to the race meet operator conducting the
2 race meet;

3 (3) 10 percent as purse money; and

4 (4) 10 percent to the commission.

5 (b) The commission may by regulation adjust the distribution of
6 the parimutuel pool as necessary to promote efficient and successful
7 race meets. The percentage allocated to holders of winning tickets
8 shall be at least 65 percent of the parimutuel pool.

9 (c) Notwithstanding AS 34.45, money that is owed to holders of
10 winning tickets but not claimed within six months after the date for
11 distribution of the parimutuel pool shall be paid to the commission
12 for deposit into the general fund.

13 Sec. 05.40.140. REPORTS BY THE RACE MEET OPERATOR. (a) The
14 race meet operator shall report to the commission within 30 days after
15 each race on the distribution of the parimutuel pool.

16 (b) The race meet operator shall report to the commission within
17 30 days after the end of the race meet on the operation and proceeds
18 of concessions at the site of the race meet

19 Sec. 05.40.150. OBSERVATION OF RACE MEETS. (a) The commission
20 may appoint a member of the commission or other person to observe the
21 conduct of race meets. An observer shall be present at the site of
22 each race meet on the day before, the day after, and during the race
23 meet.

24 (b) A person who is not a member of the commission or an em-
25 ployee of the commission does not receive a salary but is entitled to
26 per diem and travel expenses, for each day the person is engaged in
27 the actual performance of duties as a race meet observer.

28 ARTICLE 3. GENERAL PROVISIONS.

29 Sec. 05.40.900. ADMINISTRATIVE PROCEDURE ACT. The operations of

1 the commission are subject to the Administrative Procedure Act
2 (AS 44.62).

3 Sec. 05.40.910. CONFLICT OF INTEREST ACT. The commission is
4 subject to AS 39.50 (conflict of interest).

5 Sec. 05.40.950. PROHIBITED ACTS AND PENALTIES. (a) It is a
6 class A misdemeanor to

7 (1) violate or fail to comply with a regulation of the
8 commission or a provision of this chapter if no effect on the outcome
9 of a horse race was intended;

10 (2) record, report, or register a wager on a horse in a
11 horse race unless under the provisions of this chapter;

12 (3) place a wager upon the results of a horse race except
13 by a parimutuel method of wagering conducted by a race meet operator
14 licensed under this chapter, and upon the grounds or enclosure of the
15 race meet operator;

16 (4) permit a person under the age of 21 to use the pari-
17 mutuel system.

18 (b) Violation of a regulation or provision of this chapter with
19 intent to affect the outcome of a horse race is a class C felony.

20 Sec. 05.40.990. DEFINITIONS. In this chapter

21 (1) "breakage" means the odd cents by which the amount
22 payable on each dollar wagered exceeds a multiple of 10 cents; break-
23 age may not exceed 20 percent of the total amount deposited in the
24 pool;

25 (2) "commission" means the Alaska Racing Commission;

26 (3) "harness race" means a race where the horses are har-
27 nessed to a sulky, carriage, or similar vehicle and driven by a driv-
28 er;

29 (4) "horse race" means either a race where the horses are

1 mounted and ridden by jockeys or a harness race;

2 (5) "parimutuel" means a form of wagering on the outcome of
3 horse races in which those who wager personally purchase tickets of
4 various denominations on a horse and all wagers for each race are
5 pooled and held by the race meet operator for distribution; when the
6 outcome of the race has been decided, the race meet operator distrib-
7 utes the percentage of the total wagers determined by the commission
8 to holders of tickets on the winning horses;

9 (6) "race meet" means an exhibition that includes horse
10 races, where the parimutuel system is used;

11 (7) "race meet operator" means the person who is authorized
12 to conduct a race meet sanctioned by the commission;

13 (8) "special permit" means a permit issued by the commis-
14 sion to participants in a race meet, other than the race meet opera-
15 tor, under AS 05.40.110.

16 * Sec. 2. AS 18.65.080 is amended by adding a new subsection to read:

17 (b) The Department of Public Safety shall investigate and ascer-
18 tain whether the following persons have been charged with a crime set
19 out in AS 05.40.010(c):

20 (1) a person appointed by the governor to serve as a member
21 of the Alaska Racing Commission;

22 (2) an applicant for employment with the Alaska Racing
23 Commission;

24 (3) an applicant to serve as a race official or race meet
25 observer;

26 (4) an applicant for a license under AS 05.40.100 or a
27 special permit under AS 05.40.110.

28 * Sec. 3. AS 39.25.120(c) is amended by adding a new paragraph to read:

29 (21) employees of the Alaska Racing Commission.

1 * Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:
2 (50) Alaska Racing Commission (AS 05.40.010).

3 * Sec. 5. AS 44.62.330(a) is amended by adding a new paragraph to read:
4 (55) Alaska Racing Commission (AS 05.40.010).

5 * Sec. 6. INITIAL COMMISSION APPOINTMENTS. The governor shall make the
6 initial appointment of members of the Alaska Racing Commission within 120
7 days after the effective date of this Act.

8 * Sec. 7. This Act takes effect July 1, 1990.
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HB

37

HOUSE COMMITTEE REPORT

(5)

Date Referred: January 9, 1989

FURTHER REFERRALS: HESS

FINANCE

Date of Committee Action: 1/26/89

The LABOR & COMMERCE Committee recommends that:

HOUSE BILL NO. 37 [STATE AID FOR SCHOOL CONSTRUCTION]

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

be replaced with CS HB37 (L+C) the same title
 a new title

have attached amendment(s)

- 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
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Mark Baker (no rec)
Mark Baker (no rec)
Mark Baker (no rec)
Mark Baker (no rec)
Mark Baker (no rec)
Mark Baker (no rec)
Mark Baker (no rec)
Mark Baker (no rec)

Mark Baker
 Chairman's signature

A M E N D M E N T

OFFERED IN THE HOUSE

BY BOYER

TO: HB 37

Page 17, line 18:

Delete "school buildings"

Insert "schools that are owned or operated by the state or a district
[SCHOOL BUILDINGS]"

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 24, 1989

SUBJECT: State aid for school construction - HB 37

TO: Representative Mark Boyer

FROM: Michael F. Ford *M.F.*
Legislative Counsel

You have asked if AS 14.11 providing for state aid for school construction would apply to military schools. Under AS 14.11.135, contained in section 22 of the bill, all public elementary and secondary school buildings qualify for state aid. Therefore, if a school located on a military base is a public elementary or secondary school, it would also qualify for state aid. At present, the schools located on military bases are operated by the state through the local school district. Therefore these schools would appear to be clearly eligible for state construction assistance.

Please contact me if you have further questions.

MFF:mi
wkmi3/073

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

SCHOOL DISTRICT EXPENDITURES
FOR
PROPERTY INSURANCE

1988-89

Twenty-nine (29) of Alaska's fifty-five (55) school districts joined together in 1986 to form the Alaska Schools Insurance Company (ASIC), a mutually owned company organized for the purpose of providing property insurance for schools and stabilizing property insurance rates. The Association of Alaska School Boards (AASB) facilitated the formation and acts as the administrator of the program.

As of this year there are thirty (30) districts which participate in the ASIC program.

The information on Exhibit "A" attached, was requested by the House Labor and Commerce Committee in consideration of HB 37, relating to insurance for school facilities.

Exhibit "A" shows the data available only for those districts which are ASIC members. Property insurance information for non-ASIC members is not available to us at this time.

Exhibit "B" summarizes the coverage offered by ASIC for the 1988-89 policy year.

Exhibit "C" provides background information about ASIC - its goals, program structure and governance structure.

SPECIAL NOTE:

Figures shown on Exhibit "A" for Property Premium represent not only premium paid for actual coverage, but also the capitalization contribution that ASIC members were required to pay for this year. Unlike payments which are made for commercial insurance, the capitalization contribution for each district remains in savings and accrues interest for the individual district.

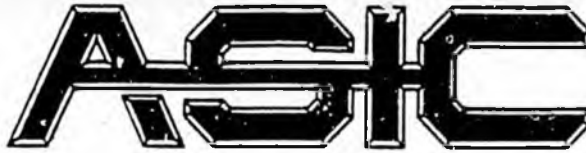
Thus, since the total capitalization for 1988-89 was \$545,032, the actual total amount paid out by these 30 districts for property coverage was \$2,969,772.

However, for the purposes of the Committee, it was determined that total district insurance outlay for the year should be reflected.

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

DISTRICT	VALUES	PROP FREQ	OPER BUDGET	% BUDGET
ADAK	2,106,200	6,824	4,237,381	0.16%
ALASKA GATEWAY	22,824,731	120,108	5,833,125	2.24%
ALEUTIAN REGION	11,593,247	56,969	2,117,753	2.69%
ANCHORAGE				
ANNETTE	16,869,590	53,448	3,191,027	1.67%
BERING STRAIT				
BRISTOL BAY				
CHATHAM				
CHUGACH	10,025,512	54,828	1,353,100	4.05%
COPPER RIVER	18,631,203	136,737	4,817,833	2.84%
CORDOVA				
CRAIG				
DELTA GREELY	20,259,833	106,487	5,321,000	1.93%
DILLINGHAM				
FAIRBANKS				
GALENA	14,774,993	79,523	2,133,522	3.73%
HAINES				
HOONAH				
HYDABURG	10,172,477	28,236	1,081,800	2.61%
IDITAROD	33,186,363	148,339	5,829,546	2.54%
JUNEAU				
KAKE				
KASHUNAMIUT	11,123,393	57,215	1,863,343	3.07%
KENAI				
KETCHIKAN				
KING COVE	7,660,000	20,982	1,441,153	1.46%
KLAWDOCK				
KODIAK				
KUSPUK				
LAKE & PENINSULA	41,841,533	226,501	5,780,000	3.92%
LOWER KUSKOKWIM	166,490,406	587,345	32,428,736	1.81%
LOWER YUKON	65,256,771	269,185	14,911,536	1.81%
MAT-SU				
NENANA	16,107,239	52,190	1,879,911	2.78%
NOME	30,000,000	97,206	5,470,312	1.78%
NORTH SLOPE				
NORTHWEST ARCTIC	84,461,357	321,790	17,030,018	1.89%
PELICAN	3,433,609	9,124	635,910	1.43%
PETERSBURG				
PRIBILOF	9,367,785	56,801	1,977,978	2.87%
RAILBELT	22,609,413	118,979	3,287,668	3.62%
SAND POINT	8,609,093	22,907	1,305,403	1.75%
SITKA				
SKAGWAY				
SOUTHEAST ISLAND				
SOUTHWEST REGION	45,418,689	236,684	7,281,817	3.25%
ST. MARY'S	9,951,528	31,987	1,891,043	2.75%
TANANA	8,474,294	32,125	1,104,901	4.72%
UNALASKA	7,112,111	18,814	1,541,122	1.22%
VALDEZ				
VRANDELL				
YAKUTAT	7,003,000	22,691	1,250,092	1.02%
YUKON FLATS	38,174,028	233,016	6,116,269	3.81%
YUKON-KOYUKUK	30,923,310	176,127	7,499,001	2.33%
YUPIIT	15,133,436	91,634	4,833,124	1.89%
TOTAL	789,637,154	3,514,804	153,209,448	
				AVERAGE PERCENTAGE
				2.26%



ALASKA SCHOOLS INSURANCE CO.
316 W. 11th St. • Juneau, Alaska 99801 • (907) 586-3635

SUMMARY OF COVERAGE

7/1/88-6/30/89

TERM: July 1, 1988 to June 30, 1989

PERILS: All Risk, Including Earthquake and Flood

DEDUCTIBLE: Districts with values of \$50,000,000 or less may choose from deductibles of \$10,000 or \$60,000 on all perils except Earthquake and Flood.

Districts with values of \$50,000,000 or more may choose from deductibles of \$10,000, \$60,000 or \$110,000 on all perils except Earthquake and Flood.

For Earthquake and Flood deductible for all districts is 5% of the value of buildings or personal property involved in a loss, subject to a per occurrence minimum of \$300,000.

LIMITS: \$30,000,000 per occurrence. \$30,000,000 on Earthquake and Flood on an annual aggregate basis.

PROPERTY COVERED: All real and/or personal property including improvements and betterments (Form ALS 72) with extensions covering:

- Transit
- Fine Arts
- Valuable Papers
- Combined Earnings and Extra Expense and Rental Income



STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

GOLDBELT PLACE
801 WEST 10TH STREET
P.O. BOX F
JUNEAU, ALASKA 99811-0500

January 23, 1989

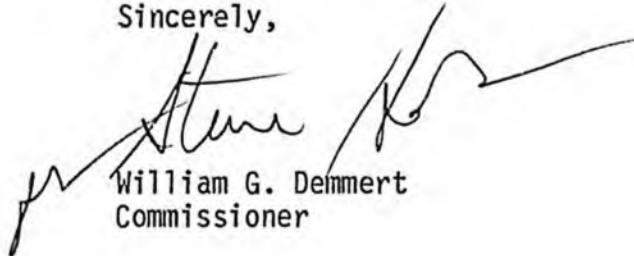
The Honorable Mark Boyer
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Boyer:

Based upon information available to the Department of Education, the Hoonah City School District is the only one of the fifty-five school districts in the State of Alaska which does not carry any property insurance for buildings and contents.

According to Hoonah Superintendent Tom Brown, the District has checked the price of coverage and believes that property insurance would cost approximately \$86,000. Mr. Brown states that the local board of education has decided not to purchase insurance, but to spend available funds on the instructional program.

Sincerely,



William G. Deimert
Commissioner

ALASKA SCHOOLS INSURANCE COMPANY

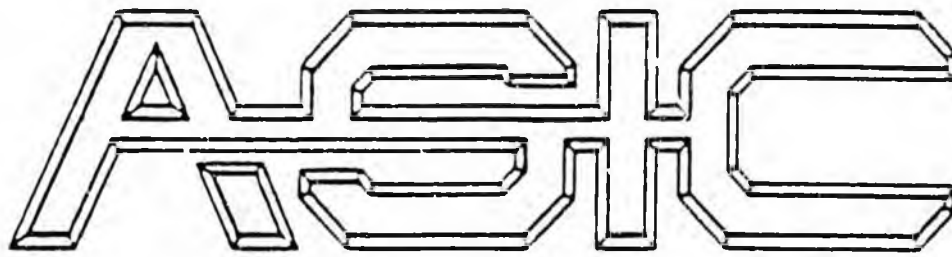
PROPERTY INSURANCE COSTS
7/1/88 - 6/30/89

SCHOOL DISTRICT	OPERATING BUDGET 1987-88	TOTAL PROPERTY VALUES (PROPERTY & CONTENTS)	PROPERTY INSURANCE COSTS	
			\$10,000 DEDUCTIBLE	\$60,000 DEDUCTIBLE
HOONAH**	\$1,697,310	\$6,360,280	\$35,999	\$34,091
KING COVE	\$1,545,823	\$7,660,000	\$23,444 (Protected City Rate)	
UNALASKA	\$1,421,641	\$7,112,111	\$21,766 (Protected City Rate)	
KAKE**	\$1,709,292	\$11,961,740	\$67,703	\$64,114
ALEUTIAN REGION	\$1,808,080	\$11,118,543	\$62,930	\$59,845*
KASHUNAMIUT	\$1,880,000	\$11,123,393	\$62,958	\$59,871*

NOTE: Protected City Rate is given to districts with ISO rating of "8" or better.

* These districts chose \$60,000 deductible for 1988-89.

** These districts are not covered by ASIC. Costs are estimates only.



ALASKA SCHOOLS INSURANCE CO.

316 W. 11th St. • Juneau, Alaska 99801 • (907) 586-3635

**PROPERTY INSURANCE EXCLUSIVELY
FOR
ALASKA'S SCHOOL DISTRICTS**

Alaska Schools Insurance Company

**May be the ANSWER
to Your Property Insurance Needs**

ASIC - ANSWERS YOUR QUESTIONS

HOW DID ASIC COME ABOUT?

- School Districts in Alaska have historically felt the "ups and downs" of the insurance market in terms of rates and coverage over the years, but the insurance "crisis" experienced recently brought the problems home for almost everyone. Rates skyrocketed, coverage became much more restrictive or disappeared altogether for some districts.

School districts expressed their dissatisfaction and requested assistance from the Association of Alaska School Boards, who in turn hired a risk management consulting firm to research the feasibility of forming a "pooling" arrangement for property insurance. After determining feasibility and district interest AASB proceeded to form the Alaska Schools Insurance Company in 1986.

Since "pooling" wasn't allowable under Alaska Statutes existing at that time, ASIC was formed as a "captive" insurance company, and licensed and regulated through the state of Vermont. The company is mutually owned by member districts. Twenty-nine school districts became charter members.

WHO IS ASIC FOR?

The ASIC program is available to any district which is a member of the Association of Alaska School Boards.

HOW CAN ASIC BENEFIT MY DISTRICT?

ASIC can provide you with dependable property insurance with the broadest possible coverage designed for the unique features of Alaskan school districts.

As an owner of the company you can have a voice in the kind and cost of coverage ASIC will provide. You don't have this option when you buy commercial insurance.

With your active involvement in keeping your district's losses at a minimum, your company may realize annual profits from operations which can accrue to the benefit of member districts. As determined by members, these profits may be realized in the form of dividends to members, reduced contribution in the next policy year, additional coverage, or some combination of the three.

Your contribution to the ASIC capitalization fund is held in trust and the investment return on your share of the fund is allocated to your district. As a member of ASIC, part of the money you pay for insurance will return to you. When you pay dollars out for commercial insurance they are just gone forever.

WHAT ARE ASIC's GOALS?

ASIC has a number of goals that school districts can't find in other insurance programs:

1) STABILITY

In terms of stabilizing rates so that school districts aren't subject to the cyclical swings common in the insurance market. Districts can budget sensibly for their property insurance costs from year to year.

In terms of continued availability and reliable, consistent coverage.

2) COMPETITIVE PRICE

Since a goal is to stabilize rates, the price of this may not always be the lowest in town, but it will represent the lowest price possible while still protecting the programs ability to pay losses and expenses. As the pool grows, our premium competitiveness will continue to improve.

ASIC is run at its member's direction, and the driving force is school districts' need for consistent coverage and reasonable rates, rather than the profit motive.

3) RATING BASED ON ALASKA SCHOOLS' EXPERIENCE

Rates provided through commercial programs are based on actuarial figures nationwide. Alaska's schools have a good loss record, and ASIC rates can reflect our schools' collective experience without including unfavorable loss experience of other states.

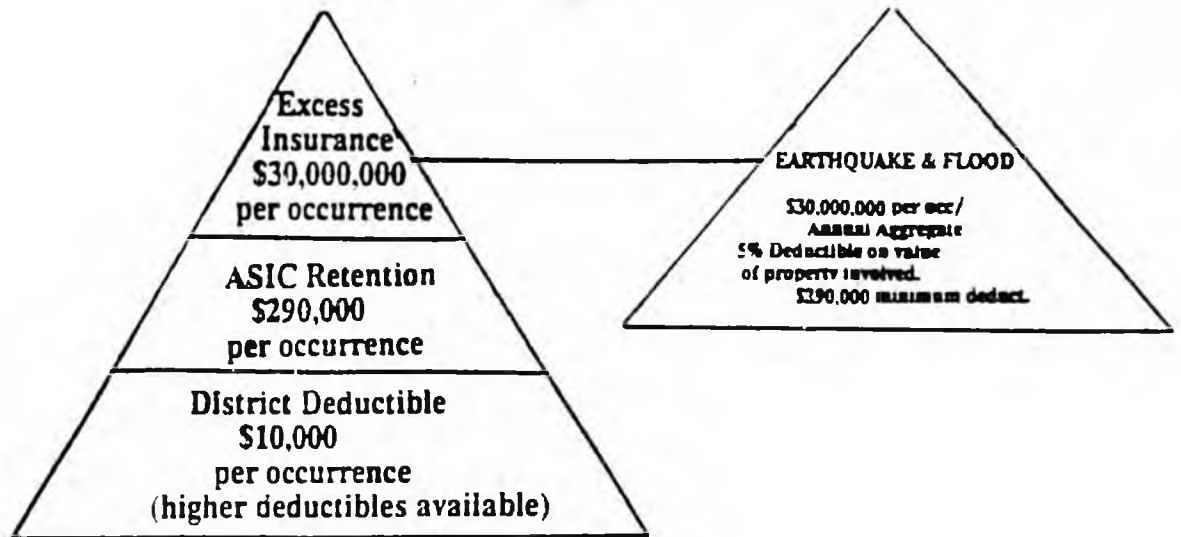
4) ACTIVE LOSS CONTROL PROGRAM

Thorough, independent, geared toward supporting districts' needs. The loss control program assists districts in implementing a self-inspection routine, and provides regular safety seminars for maintenance personnel, board members and administrators. The loss control program is designed and monitored by member districts and ASIC's property engineer.

HOW DOES ASIC WORK?

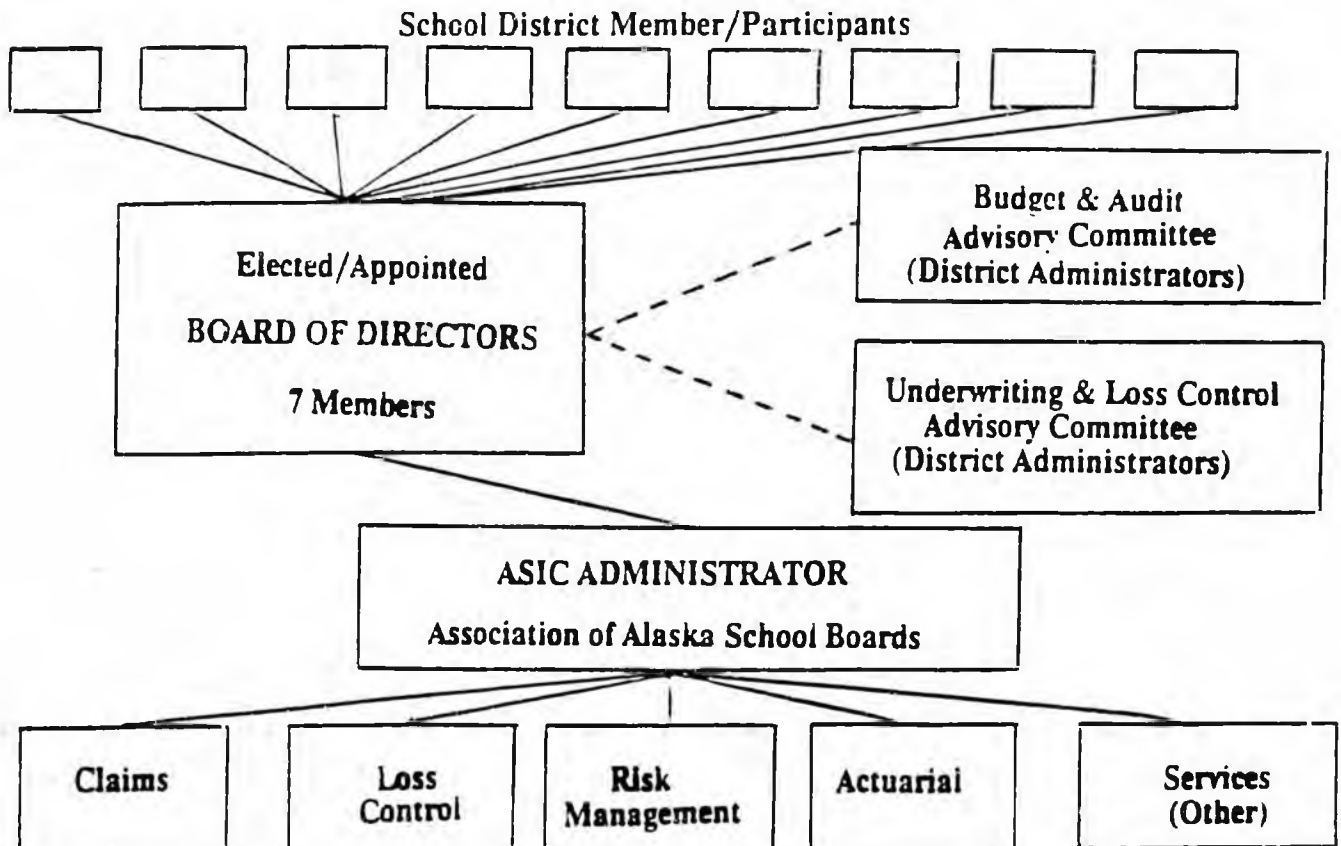
The structure of the ASIC program is shown in the diagram below. 1988-89 policy limits are indicated.

PROGRAM STRUCTURE



ASIC is governed by member districts through an elected board of directors made up of school board members and advisory committees made up of school administrators. The diagram below shows the governance and operational structure of the company.

GOVERNANCE STRUCTURE



WHAT IS REQUIRED OF MY SCHOOL DISTRICT IF WE JOIN ASIC?

ASIC members must be prepared to make a long term commitment. The soundness of the program rests on districts making that commitment. Districts joining when commercial rates are high and dropping out when rates dip low will obviously jeopardize the stability of the pool. ASIC will require you to make at least a three year commitment when you sign your first Subscribers Agreement.

You will be required to actively participate in a loss control program which will make your schools safer facilities for your students, and which will reduce the chance of serious loss to your district and your insurance company...ASIC.

WHERE CAN I GET MORE INFORMATION ABOUT HOW MY DISTRICT CAN TAKE ADVANTAGE OF ASIC?

For detailed information on the advantages to YOUR district on joining ASIC contact:

ALASKA SCHOOLS INSURANCE COMPANY
316 West 11th Street
Juneau, Alaska 99801

(907) 586-1083

SAVINGS REALIZED BY ASIC MEMBERS DURING 1ST 18 MONTHS OF OPERATION

7/1/86 - 12/31/86

Capital Contribution	\$750,000	
Net Income	<u>117,930</u>	
SAVINGS		\$ 867,930

1/1/87 - 12/31/87

Capital Contribution	\$761,494	
Net Income	<u>325,244</u>	
SAVINGS		\$1,086,738

7/1/86 - 12/31/87

TOTAL SAVINGS	<u>\$1,954,769</u>	
---------------	--------------------	--

\$1,954,769 represents funds that ASIC members set aside to capitalize their company plus the profit realized after losses and expenses were paid. This amount belongs to ASIC's members and is allocated proportionately to each of the members.

If these funds were not invested in ASIC, they would have been paid for commercial insurance premiums, and those dollars would have been gone forever.

AML JIA

Alaska Municipal League Joint Insurance Association, Inc.

217 Second Street, Suite 200

Juneau, Alaska 99801

(907) 586-3222

FAX: (907) 463-5480

PROPERTY INSURANCE RATES FOR AML/JIA PARTICIPANTS

<u>NAME</u>	<u>RATE PER</u> <u>\$100</u>
ANGOON	.38
AKUTAN	.38
BARROW	.19
CORDOVA (including schools)	.16
CHUATHBALUK	.38
CRAIG	.38
DILINGHAM	.38
EAGLE	.38
ELIM	.38
EMMONAK	.38
GOLOVIN	.38
HOOPER BAY	.38
HUSLIA	.38
KING COVE	.19
KOTZEBUE	.38
MOUNTAIN VILLAGE	.38
NENANA	.22
NIKOLAI	.38
NOME	.19
NUNAPITCHUK	.38
OUZINKIE	.38
PALMER	.19
PETERSBURG	.22
PORT LIONS	.38
QUINHAGAK	.38
SAND POINT	.20
SEWARD	.19
SHIHMAREF	.20
SKAGWAY	.19
SOLDOTNA	.38
ST. MARYS	.38
TENAKEE SPRINGS	.33
THORNE BAY	.38
UNALAKLEET	.38
WAINWRIGHT	.38
WHITTIER	.38
KOTLIK	.38

1/24/85

AML JIA

Alaska Municipal League Joint Insurance Association, Inc.

January 20, 1989

217 Second Street, Suite 200

Juneau, Alaska 99801

(907) 586-3222

FAX: (907) 463-5480

MEMORANDUM

To: Scott Burgess, Executive Director
Alaska Municipal League

From: Bob Healey, Administrator *AA*
AML Joint Insurance Association

Re: HB 37 - Insurance for School Facilities

As requested, I am summarizing the issues raised in the House Labor and Commerce Committee this week from the standpoint of insurance and the AML/JIA program.

HB 37 would require school districts to purchase and maintain property insurance on a replacement basis for all school facilities and equipment. The legislation does not appear to define the specific type coverage required, i.e., broad form (all risk subject to specified exclusions) or named perils, i.e., fire, windstorm, hail, etc. While the intent of the bill is clear, and, whereas reasonable and adequate property insurance coverage may be proper and equitable in exchange for 100% state funding, clear statute or regulatory language may be necessary. This has been suggested by the Labor and Commerce Committee members in order to define reasonable, i.e., affordability and availability, and adequate, i.e., amount and type of risk.

Property coverage is traditionally very available, i.e., easily placed and profitable even in "hard" insurance markets, in commercial markets as well as from the AML/JIA and the Alaska Association of School Boards' Alaska Schools Insurance Company.

The AML/JIA insurance program for which schools are eligible meets the requirements of HB 37. Our 1988-89 policy provides for replacement cost coverage on a broad form (all risk) basis, but does not include earthquake or flood coverage. We require annual evaluation of property values, and in the interim we provide up to 25% additional coverage for property added, construction cost inflation, alterations and improvements. In addition to buildings and contents, we provide coverage for mobile equipment, valuable papers, physical damage to EDP equipment, EDP Media, EDP extra expense and fine arts. The 1988-89 rate varies from \$0.18-.39 per \$100 in value depending on fire protection class and type of construction. AML/JIA also provides risk management services including assistance in property valuation, property inspections and setting up and maintaining risk control programs. In addition to property coverage for municipalities and school districts, the AML/JIA provides casualty coverage for worker's compensation, general and auto liability, police professional liability and public officials errors and omissions insurance.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

SOLDOTNA

312 TYEE STREET
SOLDOTNA, ALASKA 99699
(907) 262-7841

JUNEAU

BOX V
JUNEAU, ALASKA 99811
(907) 465-2889

SECTIONAL ANALYSIS FOR SCHOOL CONSTRUCTION POLICY DRAFT

(The sections marked by an asterisk indicate new amendments as adopted by the Coalition for Education meetings held from August through November of 1988.)

* SECTION ONE REQUIRES A SCHOOL DISTRICT TO PURCHASE AND MAINTAIN PROPERTY INSURANCE FOR THE REPLACEMENT COST OF ALL SCHOOL FACILITIES AND EQUIPMENT. THE POLICY MAY CONTAIN A DEDUCTIBLE AMOUNT, WITH THE APPROVAL OF THE DEPARTMENT. A SCHOOL DISTRICT MAY MAINTAIN A SELF-INSURANCE PROGRAM IF THE DEPARTMENT ANNUALLY DETERMINES THAT THE SCHOOL DISTRICT HAS SUBMITTED ADEQUATE EVIDENCE THAT THE POLICY WILL COVER ALL FACILITIES AND EQUIPMENT. THE DEPARTMENT IS REQUIRED TO PURCHASE INSURANCE SHOULD A SCHOOL DISTRICT FAIL TO MAINTAIN ADEQUATE COVERAGE WITHIN THIRTY DAYS AFTER NOTIFICATION BY THE DEPARTMENT. A SCHOOL CONSTRUCTION GRANT MAY NOT BE AWARDED TO A SCHOOL DISTRICT THAT DOES NOT HAVE ADEQUATE COVERAGE. THE DEPARTMENT WILL REDUCE THE AMOUNT OF STATE FOUNDATION AID FOR WHICH A SCHOOL DISTRICT MAY QUALIFY BY ANY AMOUNT PAID BY THE DEPARTMENT FOR INSURANCE COVERAGE.

SECTION TWO OFFERS A TECHNICAL CHANGE TO INCLUDE RESPONSIBILITY FOR THE NEW GRANT PROGRAM AMONG THE DUTIES OF THE DEPARTMENT UNDER AS 14.11.

SECTION THREE ESTABLISHES BOARD OF EDUCATION REVIEW OF GRANT APPLICATIONS AND THAT FINAL APPROVAL AUTHORITY FOR GRANTS RESTS WITH THE BOARD.

A TECHNICAL CHANGE IS ADDRESSED IN SECTION FOUR WHICH PROVIDES AUTHORITY FOR A REGIONAL SCHOOL BOARD TO RECOMMEND SCHOOL CONSTRUCTION PROJECTS TO THE DEPARTMENT OF EDUCATION AS SPECIFIED IN NEW LANGUAGE UNDER AS 14.11.011 (B).

* SECTION FIVE REPEALS SECTION FOUR AS OF JULY 1, 1993, AND RE-ENACTS PRESENT DAY POLICY.

A NEW SCHOOL CONSTRUCTION GRANT ACCOUNT IS ESTABLISHED IN SECTION SIX. LEGISLATIVE APPROPRIATIONS FOR SCHOOL CONSTRUCTION WOULD BE DEPOSITED IN THE FUND AND GENERAL OBLIGATION BOND SALE PROCEEDS MAY ALSO BE DEPOSITED.

* SECTION SEVEN REPEALS SECTION SIX AS OF JULY 1, 1993, AND RE-ENACTS PRESENT DAY POLICY.

SECTION EIGHT ADDS NEW SECTIONS TO AS 14.11.

1: THE FIRST NEW SECTION (AS 14.11.011) OUTLINES THE APPLICATION PROCESS. THE PROCESS IS IDENTICAL TO THE CURRENT APPLICATION EXCEPT THAT PROJECT APPLICATIONS WOULD BE REQUIRED FOR ALL REQUESTS ON A DISTRICT'S SIX YEAR PLAN, NOT THOSE FOR THE SUBSEQUENT FISCAL YEAR AS IS NOW DONE. INCLUDED IN THE SIX YEAR PLAN IS A DESCRIPTION OF THE DISTRICT'S FIXED ASSET INVENTORY SYSTEM AND PREVENTIVE MAINTENANCE PROGRAM. THIS ASSURES THAT EACH DISTRICT WILL MAINTAIN A FIXED ASSET INVENTORY OF EQUIPMENT PURCHASED UNDER THE GRANT. A FIXED ASSET WOULD BE ANYTHING OVER A FIXED AMOUNT OF MONEY WHOSE LIFE IS MORE THAN X NUMBER OF YEARS. ADDITIONALLY, A REQUIREMENT IS ADDED THAT ALL FACILITIES IN THE DISTRICT BE INSURED FOR REPLACEMENT COST.

2: THE NEW SECOND SECTION AS DESCRIBED IN AS 14.11.013 ASSIGNS TO THE DEPARTMENT OF EDUCATION THE RESPONSIBILITY FOR REVIEWING, EVALUATING AND RECOMMENDING PROJECTS FOR APPROVAL TO THE STATE SCHOOL BOARD. THE DEPARTMENT WILL VERIFY THAT EACH PROJECT QUALIFIES AS A PROJECT REQUIRED TO AVERT IMMINENT DANGER OR TO CORRECT LIFE THREATENING SITUATIONS, HOUSE STUDENTS THAT WOULD OTHERWISE NOT HAVE HOUSING, PROTECT THE STRUCTURE OF EXISTING SCHOOL FACILITIES, CORRECT BUILDING CODE DEFICIENCIES THAT REQUIRE MAJOR REPAIR OR REHABILITATION IN ORDER FOR ITS CONTINUED USE AS AN EDUCATIONAL FACILITY, ACHIEVE A MAJOR COST SAVINGS, MODIFY OR REHABILITATE FACILITIES TO IMPROVE INSTRUCTIONAL PROGRAMS OR MEET ANOTHER EDUCATIONAL NEED. THE REVISED AND UPDATED SIX YEAR SCHEDULE WILL BE SUBMITTED TO THE GOVERNOR BY NOVEMBER 1 AND TO THE LEGISLATURE WITHIN THE FIRST 10 DAYS OF EACH REGULAR LEGISLATIVE SESSION WITH A PROPOSED SCHEDULE OF APPROPRIATIONS.

THE DEPARTMENT WOULD NO LONGER ESTABLISH TWO SEPARATE PRIORITIZED LISTS; ONE FOR R.E.A.A.'S AND THE OTHER FOR MUNICIPAL SCHOOL DISTRICTS WHICH IS THE CURRENT PRACTICE. IN PLACE OF THE CURRENT PROCESS, THE DEPARTMENT IS DIRECTED TO CREATE SIX LISTS, ONE FOR EACH FISCAL YEAR AS PART OF A SIX YEAR PLANNING CYCLE FOR SCHOOL CONSTRUCTION PROJECTS. THESE LISTS WOULD CONTAIN ONLY THOSE PROJECTS WHICH HAVE MET QUALIFICATIONS ESTABLISHED BY THE NEW STATUTE AND THE DEPARTMENT. THE STATE BOARD WOULD HAVE THE DISCRETION TO SCHEDULE OR PHASE PROJECTS AS DEEMED NECESSARY. GRANTS ARE TO BE AWARDED IN THE PRIORITIES AS ESTABLISHED BY THE DEPARTMENT. AT LEAST ONE OF THE FOLLOWING FACTORS WILL BE EVALUATED BY THE DEPARTMENT WHEN ESTABLISHING PRIORITIES:

- A) EMERGENCY REQUIREMENTS;
- B) PRIORITIES ASSIGNED BY THE SCHOOL DISTRICT TO THE PROJECTS REQUESTED;
- C) NUMBER OF STUDENTS WITHOUT CLASSROOM SPACE;
- D) NEW LOCAL ELEMENTARY AND SECONDARY PROGRAMS;
- E) EXISTING REGIONAL, COMMUNITY AND SCHOOL FACILITIES AND THEIR

CORRECTION

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

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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2: THE NEW SECOND SECTION AS DESCRIBED IN AS 14.11.013 ASSIGNS TO THE DEPARTMENT OF EDUCATION THE RESPONSIBILITY FOR REVIEWING, EVALUATING AND RECOMMENDING PROJECTS FOR APPROVAL TO THE STATE SCHOOL BOARD. THE DEPARTMENT WILL VERIFY THAT EACH PROJECT QUALIFIES AS A PROJECT REQUIRED TO AVERT IMMINENT DANGER OR TO CORRECT LIFE THREATENING SITUATIONS, HOUSE STUDENTS THAT WOULD OTHERWISE NOT HAVE HOUSING, PROTECT THE STRUCTURE OF EXISTING SCHOOL FACILITIES, CORRECT BUILDING CODE DEFICIENCIES THAT REQUIRE MAJOR REPAIR OR REHABILITATION IN ORDER FOR ITS CONTINUED USE AS AN EDUCATIONAL FACILITY, ACHIEVE A MAJOR COST SAVINGS, MODIFY OR REHABILITATE FACILITIES TO IMPROVE INSTRUCTIONAL PROGRAMS OR MEET ANOTHER EDUCATIONAL NEED. THE REVISED AND UPDATED SIX YEAR SCHEDULE WILL BE SUBMITTED TO THE GOVERNOR BY NOVEMBER 1 AND TO THE LEGISLATURE WITHIN THE FIRST 10 DAYS OF EACH REGULAR LEGISLATIVE SESSION WITH A PROPOSED SCHEDULE OF APPROPRIATIONS.

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- A) EMERGENCY REQUIREMENTS;
- B) PRIORITIES ASSIGNED BY THE SCHOOL DISTRICT TO THE PROJECTS REQUESTED;
- C) NUMBER OF STUDENTS WITHOUT CLASSROOM SPACE;
- D) NEW LOCAL ELEMENTARY AND SECONDARY PROGRAMS;
- E) EXISTING REGIONAL, COMMUNITY AND SCHOOL FACILITIES AND THEIR

- CONDITION; AND
- F) ALTERNATE EDUCATION PROGRAM OPTIONS FOR ACCOMPLISHING THE PROJECT'S OBJECTIVES.

THE CRITERIA AND DETERMINATIONS THAT WERE OUTLINED ARE ESSENTIALLY THE SAME AS THOSE CURRENTLY USED BY D.O.E. THE PRIORITY SYSTEM IS NOW A PART OF STATUTE RATHER THAN REGULATIONS.

PROJECT REQUESTS MAY BE REJECTED AND OMITTED FROM THE SIX YEAR PLAN DUE TO INCOMPLETE INFORMATION OR DOCUMENTATION PROVIDED BY THE DISTRICT, A DETERMINATION THAT EXISTING FACILITIES CAN ADEQUATELY SERVE PROGRAM REQUIREMENTS OR THAT ALTERNATIVE PROJECTS ARE IN THE BEST INTERESTS OF THE STATE, A DETERMINATION THAT THE PROJECT IS INAPPROPRIATE AND SHOULD BE A DISTRICT MAINTENANCE OR OPERATIONS EXPENDITURE OR THAT THE PROJECT IS NOT IN THE BEST INTEREST OF THE STATE. THIS ALLOWS D.O.E. TO PROVIDE A CREDIBLE LIST TO THE GOVERNOR AND THE LEGISLATURE. THE BOARD WILL ALSO BE IN POSITION TO ACCELERATE PROGRAMS AS DEEMED NECESSARY BASED UPON AVAILABILITY OF FUNDS AND SUPPORTIVE EVIDENCE.

PROJECT BUDGETS WOULD BE REDUCED BY THE COST OF THOSE PORTIONS OF THE PROJECT THAT THE DEPARTMENT DETERMINES ARE FOR CONSTRUCTION OF STUDENT RESIDENTIAL SPACE OR OTHER FACILITIES FOR SINGLE PURPOSE SPORTING OR RECREATION USES NOT DEEMED SUITABLE FOR OTHER ACTIVITIES.

PUBLIC NOTICE OF GRANT APPLICATIONS SHALL BE PROVIDED BY NOVEMBER 15TH. PUBLIC HEARINGS WILL THEN BE HELD REGARDING THE PRIORITIES ESTABLISHED AMONG PROJECTS FOR WHICH GRANTS ARE REQUESTED.

3: UNDER AS 14.11.015, THE DEPARTMENT CANNOT AWARD A GRANT UNLESS THE APPLICATION IS APPROVED BY THE BOARD. GRANTS WILL BE AWARDED IN THE ORDER OF THE PROJECTS' PRIORITY ON THE DATE THE APPROPRIATION BILL, FUNDING THE ACCOUNT, IS PASSED BY THE LEGISLATURE, REGARDLESS OF PENDING APPEALS. IN THE EVENT A PROJECT IS ASSIGNED A NEW PRIORITY RANKING AFTER GOING THROUGH THE APPEAL PROCESS, THE PROJECT MUST BE FUNDED IN ACCORDANCE WITH THE NEW PRIORITY RANKING AT THE NEXT TIME SCHOOL CONSTRUCTION GRANTS ARE AWARDED. THIS WILL OCCUR IF THE LEGISLATURE HAS ALREADY PASSED THE APPROPRIATION BILL FUNDING THE ACCOUNT.

* 4: ESTABLISHES AN ADMINISTRATIVE AND JUDICIAL REVIEW PROCESS UNDER AS 14.11.016 AND AS OUTLINED UNDER THE ADMINISTRATIVE PROCEDURES ACT (AS 44.62).

* 5: ADDS A.S. 14.11.017 WHICH PROVIDES AUTHORITY TO THE DEPARTMENT TO ESTABLISH GUIDELINES FOR SCHOOL CONSTRUCTION GRANTS.

- A) DISTRICT MUST AGREE TO CONSTRUCTION OF FACILITY OF APPROPRIATE SIZE AND USE MEETING DEPARTMENTAL CRITERIA;
- B) DISTRICT MUST DEMONSTRATE THAT THE PROJECT IS NOT A PREVENTIVE MAINTENANCE NOR A REGULAR CUSTODIAL CARE PROGRAM;
- C) COST OF THE PROJECT MUST BE COMPARABLE WITH COSTS OF CURRENT CONSTRUCTION PROJECTS IN THE AREA;
- D) DISTRICT MUST ACCOUNT FOR ALL EQUIPMENT PURCHASED FOR THE PROJECT UNDER A FIXED ASSET INVENTORY SYSTEM APPROVED BY THE DEPARTMENT. MANY SCHOOL DISTRICTS HAVE ALREADY ADOPTED THIS SYSTEM TO CONTROL AND MAINTAIN INVENTORY PURCHASED UNDER THIS GRANT.

- E) DISTRICT MUST SUBMIT PROJECT BUDGETS AND AGREE THAT THE GRANT AMOUNT MAY BE REDUCED OR INCREASED DUE TO CONTRACT VARIANCE FROM BUDGET AMOUNTS APPROVED BY THE DEPARTMENT;
- F) DISTRICT MUST SUBMIT A PLAN FOR SCHOOL CONSTRUCTION WHICH INCLUDES EDUCATIONAL SPECIFICATIONS, FINAL CONSTRUCTION DRAWINGS AND CONTRACT DOCUMENTS. THIS MUST BE ACCOMPLISHED PRIOR TO THE AWARDING OF THE CONSTRUCTION CONTRACT.

* THE COST OF ANY SCHOOL CONSTRUCTION ACTIVITY IS PAYABLE UNDER A GRANT WITHOUT REGARD TO COSTS INCURRED PRIOR TO AWARDING OF THE GRANT, APPROVAL OF THE GRANT APPLICATION BY THE BOARD OR EFFECTIVE DATE OF THE APPROPRIATION TO THE CONSTRUCTION GRANT ACCOUNT FOR THE YEAR IN WHICH THE GRANT IS FUNDED.

6: ADDS A.S. 14.11.019 WHICH REQUESTS THE GOVERNOR TO INCLUDE AN APPROPRIATION FOR SCHOOL CONSTRUCTION GRANTS IN THE GENERAL APPROPRIATION BILL SUBMITTED TO THE LEGISLATURE.

SECTION NINE ESTABLISHES A JULY 1, 1989, TERMINATION DATE FOR REIMBURSEMENT ELIGIBILITY OF DEBT SERVICE PROJECTS AND ESTABLISHES A JULY 1, 1990, TERMINATION DATE FOR THE CASH PAYMENT REIMBURSEMENT PROGRAM. THE LATTER PROVIDES A YEAR'S GRACE DURING THE PHASE IN OF THE NEW STATUTE.

* SECTION TEN REPEALS SECTION NINE AS OF JULY 1, 1993, AND RE-ENACTS PRESENT DAY POLICY.

SECTION ELEVEN AMENDS A.S. 14.11.100 (c). PROVIDES THAT FUNDS FOR THE SCHOOL CONSTRUCTION ACCOUNT SHALL BE INCLUDED WITHIN THE GENERAL APPROPRIATION BILL SUBMITTED TO THE LEGISLATURE.

* SECTIONS TWELVE THROUGH EIGHTEEN RE-ENACT THE PRESENT DAY POLICY AS OF JULY 1, 1993.

* SECTION NINETEEN ADDRESSES THE ALLOCATION OF FUNDS BETWEEN THE OLD SCHOOL CONSTRUCTION DEBT RETIREMENT ACCOUNT AND THE NEW SCHOOL CONSTRUCTION GRANT ACCOUNT SHOULD THE AMOUNT TO FUND THE RETIREMENT PROGRAM BE LESS THAN FULL ENTITLEMENT.

* SECTION TWENTY EXPLAINS THAT A SCHOOL DISTRICT IS NOT PROHIBITED FROM USING OTHER REVENUES TO EXPAND OR ADD FACILITIES AS PART OF APPROVED SCHOOL CONSTRUCTION PROJECTS.

* SECTION TWENTY-ONE REPEALS SECTION TWENTY AND RE-ENACTS THE PRESENT DAY POLICY AS OF JULY 1, 1993.

SECTION TWENTY-TWO MODIFIES THE DEFINITION OF SCHOOL CONSTRUCTION. CURRENT STATUTE LANGUAGE RELATING TO FINANCING COSTS, BONDING COSTS, LEGAL FEES, PAYING AGENCIES AND OTHER ENTITIES BASICALLY RELATED TO THE SALE OF BONDS IS DELETED.

* SECTION TWENTY-THREE REPEALS SECTION TWENTY-TWO AND RE-ENACTS THE PRESENT DAY POLICY AS OF JULY 1, 1993.

A DEFINITION OF DISTRICT, AS USED IN THE DEFINITION OF SCHOOL CONSTRUCTION, IS PROVIDED FOR IN SECTION TWENTY-FOUR.

SECTION TWENTY-FIVE IS ANOTHER TECHNICAL AMENDMENT UPDATING THE REFERENCE TO AS 14.11. THIS SECTION DEFINES STATE FINANCIAL ASSISTANCE.

SEVEN SECTIONS ARE REPEALED IN SECTION TWENTY-SIX.

- 1) AS 14.11.010 RELATING TO RECOMMENDATION AND EVALUATION OF PROJECTS IS REPLACED BY THE NEW SECTION FOUR WHICH ADDRESSES GRANT APPLICATIONS.
- 2) EVALUATION OF PROJECTS DESCRIBED IN AS 14.11.102 IS REPEALED BECAUSE IT APPLIES TO D.O.E. EVALUATION OF PROJECTS PROPOSED FOR DEBT RETIREMENT.
- 3) THE REPEAL OF AS 14.11.105, THE PUBLIC SCHOOL FACILITIES CONSTRUCTION ADVANCE ACCOUNT.
- 4) AS 14.11.110, ELIGIBILITY, IS REPEALED BECAUSE IT APPLIES TO APPROVAL OF PROJECTS PROPOSED FOR DEBT RETIREMENT.
- 5) THE LAST THREE REPEALED SECTIONS RELATE TO STATE AID, APPLICATION FOR AID AND CONDITIONS OF STATE AID APPLY TO FUNDING THROUGH THE PUBLIC SCHOOL FACILITIES CONSTRUCTION ADVANCE ACCOUNT AND ARE NO LONGER NECESSARY.

* THE ABOVE SEVEN SECTIONS ARE RE-ENACTED ON JULY 1, 1993, UNLESS THE LEGISLATURE ENACTS LEGISLATION TO CONTINUE WITH THE NEW POLICY OUTLINED THROUGHOUT THIS ANALYSIS.

SECTION TWENTY-SEVEN REPEALS THE TEN SECTIONS THAT INCORPORATE THE NEW POLICY FOR SCHOOL CONSTRUCTION.

SECTION TWENTY-EIGHT IS THE EFFECTIVE DATE OF SECTIONS ONE THROUGH FOUR, SIX, EIGHT, NINE, ELEVEN, NINETEEN, TWENTY, TWENTY-TWO AND TWENTY-FOUR THROUGH TWENTY-SIX; JULY 1, 1989.

SECTION TWENTY-NINE RE-ENACTS SECTIONS FIVE, SEVEN, TEN, TWELVE THROUGH EIGHTEEN, TWENTY-ONE, TWENTY-THREE AND TWENTY-SEVEN ON JULY 1, 1993. THESE ARE BASICALLY THE STATUTES GOVERNING POLICY AS IT IS NOW.



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

January 13, 1989

To: Rep. Dave Donley, Chair
Members, House Labor & Commerce Committee

Re: House Bill No. 37; "An Act relating to insurance
for school facilities and equipment and state aid
for school construction and providing for an
effective date."

NEA-Alaska supports and encourages your expeditious
attention to HB 37.

It provides for a fair, equitable, and orderly procedure and
process which is essential in determining priorities for
school construction costs. For far too long Alaska has
needed such a systematic approach.

The requirement that each district develop a 6-year capital
improvement plan is commendable in that it will raise a
consciousness which is essential to more effective planning
and use of limited financial resources. The Legislature and
Administration, as a result, will have a more dynamic and
reliable data base relating to statewide needs.

The appeals procedure is another highly commendable
component of the bill in that it provides each district an
opportunity to have a comprehensive review of an adverse
determination. Further, its presence in the process will
only serve to build confidence in this new approach.

Thank you for your consideration of our position.

Respectfully submitted,

Bob Manners
Executive Secretary

cc: Rep. Swackhammer

f1j89h37

6-0083J
Ford
1/25/89

Original sponsors: Swackhammer, Navarre,
and C. Davis

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 37 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance for school facilities
7 and equipment and state aid for school construction;
8 and providing for an effective date."

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

10 * Section 1. AS 14.03 is amended by adding a new section to read:

11 Sec. 14.03.150. INSURANCE REQUIRED. (a) Each school district
12 shall purchase and maintain or provide proof of adequate property
13 insurance for the replacement cost of all school facilities and equip-
14 ment. Insurance purchased to comply with this section may contain a
15 deductible amount, if approved by the department. A school district
16 may comply with this section by initiating and ma'ntaining a program
17 of self-insurance, if the department annually determines that the
18 school district has submitted adequate evidence of the district's
19 ability to self-insure for the replacement cost of all school facili-
20 ties and equipment. A copy of the insurance policy or other informa-
21 tion indicating compliance with this section shall be provided to the
22 department.

23 (b) If the department determines that a school district is not
24 insured as required under (a) of this section, the department shall
25 notify the school district of the determination. Unless the school
26 district obtains adequate insurance within 30 days after the school
27 district receives notice under this subsection, the department shall
28 purchase the insurance required by (a) of this section for that school
29 district.

1 (c) The department may not award a school construction grant
2 under AS 14.11 to a school district that is not in compliance with (a)
3 of this section. The department shall reduce the amount of state
4 foundation aid under AS 14.17.021 for which a school district may
5 qualify, by the amount, if any, paid by the department under (b) of
6 this section.

7 * Sec. 2. AS 14.07.020(a)(13) is amended to read:

8 (13) administer the grants awarded under AS 14.11 [AS 14.-
9 11.020];

10 * Sec. 3. AS 14.07.170 is amended by adding a new subsection to read:

11 (b) The board shall review grant applications recommended under
12 AS 14.11.013 and may approve grant applications under AS 14.11.015.

13 * Sec. 4. AS 14.08.101(7) is amended to read:

14 (7) recommend to the department projects for construction,
15 rehabilitation, and improvement of schools and education-related
16 facilities as specified in AS 14.11.011(b) [AS 14.11.010(a)], and
17 plan, design, and construct the project when the responsibility for it
18 is assumed under AS 14.11.020;

19 * Sec. 5. AS 14.08.101(7) is repealed and reenacted to read:

20 (7) recommend to the department projects for construction,
21 rehabilitation, and improvement of schools and education-related
22 facilities as specified in AS 14.11.009(a), and plan, design, and
23 construct the project when the responsibility for it is assumed under
24 AS 14.11.020;

25 * Sec. 6. AS 14.11 is amended by adding a new section to read:

26 Sec. 14.11.005. SCHOOL CONSTRUCTION GRANT ACCOUNT. There is
27 created a school construction grant fund as an account in the general
28 fund. The fund shall be used to make grants to districts in the state
29 public school system for the costs of school construction.

1 Legislative appropriations for school construction shall be deposited
2 in the fund, and the proceeds from the sale of general obligation
3 bonds for school construction may be deposited in the fund.

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

5 Sec. 14.11.009. RECOMMENDATIONS AND EVALUATIONS OF PROJECTS.

6 (a) The assembly or council of a municipality that is a school dis-
7 trict or a regional school board may submit a request to the depart-
8 ment for a school or education-related facility construction, rehabil-
9 itation, or improvement project together with a report evaluating the
10 condition of school or education-related facilities in the munici-
11 pality or regional educational attendance area and a determination of
12 the need for the project.

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

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

17 (2) prepare an estimate of the amount of money needed to
18 finance each project approved by the department and recommend to the
19 governor appropriations for projects to be included in the budget
20 submitted to the legislature;

21 (3) provide to the governor a copy of the report of the
22 assembly, council, or regional school board that requested each proj-
23 ect approved by the department;

24 (4) provide to the legislature within the first 10 days of
25 each regular session a summary of the projects requested by each
26 assembly, council, or regional school board.

27 (c) In establishing priorities among requested projects the
28 department shall evaluate at least the following factors:

29 (1) priorities assigned by the assembly, council, or school

board to the projects requested;

- (2) emergency requirements;
- (3) the number of students without classroom space;
- (4) new local elementary or secondary programs;
- (5) existing regional, community, and school facilities and the condition of the facilities; and
- (6) the economic and social stability of the municipality or region.

(d) This section does not affect a municipality's eligibility for reimbursement under AS 14.11.100.

* Sec. 8. AS 14.11 is amended by adding new sections to read:

Sec. 14.11.011. GRANT APPLICATIONS. (a) A district may submit a grant request to the department for a school construction grant.

(b) To be eligible for a school construction grant the district shall submit

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

- (2) evidence that the district has secured and will maintain adequate property loss insurance for the replacement cost of all facilities for which state funds are available under AS 14.11.005 or a program of insurance acceptable to the department.

Sec. 14.11.013. DEPARTMENT REVIEW OF GRANT APPLICATIONS. (a) With regard to projects for which grants are requested under AS 14.11.011, the department shall

1 (1) annually review the six-year plans submitted by each
2 district under AS 14.11.011(b) and recommend to the board a revised
3 and updated six-year construction grant schedule that serves the best
4 interests of the state and each district; in recommending projects for
5 this schedule, the department shall verify that each proposed project
6 qualifies as a project required to

7 (A) avert imminent danger or correct life-threatening
8 situations;

9 (B) house students who would otherwise be unhoused;

10 (C) protect the structure of existing school facil-
11 ities;

12 (D) correct building code deficiencies that require
13 major repair or rehabilitation in order for the facility to
14 continue to be used for the educational program;

15 (E) achieve an operating cost savings;

16 (F) modify or rehabilitate facilities for the purpose
17 of improving the instructional program;

18 (G) meet an educational need not specified in (A) -
19 (F) of this paragraph, identified by the department;

20 (2) prepare an estimate of the amount of money needed to
21 finance each project;

22 (3) provide to the governor, by November 1, and to the
23 legislature within the first 10 days of each regular legislative
24 session, a revised and updated six-year construction grant schedule
25 together with a proposed schedule of appropriations.

26 (b) In preparing the construction grant schedule, the department
27 shall establish priorities among projects for which grants are re-
28 quested and shall award school construction grants in the order of
29 priority established. In establishing priorities the department shall

1 evaluate at least the following factors:

- 2 (1) emergency requirements;
- 3 (2) priorities assigned by the district to the projects
4 requested;
- 5 (3) the number of students without classroom space;
- 6 (4) new local elementary and secondary programs;
- 7 (5) existing regional, community, and school facilities,
8 and their condition; and
- 9 (6) alternate education program options for accomplishing
10 the project's objectives.

11 (c) The department may reject project requests and omit them
12 from the six-year schedule due to

13 (1) incomplete information or documentation provided by the
14 district;

15 (2) a determination by the department that existing facili-
16 ties can adequately serve the program requirements, or that alterna-
17 tive projects are in the best interests of the state;

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

20 (d) The department shall reduce a project budget by the cost of
21 those portions of a project design that the department determines are
22 for construction of student residential space, planetariums, hockey
23 rinks, saunas, and other facilities for single purpose sporting or
24 recreational uses that are not suitable for other activities. This
25 subsection does not apply to funding for swimming pools that meet
26 criteria established by the department.

27 (e) By November 15, the department shall provide public notice
28 of the grant applications submitted under (a) of this section and the
29 priorities established under (b) of this section. After public notice

1 has been given, the department shall hold a public hearing on the
2 priorities established under (b) of this section. In this subsection,
3 "public notice" means notice published in a newspaper of general
4 circulation and notice to every person who has requested notice about
5 the grant application program from the department.

6 Sec. 14.11.015. APPROVAL OF GRANT APPLICATIONS. (a) The board
7 shall review grant applications that have been recommended by the
8 department under AS 14.11.013, and may approve a grant application if
9 the board determines that the project meets the criteria specified in
10 AS 14.11.013(a)(1). The department may not award a school construc-
11 tion grant unless the grant application is approved by the board.

12 (b) The department shall award grants approved under (a) of this
13 section in the order of the projects' priority on the date the appro-
14 priation bill funding the school construction grant fund is passed by
15 the legislature, regardless of any appeal pending under AS 14.11.016.
16 Appeals pending under AS 14.11.016 at the time that grants are awarded
17 may not delay the funding of grants awarded under this section.

18 (c) If a project is assigned a new priority ranking under
19 AS 14.11.016 after the date of passage by the legislature of the
20 appropriation bill for the school construction grant fund, the project
21 must be funded in accordance with the new priority ranking at the next
22 time that school construction grants are awarded.

23 Sec. 14.11.016. ADMINISTRATIVE AND JUDICIAL REVIEW. (a) A
24 district may request reconsideration of a decision of the department
25 assigning a priority to the district's project, establishing the scope
26 of the project, or establishing the budget for the project. The
27 request must be in writing and must include a statement of the spe-
28 cific changes desired, and a summary of the evidence supporting the
29 district's claim that the department has erred in its review of the

1 district's grant application. A request for reconsideration must be
2 received by the department by the day of the public hearing held under
3 AS 14.11.013(e). The department shall review its decision on the
4 basis of the request by the district and determine whether its deci-
5 sion should be changed. The department shall issue its determination
6 in writing within 15 days after the last day of the public hearing
7 held under AS 14.11.013(e).

8 (b) A district may appeal an adverse decision of the department
9 under (a) of this section to the commissioner on the ground that the
10 department has not complied with AS 14.11.013. The notice of appeal
11 must be in writing and must include a statement of evidence supporting
12 the district's claim that the department has not complied with AS 14.-
13 11.013. The notice of appeal must be received by the commissioner
14 within 15 days after the department issues its determination under (a)
15 of this section. The commissioner shall issue a written decision on
16 the appeal within 15 days after receiving the notice of appeal.

17 (c) A district may appeal an adverse decision of the commis-
18 sioner under (b) of this section by filing a written notice of appeal
19 with the board within 30 days after the date of the commissioner's
20 decision. The notice of appeal must state the legal and factual basis
21 for the appeal and the precise relief sought. The failure of the
22 district to include an issue in a notice of appeal constitutes a
23 waiver of the right to have the issue considered under this subsec-
24 tion. If the board finds that the notice of appeal does not raise a
25 reasonable issue of fact or law, it shall issue a written decision.
26 If the board finds that the notice of appeal raises a reasonable issue
27 of fact or law, the board shall appoint a hearing officer who is
28 qualified under AS 44.62.350(c) to conduct a hearing on those issues.
29 The hearing officer shall conduct a hearing on the issues raised in

1 the notice of appeal, make findings of fact and law, and recommend a
2 decision to the board within 60 days after the last day for filing a
3 notice of appeal with the board. The board shall consider the recom-
4 mended decision of the hearing officer at its next regularly scheduled
5 meeting and may adopt all, part, or none of the recommended decision
6 or may remand the issue to the hearing officer for further hearings.
7 The board shall issue its decision in writing.

8 (d) The board shall consolidate appeals under (c) of this sec-
9 tion, if the notices of appeal raise related issues of fact or law.

10 (e) A district may appeal an adverse decision of the board under
11 (c) of this section to the superior court in the manner provided by
12 AS 44.62.560 - 44.62.570.

13 (f) The board shall adopt regulations governing procedures for
14 the reconsideration and appeal of decisions under this section. The
15 regulations adopted under this subsection are not required to conform
16 to AS 44.62.330 - 44.62.630, but shall be consistent with minimum
17 standards of due process.

18 (g) A district may not request reconsideration of or appeal a
19 priority determination on the grounds that a revised priority assigned
20 to another project, due to a reconsideration or appeal under this sec-
21 tion, has resulted in a lower priority being accorded to the dis-
22 trict's project.

23 Sec. 14.11.017. SCHOOL CONSTRUCTION GRANT CONDITIONS. (a) The
24 department shall require in the grant agreement that the district

25 (1) agree to construction of a facility of appropriate size
26 and use that meets criteria adopted by the department;

27 (2) demonstrate by a means acceptable to the department
28 that the proposed project should be a capital construction project and
29 not part of a preventive maintenance program or regular custodial care

program;

1
2 (3) provide reasonable assurance by a means acceptable to
3 the department, that the cost of the project will be uniform with the
4 costs of the most current construction projects in the area;

5 (4) agree to limit equipment purchases to that required for
6 the approved school construction plan and account for all equipment
7 purchased for the project under a fixed asset inventory system ap-
8 proved by the department;

9 (5) submit project budgets for department approval and
10 agree that the grant amount may, at the discretion of the department,
11 be reduced or increased by amounts equal to the amounts by which
12 contracts vary from the budget amounts approved by the department; and

13 (6) submit to the department for approval, before award of
14 the construction contract, a plan for school construction that in-
15 cludes educational specifications, final construction drawings, and
16 contract documents.

17 (b) The cost of any school construction activity encompassed by
18 the definition of "costs of school construction" under AS 14.11.135 is
19 payable under a grant awarded under AS 14.11.015 without regard to
20 whether the costs were incurred prior to the

21 (1) award of the grant;

22 (2) approval of the grant application by the board; or

23 (3) effective date of an appropriation to the school con-
24 struction grant account for the year in which the grant is funded.

25 Sec. 14.11.019. SCHOOL CONSTRUCTION GRANT APPROPRIATIONS.
26 Within the general appropriation bill submitted to the legislature
27 under AS 37.07.020, the governor shall include an appropriation for
28 school construction grants in the succeeding fiscal year as determined
29 by the six-year construction grant schedule prepared under

AS 14.11.013.

1
2 * Sec. 9. AS 14.11.100(a)(5) is amended to read:

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

5 (A) payments made by the municipality during the
6 fiscal year for the retirement of principal and interest on
7 outstanding bonds, notes or other indebtedness authorized by the
8 qualified voters of the municipality after June 30, 1983, but
9 before July 1, 1989, to pay costs of school construction, addi-
10 tions to schools, and major rehabilitation projects that exceed
11 \$25,000 and are approved under AS 14.07.020(11); and

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

17 * Sec. 10. AS 14.11.100(a)(5) is repealed and reenacted to read:

18 (5) subject to (h), (i), and (j); of this section, 80 per-
19 cent of

20 (A) payments made by the municipality during the
21 fiscal year for the retirement of principal and interest on
22 outstanding bonds, notes, or other indebtedness authorized by the
23 qualified voters of the municipality after June 30, 1993, to pay
24 costs of school construction, additions to schools, and major
25 rehabilitation projects that exceed \$25,000 and are approved
26 under AS 14.07.020(11); and

27 (B) cash payments made after June 30, 1993, by the
28 municipality during the fiscal year two years earlier to pay
29 costs of school construction, additions to schools, and major

1 rehabilitation projects that exceed \$25,000 and are approved
2 under AS 14.07.020(11).

3 * Sec. 11. AS 14.11.100(c) is amended to read:

4 (c) The school construction account is established. Funds to
5 carry out the provisions of this section shall be included within the
6 general appropriation bill submitted to the legislature under AS 37.-
7 07.020 and may be appropriated annually by the legislature to the
8 account. If amounts in the account are insufficient for the purpose
9 of providing the share to which a borough or city is entitled under
10 this section, those funds that are available shall be distributed pro
11 rata among the eligible local governments except that the legislature
12 may direct that additional debt service on refunding bonds that ex-
13 ceeds the total debt service on the refunded bonds be disregarded in
14 whole or in part.

15 * Sec. 12. AS 14.11.100(c) is repealed and reenacted to read:

16 (c) The school construction account is established. Funds to
17 carry out the provisions of this section may be appropriated annually
18 by the legislature to the account. If amounts in the account are
19 insufficient for the purpose of providing the share to which a munic-
20 ipality is entitled under this section, those funds that are available
21 shall be distributed pro rata among the eligible local governments
22 except that the legislature may direct that additional debt service on
23 refunding bonds that exceeds the total debt service on the refunded
24 bonds be disregarded in whole or in part.

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

26 Sec. 14.11.103. EVALUATION OF PROJECTS. The department shall
27 evaluate projects for which retirement of school construction debt is
28 requested by school districts under the procedures set out in AS 14.-
29 11.009. A request for an allocation of funds under AS 14.11.100 must

1 be submitted to the department by the school district not later than
2 October 15 of the fiscal year before the fiscal year for which the
3 request is made.

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

5 Sec. 14.11.106. PUBLIC SCHOOL FACILITIES CONSTRUCTION ADVANCE
6 ACCOUNT. The public school facilities construction advance account is
7 established. The account consists of appropriations for distribution
8 under AS 14.11.106 - 14.11.135 to municipalities that are school
9 districts to assist in paying the costs of public school facilities
10 projects approved under AS 14.07.020(11) for which construction is
11 commenced after June 30, 1978, and for which bonding, notes, or other
12 indebtedness was not incurred before July 1, 1978.

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

14 Sec. 14.11.111. ELIGIBILITY. Eligibility of a proposed con-
15 struction project for funding assistance under AS 14.11.106 - 14.11.-
16 135 shall be determined by the department based on standards and
17 criteria established by regulation. The standards and criteria to be
18 considered in determining eligibility include the following:

- 19 (1) emergency requirements;
20 (2) number of unhoused students;
21 (3) new elementary or secondary programs;
22 (4) existing community and school facilities and their
23 condition; and
24 (5) economic and social stability of the community.

25 * Sec. 16. AS 14.11 is amended by adding a new section to read:

26 Sec. 14.11.116. STATE AID. (a) The amount of state aid payable
27 in advance under AS 14.11.106 - 14.11.135 is the amount by which the
28 cost of construction of the approved school construction project would
29 cause the debt-to-valuation ratio of the municipality to exceed 12

percent.

1
2 (b) A payment under (a) of this section is limited to an amount
3 that, when combined with estimated payments to the school district for
4 the retirement of the principal and interest on bonds, notes, or other
5 indebtedness or reimbursement of cash payments for a school construc-
6 tion project for which payment is made under AS 14.11.100(a)(1) or (2)
7 or for an approved school construction project for which payment is
8 made under AS 14.11.100(a)(3), does not exceed 80 percent of the cost
9 of the school construction project.

10 (c) In this section,

11 (1) "debt" means the principal amount of the direct and
12 general obligation indebtedness of the municipality for which all
13 taxable property is subject to taxation to pay the bond, note, or
14 other evidence of the debt, determined annually by the Department of
15 Community and Regional Affairs in consultation with each municipality
16 that is a school district and reported to the municipality and the
17 commissioner of education; the determination shall be made by October
18 1 and report the outstanding debt as of July 1 of that year;

19 (2) "valuation" means the full and true value of the real
20 and personal property of the municipality determined under AS 14.17.-
21 140(a).

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

22 Sec. 14.11.121. APPLICATION FOR AID. (a) The commissioner
23 shall prescribe the necessary forms and procedures to be used in
24 applying for construction cost assistance under AS 14.11.106 - 14.-
25 11.135.

26 (b) A municipality that is a school district seeking construc-
27 tion cost aid shall apply to the department by October 15 of the prior
28 fiscal year.

1 (c) Based on the commissioner's review of applications and
2 determination of project eligibility, the commissioner shall recommend
3 to the governor an appropriation of funds for state aid for those
4 projects under AS 14.11.106 - 14.11.135.

5 * Sec. 18. AS 14.11 is amended by adding a new section to read:

6 Sec. 14.11.126. CONDITIONS OF STATE AID. (a) Funds distributed
7 to a municipality that is a school district during a school year under
8 AS 14.11.106 - 14.11.135 shall be received, held, and expended by the
9 district in accordance with the applicable provisions of law and of
10 regulations adopted by the department. Funds provided under AS 14.-
11 11.106 - 14.11.135, but which are not required for the project for
12 which they were granted or which are in excess of that municipality's
13 entitlement for aid under AS 14.11.116 shall be returned to the de-
14 partment and deposited in the general fund.

15 (b) Each municipality that is a school district shall maintain
16 financial records of the receipt and disbursement of state funds
17 received under AS 14.11.106 - 14.11.135 and money provided toward
18 local effort. The records shall be in the form prescribed by the
19 department and are subject to audit by the department at any time.

20 (c) Upon completion of the construction project, the chief
21 school administrator of the district shall report the total cost of
22 the project and means of financing it to the commissioner.

23 (d) Municipalities that are school districts shall secure and
24 maintain in full force and effect adequate property loss insurance for
25 the replacement cost of all facilities constructed after July 1, 1978,
26 and for which state funds are available under AS 14.11.100 - 14.11.-
27 135.

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

29 Sec. 14.11.127. ALLOCATION OF APPROPRIATIONS FOR SCHOOL

1 CONSTRUCTION. (a) If the amount appropriated to the department for
 2 school construction in a fiscal year is less than the amount necessary
 3 to fund full entitlements for school construction debt retirement
 4 under AS 14.11.100 and the amount necessary to fully fund all projects
 5 required to avert imminent danger or correct life-threatening situa-
 6 tions that have been approved by the board under AS 14.11.015, then
 7 the amount appropriated for that fiscal year shall be allocated,
 8 unless otherwise provided by law, between the school construction
 9 grant account under AS 14.11.005 and the school construction account
 10 under AS 14.11.100(c) in the following proportions:

Fiscal year	School Construction Grant Account	School Construction Account
1990	.11	.89
1991	.13	.87
1992	.15	.85
1993	.21	.79
1994	.29	.71
1995	.36	.64
1996	.46	.54
1997	.58	.42
1998	.60	.40
1999 and subsequent fiscal years	.62	.38

24 (b) If the amount appropriated to the department for school
 25 construction debt retirement exceeds the amount necessary to pay full
 26 entitlements under AS 14.11.100(c), the excess amount of the appro-
 27 priation may be deposited, unless otherwise provided by law, in the
 28 school construction grant account under AS 14.11.005.

29 * Sec. 20. AS 14.11.130 is repealed and reenacted to read:

1 Sec. 14.11.130. CONSTRUCTION OF CHAPTER. This chapter may not
2 be construed to prevent a district from using other revenue to include
3 additional or expanded facilities as part of approved school construc-
4 tion projects.

5 * Sec. 21. AS 14.11.130 is repealed and reenacted to read:

6 Sec. 14.11.130. CONSTRUCTION AND IMPLEMENTATION. (a) AS 14.-
7 11.106 - 14.11.135 may not be construed so as to create a debt to the
8 state.

9 (b) Funds to carry out the provisions of AS 14.11.106 - 14.11.-
10 135 may be appropriated annually by the legislature into the public
11 school facilities construction advance account. If amounts in the
12 account are insufficient to meet the allocations authorized by the
13 commissioner under AS 14.11.106 - 14.11.135, such funds as are avail-
14 able shall be distributed pro rata among each municipality that is a
15 school district based upon its computed entitlement.

16 * Sec. 22. AS 14.11.135(3) is amended to read:

17 (3) "costs of school construction" means the cost of ac-
18 quiring, constructing, enlarging, repairing, remodeling, equipping or
19 furnishing of public elementary and secondary school buildings and
20 includes the sum total of all costs of financing and carrying out the
21 project; these include, but are not limited to, the costs of all
22 necessary studies, surveys, plans and specifications, architectural,
23 engineering or other special services, acquisition of real property,
24 site preparation and development, purchase, construction, reconstruc-
25 tion and improvement of real property and the acquisition of machinery
26 and equipment as may be necessary in connection with the project [; AN
27 ALLOCABLE PORTION OF THE ADMINISTRATIVE AND OPERATING EXPENSES OF THE
28 GRANTEE; THE COST OF FINANCING THE PROJECT, INCLUDING INTEREST ON
29 BONDS ISSUED TO FINANCE THE PROJECT; AND THE COST OF OTHER ITEMS,

1 INCLUDING ANY INDEMNITY AND SURETY BONDS AND PREMIUMS ON INSURANCE,
2 LEGAL FEES, FEES AND EXPENSES OF TRUSTEES, DEPOSITARIES, FINANCIAL
3 ADVISORS, AND PAYING AGENTS FOR THE BONDS ISSUED AS THE ISSUER CONSID-
4 ERS NECESSARY];

5 * Sec. 23. AS 14.11.135(3) is repealed and reenacted to read:

6 (3) "costs of school construction" means the cost of ac-
7 quiring, constructing, enlarging, repairing, remodeling, equipping or
8 furnishing of public elementary and secondary school buildings and
9 includes all costs of financing and carrying out the project; these
10 include the costs of

11 (A) all necessary studies, surveys, plans and speci-
12 fications, architectural, engineering or other special services,
13 acquisition of real property, site preparation and development,
14 purchase, construction, reconstruction, and improvement of real
15 property and the acquisition of machinery and equipment as may be
16 necessary in connection with the project;

17 (B) an allocable portion of the administrative and
18 operating expenses of the grantee;

19 (C) the cost of financing the project, including
20 interest on bonds issued to finance the project; and

21 (D) the cost of other items, including any indemnity
22 and surety bonds and premiums on insurance, legal fees, fees and
23 expenses of trustees, depositaries, financial advisors, and
24 paying agents for the bonds issued as the issuer considers neces-
25 sary;

26 * Sec. 24. AS 14.11.135 is amended by adding a new paragraph to read:

27 (5) "district" means the districts described in AS 14.12.-
28 010.

29 * Sec. 25. AS 46.11.900(8) is amended to read:

1 (8) "state financial assistance" means a loan, grant,
2 guarantee, insurance, payment, rebate, subsidy, or other form of state
3 assistance other than aid under AS 05.35.010 - 05.35.070, AS 14.11.
4 [AS 14.11.100 - 14.11.135,] and AS 29.60, including the purchase by a
5 state agency of a loan to finance the construction of a new resi-
6 dential, commercial, or industrial building;

7 * Sec. 26. AS 14.11.010, 14.11.102, 14.11.105, 14.11.110, 14.11.115,
8 14.11.120, and 14.11.125 are repealed.

9 * Sec. 27. AS 14.03.150, AS 14.07.170(b), AS 14.11.005, 14.11.011,
10 14.11.013, 14.11.015, 14.11.016, 14.11.017, 14.11.019, 14.11.127, and
11 14.11.135(5) are repealed.

12 * Sec. 28. Sections 1 - 4, 6, 8, 9, 11, 19, 20, 22, and 24 - 26 of this
13 Act take effect July 1, 1989.

14 * Sec. 29. Sections 5, 7, 10, 12 - 18, 21, 23, and 27 of this Act take
15 effect July 1, 1993.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
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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 Labor & Commerce

January 24, 1989 3:00 pm

HB

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