

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 007Z

9515 SENATE HEALTH EDUCATION & SOCIAL SERVICES



Official Business

Alaska State Legislature

Senate

Senate Bill 11 Sponsor Statement

School Construction Debt Reimbursement

The State of Alaska has historically participated in the funding of school construction. For school districts in the unorganized areas of the State that provide no local tax contribution, the funding mechanism has been, and remains, direct capital appropriation for the total construction costs. For the organized areas, the predominate funding mechanism has been through school bond debt reimbursement to the local government.

Since Chapter 249 SLA 1970 was enacted, we have had statutes on the books that provide for state participation in the cost of constructing schools through school bond debt reimbursement. Beginning as a fifty percent reimbursement in 1970, the level was raised to ninety percent during the oil boom. The State's portion was subsequently reduced to eighty percent in 1983 and seventy percent in 1993.

In addition to reducing the level of reimbursement to seventy percent, Chapter 78 SLA 1993 also imposed a cap of 250 million dollars of statewide school construction authorization. Since that action, the school construction debt reimbursement program has been closed to new projects.

While the State continues to fund the full cost of constructing a school in an unorganized area, school districts in the organized areas have almost no opportunity for school construction assistance from the State.

Senate Bill 11 will help correct that inequity by providing organized areas and their taxpayers a fifty percent reimbursement for the debt they incur in constructing and renovating schools. This reimbursement will be limited to qualifying projects that have a demonstrated need and received local voter approval.

Passage of SB 11 will be a big step toward equity in State funding of school construction. It's time we return to a mechanism which will allow municipal school districts and their taxpayers to meet the needs of growing student populations.

**RICK
HALFORD**

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Juneau, Alaska
99801-1182
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A condensed history of school construction financing in Alaska

Since early in its history the territory, and later the state of Alaska, has provided a fairly steady and reliable funding source for the *operating* costs of schools. Although financial aid has been provided for school construction and major maintenance, it has never had the long-term stability of an allocation method similar to that used to provide aid for school operations.

For the first several decades of the territory, school construction funds were allocated on an "ad hoc" basis. These appropriations were occasional, usually fairly small, often in the form of a matching grant, or other territorial contribution, to a federally funded construction project. By and large, school districts were responsible for school construction. Bonding, the traditional mechanism for construction funding, was not readily available to the districts for many years. Until 1936, Congressional approval was required to incur debt. Even after the restriction was lifted, very few towns had the financial strength to bond for school construction. During the New Deal, some PA funding was used for some school construction. After WW II, federal PL 874 and PL 815 programs (federal impact payments) were also a source of school construction funds.

In 1949, the territorial government instituted a formal program of aid for school construction. Revenue from the Alaska Tobacco Tax was earmarked for the "exclusive purpose of rehabilitation, construction, and repair of Alaska's school facilities." These funds were provided as an annual disbursement of funds whether or not the district currently needed them, allowing districts to accumulate money for capital projects. This dedicated tobacco tax provided a steady and reliable funding source to the districts. Districts were able to issue bonds and service the debt without raising property or sales taxes, resulting in quite a bit of school construction.

Since territorial days, there has been a distinction between the rural schools, for which the territory, and later the state, assumed full financial responsibility. Thus, the traditional distinction between the fully funded rural schools and the partially subsidized municipal school districts and the resulting funding disparity.

Until the early 1980's, state G.O. bonding was another source for state financing of school construction. Of the several hundred million dollars in school bonds, the vast majority of projects went for rural school construction.

In 1970, Alaska adopted a *refund* approach to school funding. The legislature agreed to reimburse a portion of debt service payments made by districts for school bonds, as well as cash payments made for capital projects. The percentage of reimbursement provided was changed repeatedly over the years, usually to liberalize, but occasionally to restrict, benefits to districts, depending upon the vagaries of oil revenue fluctuations. Between 1970 and 1990, over \$700 million was invested by municipalities for school facilities.

In 1990 the legislature closed the school debt reimbursement program to new bonds issues by the municipalities and rewrote the system of grants administered by the Department of Education. A key part of the 1990 legislation was the modification of the DOE grant program, which was supposed to emphasize long-term facility planning by school districts, and rigorous scrutiny and ranking by the department.

Over the years, cash grants from the legislature often provided a cheaper, and even more desirable funding source. During the "hey days" of oil revenues, municipal grants and designated appropriations to DOE provided hundreds of millions of dollars for school construction. In 1980 the legislature authorized grants to municipalities by means of designated grants through the Department of Administration (AS 14.11.010). This mechanism was used by legislators to channel discretionary money to communities in their district. In 1982, the legislature authorized a school grant program under the auspices of DOE (AS 37.05.315). The department was to receive requests for capital construction from REAAs and municipal districts, rank the requests and submit them for funding. The legislature was under no obligation to fund projects according to the department's prioritization, and wasn't limited to projects on the list. Between FY 81 and 92, grants to municipalities for school construction under the department's program totaled approximately \$215 million. Municipal grants for schools under AS 37.05.315 totaled approximately \$244 million.

In 1993, legislation was passed which reduced the level of reimbursement to seventy percent and imposed a cap of \$250 million for statewide school construction authorization. Since that action, the school construction debt reimbursement program has been closed to new projects. While the state continues to fund the full cost of school construction in unorganized areas, there is virtually no opportunity for assistance for organized areas of the state.

Over the years, the state has made considerable contributions for school construction, without which local school needs could not have been met. Funding has been provided on an erratic, and unequal basis. There has, however, been a basic disparity in funding provided between schools located in municipalities and those in unorganized, or rural, areas, with the current school construction funding mechanism virtually eliminating participation by school districts in organized areas of the state.

Provided by Senator Halford



CITY OF WASILLA

200 E. HERNING AVE.
WASILLA, ALASKA 99654-7091
PHONE: (907) 373-9050
FAX: (907) 373-9085

REQUESTED BY: ADMINISTRATION
PREPARED BY: CLERKS OFFICE

RESOLUTION NO. WR97-05

A RESOLUTION OF THE CITY OF WASILLA, ALASKA SUPPORTING SENATE BILL 11, FIFTY PERCENT STATE REIMBURSEMENT FOR MUNICIPAL SCHOOL BOND DEBT.

WHEREAS, the citizens of the City of Wasilla recognize providing a quality education for Alaskan children is a fundamental responsibility; and

WHEREAS, the City of Wasilla and the surrounding Matanuska-Susitna Borough are experiencing a high and sustained growth in population; and

WHEREAS, our growth in population has resulted in a corresponding growth in student population; and

WHEREAS, the Matanuska-Susitna School District has identified a critical need for increased school facilities in our area; and

WHEREAS, the local voters have expressed their approval for the construction of three new schools in the Matanuska Susitna School District by approving by a substantial margin the 1996 school construction bond package in the October 1996 municipal election; and

WHEREAS, the State of Alaska has a Constitutional obligation to provide for education; and

WHEREAS, the State of Alaska has disallowed any new school construction projects from qualification for State funding through local bonded debt reimbursement; and

WHEREAS, the aforementioned disallowance has resulted in a lack of State participation in school construction funding for the organized area under the current system; and

WHEREAS, this places a disproportionate burden on school districts in organized, tax paying areas of the State; and

WHEREAS, Senate Bill 11, which would provide for a fifty percent state reimbursement for municipal school bond debt, has been introduced by Senators Halford and Green for consideration by the 20th Alaska State Legislature.

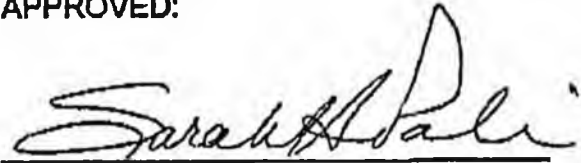
RESOLUTION NO. WR97-05

PAGE 2

NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council supports Senate Bill 11 and urges the Alaska State Legislature's prompt and favorable consideration of this much needed legislation.

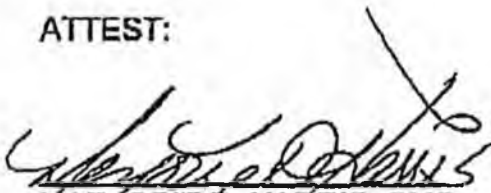
I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 27th day of January 1997.

APPROVED:



SARAH H. PALIN, Mayor

ATTEST:


MARJORIE D. HARRIS, CMC
City Clerk

Amended: 2/4/97

Adopted: 2/4/97

MATANUSKA-SUSITNA BOROUGH
RESOLUTION SERIAL NO. 97-003 (AM)

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY REQUESTING
AN AMENDMENT TO SENATE BILL 11.

WHEREAS, the Matanuska-Susitna Borough's population is one of
the fastest growing in the state; and

WHEREAS, the Matanuska-Susitna Borough School District's
enrollment continues to grow each year; and

WHEREAS, the Matanuska-Susitna Borough School District has
many schools that are near or exceed capacity limits; and

WHEREAS, the Matanuska-Susitna Borough School District has
approximately 1,000 students housed in portables; and

WHEREAS, the Matanuska-Susitna Borough School District is in
dire need of a new and remodeled and expanded Talkeetna Elementary
School, a new core area elementary school, and a new middle school;
and

WHEREAS, On October 3, 1995 the Matanuska-Susitna Borough
voters approved a ballot proposition totaling \$51,950,000 for a new
and remodeled and expanded Talkeetna Elementary School, a new core
area elementary school, and a new middle school if the state
reimbursed the borough at least 70 percent of debt service costs;
and

WHEREAS, Senators Halford, Phillips, and Green have introduced Senate Bill 11 which would provide a 50 percent reimbursement program for educational debt.

NOW THEREFORE, BE IT RESOLVED that the Matanuska-Susitna Borough Assembly appreciates the efforts of the legislative delegation to address the school construction needs of the borough.

BE IT FURTHER RESOLVED that the Matanuska-Susitna Borough Assembly wishes to avoid the cost of a new bond election and supports a state contribution of 70 percent for school construction.

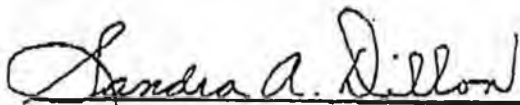
BE IT FURTHER RESOLVED that the Matanuska-Susitna Borough Assembly requests that Senate Bill 11 be amended to include that educational facilities approved by the Department of Education and the voters before January 1, 1997 be reimbursed at 70 percent.

ADOPTED by the Matanuska-Susitna Borough Assembly this 4th day of February, 1997.



BARBARA LACHER, Borough Mayor

ATTEST:



SANDRA A. DILLON, Borough Clerk

(SEAL)

FROM THE DESK OF
JOHN A. STOLTZE
PO BOX 878738
WASILLA, AK 99687
907-376-0427 HM
907-376-0280 FX

Rick Halford
State Capital
Juneau, AK 99801-1182

Dear Senator:

I'm writing today in support of your Senate Bill 11, the school Debt reimbursement bill.

As a long time resident of the Mat-Su Borough and born in Alaska, I try to give back to my community as much as I can. As a past President of our Community Council we worked very hard to make our community safe for it's people and their children.

One of the major projects we have been working on for over 10 years is to have a school in our community, if you're not familiar with the Meadow Lakes area then let me fill you in.

The community of Meadow Lakes lies between the City of Wasilla and the City of Houston. The population is around 8000 people. In the Daily News last year this community was rated as the fastest growing area in the State with a 13.1% growth rate. The only structure we have in our area for community meetings is our local fire hall that is Volunteer. Last fall the Borough passed a bond issue to construct a much needed school in our area at the 70/30 rate. Even though we will have to re-vote on this issue, I feel we would have the support of the people since this would relieve the problems of the Big Lake School that is at over 700 students in school built for 500 students.

I will also try to testify for your first hearing on the 26th of February. If there is any questions you have or any thing I could do to help please feel free to let me know.

Respectfully your,



John A. Stoltze

MEMORANDUM

State of Alaska
Department of Education

To: Karen Rehfeld
Director, Education Support Services

Date: February 18, 1997

Phone: 465-1858

File: g:\mdm\deptmemo\sjh
Facilities Issues

From: Michael Morgan
Special Projects Manager
ESS/Facilities

Subject: Facilities Issues

The following is a summary of issues facing school facilities. This paper is segmented into three sections: the issues facing school facilities; the positions, assumptions and beliefs underlying recommendations on how to deal with the issues; and, recommendations on each issue.

- Issues:
- 1) Existing in the state, currently, is roughly \$3.5 billion worth of school facilities. This includes almost \$750 million in school facilities which the state owns.
 - 2) The owners and operators of these facilities have a responsibility to manage the facilities to assure a safe environment which supports the educational program being conducted there.
 - 3) Facilities to support K-12 education need a long-term, stable source of funding to provide for capital additions, replacement and renewal.

Department of Education Beliefs and Assumptions Regarding Educational Facilities

- 1) Educational facilities should exist to support continuous learning in children.
- 2) Facilities should provide a safe environment for the educational program.
- 3) The state has a responsibility to provide for the capital needs of state owned facilities.
- 4) Technology is important in facilities to the extent that the use of the technology supports learning.
- 5) Maintenance and construction of facilities should reflect minimum standards established for all schools in the state.

Recommendations Regarding Facilities Issues

- 1) A long-term, stable source of funding for facilities' projects should be developed and implemented.
- 2) Projects should be funded in the priority order established by the statutorily established ranking system.
- 3) The department should continue development, review and adoption of facilities related standards.
- 4) As partnerships are established between family, school, community and business groups, the department should explore non-traditional facilities' plans as alternatives which might enhance student learning and offer this information to districts for their consideration.

MEMORANDUM

State of Alaska
Department of Education

To: Sheila
Assistant, Senator Wilken

Date: March 12, 1997

Phone: 465-1858

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From: Michael Morgan
Special Projects Manager
Education Support Services/Facilities

Subject: CIP Overhead Rate
Information

Sheila:

My apologies for the delay in getting this information to you. Enclosed is the background you wanted on overhead rates.

Let me know if you think of anything else or you need additional information.

cc: Karen Rehfeld

State of Alaska
Department of Education
Educational Facilities Section

Funding Sources and Overhead Calculation

For at least the past 15 years, the Department of Education has charged projects which it administers an allocated portion of the Facilities section expenses. These charges cover the direct costs of administering funds appropriated to the Department or which the legislature has statutorily charged the department with administering. Overhead is charged to both grants and bonds approved for reimbursement under the debt retirement program. The overhead charge for the bond program is based upon the total annual anticipated reimbursement amount each year. The overhead charge for the grant program is based upon a percentage of specific grant appropriations.

The means the department takes to determine the overhead is to look at staff costs and the portion of each staff member's time actually used to administer grants and debt reimbursement projects. The total allocable salaries divided by total personnel salaries is the allocable percentage of the total unit cost. The allocable percentage multiplied by the total unit cost is the portion of overhead to be submitted with the debt retirement budget.

The calculation for FY96 was aggressively conservative in applying these time estimates. For example, three staff members had 10% of their time budgeted as being used for grant administration. In fact, a greater portion of all three individuals time should have been allocated (in varying amounts).

The calculation considers past revenues, current fund sources and the life of the project in allocating the availability of funds to cover costs. Unfortunately, given the decrease in funds available from grants, cuts in general fund appropriations, and the requirement to maintain projects which have exceeded their original life cycle projection, costs to provide the services mandated are exceeding revenues.

The department received approximately \$140,000 in general fund revenues in FY96. The amount provided from the general fund is subject to change every year based on legislative appropriation. It is projected to decrease to approximately \$118,300 in FY97. The remainder of the funds necessary to cover the total unit cost come from the CIP Overhead Reserve and overhead charged to new grants and debt reimbursement projects.

The department determines the percentage to be charged by estimating the amount of new annual CIP funds and the requirements needed to cover the cost of the facilities unit which exceeds the amount provided from the general fund. Because of the limited amount of grant fund appropriations, the cost of administering a grant over the life of the project would require an extremely large overhead rate. For example, in FY96 it would have required approximately 5% of grants issued in this year to cover actual total for FY96 costs experienced in excess of general fund appropriations. The 5% amount wouldn't cover the total costs of administering a project over its average life span of three to five years. Currently carry-forward funds from the overhead reserve is covering the remainder of the required costs. While its not anticipated that current project costs should cover administrative costs for old projects, this is a classic case where economies of scale can be achieved. The downside to this is that the facilities section has certain fixed costs which are needed to administer a range of projects (from 20 to 200) and the

decrease in projects funded reduces the number of projects able to bear these costs. At the current rate of use, the reserve funds will be depleted by the end of FY98.

Overheads have been charged to accomplish the requirements set forth by the legislature in AS 14.07.020 (11) and AS 14.11. The base authority for allocating the overhead necessary to accomplish these statutorily mandated tasks is found under AS 14.07.030 (7).

A brief survey of past charges is summarized below.

Historical CIP Overhead Rates

Year	Overhead Rate
FY82	1.30%
FY83	1.50%
FY84	0.60%
FY85	1.70%
FY86	2.00%
FY87	2.00%
FY88	0.40%
FY89	0.40%
FY90	0.42%
FY91	0.35%
FY92	0.36%
FY93	0.36%
FY94	0.85%
FY95	0.16%
FY96	1.55%
FY97	1.55%

Note: The rate shown for FY95 is the effective rate since there were no new projects funded for that year.

Bond Review and Grant Reimbursement Committee

(AS 14.11.014)

Statutory Responsibilities

- Make recommendations to the board concerning grants and to the commissioner regarding bond projects
- Develop criteria for construction of schools, must include criteria to achieve cost effective school construction
- Analyze prototypical designs
- Establish a form for applications
- Establish a method for ranking
- Recommend changes to the approval process for bond projects

1994 & 1995 Accomplishments

- Revised & recommended adoption of new application form
- Revised evaluation packet
- Recommended board approval of revised space guidelines (now adopted)
- Developed draft facility appraisal guidelines
- Developed draft building condition survey
- Developed a recommended level of funding for school capital projects
- Defined maintenance categories and project classifications
- Adopted a new project evaluation and single scale rating process

1996 Accomplishments

- Reviewed and revised the application for capital improvement program (CIP) projects.
- Issued a draft preventative maintenance guideline for review and comments from school districts.
- Completed policy paper on prototypes
- Completed policy paper on temporaries
- Updated the Department's Program Demand Cost Model for Alaskan Schools
- Began regulation review

1997 Work Topics

- Complete regulation review
- Address school construction standards
- Review standards relating to technology
- Review facility issues
- Complete preventative maintenance guidelines
- Review and update Department of Education reference publications
- Address the issue of charter schools as they relate to facilities
- Complete work on technology issues
- Address needs of planning issues:
 - cost effectiveness
 - life cycle cost
 - cost benefit analysis

Allowable Project Types by Funding Source

Grant Funding (AS14.11.013)

- Avert imminent danger or correct life-threatening situations
- House students who would be otherwise unhoused
- Protect the structure of existing school facilities
- Correct building code deficiencies that require major repair or rehabilitation in order for the facility to continue to be used for the educational program
- Achieve an operating cost savings
- Modify or rehabilitate facilities for the purpose of improving the instructional program
- Meet an educational need identified by the department

Bond Reimbursement Funding (AS14.11.100(j)(4))

- Projected long-term student enrollment that indicates the district has inadequate facilities to meet present or projected enrollment
- Facilities that require repair or replacement in order to meet health and safety laws or regulations or building codes

Allowable Project Types by Funding Source

Grant Funding (AS14.11.013)

- Health, Life and Safety
- Unhoused Students
- Protection of Structure
- Building Code Deficiencies
- Achieve Operating Cost Savings
- Improve Instructional Program
- Other Educational Needs

Bond Reimbursement Funding (AS14.11.100(j)(4)) (4 AAC 31.060(l))

- Unhoused Students
- Health/Safety Laws & Code Violations
- Protection of Structure

SCHOOL CONSTRUCTION DEBT RETIREMENT - FY98 ESTIMATED STATE AID

Updated 11/20/96

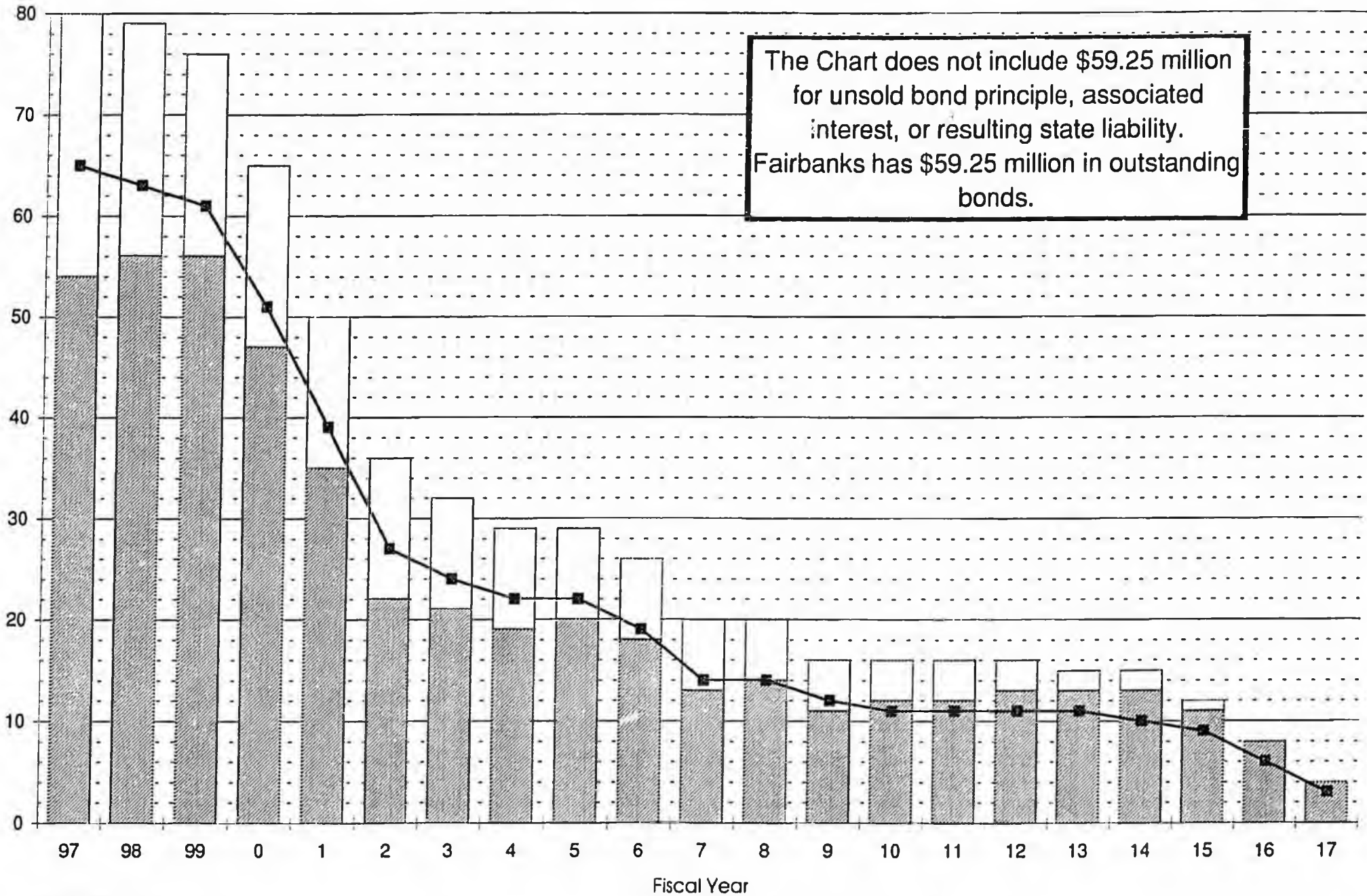
SCHOOL DIST.	100%	90%	80%	90%	80%	70%	Estimated new debt	LESS CIG. TAX PAID IN FY96	SCHOOL DIST.	ESTIMATED TOTAL DEBT RETIREMENT BY DISTRICT FOR FY98
	BOND SALES PRE 7/1/77 2YR LAG	BOND SALES 7/1/77 TO 1/1/82 2YR LAG	ESTIMATED CASH PAYMENTS 2YR LAG	BOND SALES 1/1/82 TO 7/1/83 CURRENT PAY	BOND SALES 7/1/83 TO 3/31/90 CURRENT PAY	BOND SALES 4/1/90 TO PRESENT CURRENT PAY	BOND SALES 4/1/90 TO PRESENT CURRENT PAY			
ALEUTIANS EAST					\$53,965			(\$14,294)	ALEUTIANS EAST	\$39,671
ANCHORAGE			\$8,493	\$1,378,839	\$14,368,650	\$7,164,440		(\$1,048,940)	ANCHORAGE	\$21,871,482
BRISTOL BAY		\$355,775						(\$12,118)	BRISTOL BAY	\$343,657
FAIRBANKS	\$826,982		\$153,846	\$3,127,658	\$3,523,622	\$466,234	\$773,500	(\$356,099)	FAIRBANKS	\$8,495,743
GALENA			\$64,618					(\$9,227)	GALENA	\$55,391
HOONAH						\$87,976	\$152,953	(\$11,895)	HOONAH	\$229,034
JUNEAU			\$2,746	\$631,296	\$2,468,650			(\$128,705)	JUNEAU	\$2,973,987
KENAI			\$1,440		\$7,980,616	\$1,101,419		(\$236,514)	KENAI	\$8,846,961
KETCHIKAN	\$205,000				\$1,151,520			(\$68,013)	KETCHIKAN	\$1,288,507
KODIAK				\$1,082,980		\$551,231		(\$67,616)	KODIAK	\$1,566,596
LAKE & PEN						\$406,851	\$45,326	(\$17,535)	LAKE & PEN	\$434,642
MAT-SU	\$550,625			\$1,827,684	\$2,167,164	\$857,156		(\$276,282)	MAT-SU	\$5,126,347
NORTH SLOPE					\$5,124,068	\$471,471		(\$44,679)	NORTH SLOPE	\$5,550,860
PETERSBURG	\$280,800			\$183,150	\$221,466			(\$23,242)	PETERSBURG	\$662,174
SITKA					\$689,130			(\$47,783)	SITKA	\$641,347
UNALASKA		\$232,329			\$801,340			(\$14,092)	UNALASKA	\$1,019,577
VALDEZ	\$164,125			\$1,541,171				(\$26,514)	VALDEZ	\$1,678,782
WRANGELL		\$127,793		\$844,844				(\$18,881)	WRANGELL	\$953,756
YAKUTAT							\$99,681	(\$9,795)	YAKUTAT	\$89,886
TOTALS	\$2,027,532	\$715,897	\$211,143	\$10,617,622	\$38,550,191	\$11,106,779	\$1,071,460	(\$2,432,224)		\$61,868,399

THESE ENTITLEMENTS ARE SUBJECT TO ADJUSTMENTS BASED ON ACTUAL BOND PAYMENTS.

BOND ENTITLEMENT	\$64,089,481
CASH ENTITLEMENT	\$211,143
SUB TOTAL	\$64,300,623
LESS: FY96 CIG. TAX	(\$2,432,224)
EST. STATE AID-FY98	\$61,868,399
DOE OVERHEAD	\$420,000
TOTAL FY98 STATE AID	\$62,288,399

SCHOOL CONSTRUCTION ELIGIBLE DEBT RETIREMENT

Millions



The Chart does not include \$59.25 million for unsold bond principle, associated interest, or resulting state liability. Fairbanks has \$59.25 million in outstanding bonds.

Updated 1/2/97
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OUTSTANDING PRINCIPAL

 OUTSTANDING INTEREST

 STATE LIABILITY

STATEWIDE PRINCIPAL

SCHOOL CONSTRUCTION DEBT RETIREMENT

UPDATED 1/2/97

Fiscal Year																			Statewide	Fiscal
	AL EUTE E	ANCHORAGE	BPIST BAY	FAIRBANKS	HOONAH	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE&PEN	MAT-SU	N SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	YAKUTAT	Principal	Year
FY97	50,912	17,757,327	260,000	5,593,400	94,439	3,377,548	7,265,000	1,610,000	1,216,824	300,000	5,452,957	5,477,812	650,000	1,847,008	982,757	1,770,000	705,000	0	54,390,985	FY97
FY98	53,337	18,713,892	275,000	6,154,682	135,753	3,175,965	8,250,000	1,400,000	1,291,632	429,752	5,161,934	5,881,867	690,000	722,828	971,145	1,530,000	760,000	89,746	55,687,532	FY98
FY99	58,185	19,527,141	300,000	6,530,793	143,405	2,639,341	8,895,000	1,200,000	1,381,439	451,740	4,923,922	5,745,306	250,000	342,828	974,702	1,625,000	805,000	94,731	55,888,535	FY99
FY00	60,610	12,927,836	320,000	6,179,285	151,198	1,845,430	9,600,000	1,200,000	1,461,295	473,827	1,580,863	6,794,900	270,000	342,828	983,437	1,625,000	845,000	99,717	46,761,205	FY00
FY01	65,459	12,018,812	340,000	3,728,135	159,134	1,778,656	10,365,000	0	1,551,151	496,018	1,522,274	760,103	0	342,828	577,359	140,000	885,000	104,703	34,832,631	FY01
FY02	0	9,234,832	365,000	3,958,004	162,250	1,863,928	1,225,000	0	411,006	518,319	1,474,166	1,440,441	0	342,828	171,477	150,000	785,000	104,703	22,206,955	FY02
FY03	0	10,296,905	0	4,184,874	170,508	278,621	1,235,000	0	430,814	545,735	628,863	1,429,016	0	342,828	180,801	0	830,000	109,689	20,723,651	FY03
FY04	0	10,380,690	0	4,481,744	178,928	292,526	1,360,000	0	450,622	578,272	664,044	0	0	0	95,341	0	870,000	114,675	19,466,841	FY04
FY05	0	10,960,789	0	4,780,483	187,539	307,243	1,435,000	0	470,429	605,935	699,226	0	0	0	100,108	0	800,000	124,847	20,471,399	FY05
FY06	0	8,727,473	0	5,087,353	196,344	324,117	1,520,000	0	490,237	638,732	734,407	0	0	0	105,113	0	0	129,632	17,953,409	FY06
FY07	0	8,360,963	0	3,186,093	80,865	0	0	0	514,996	61,669	778,383	0	0	0	110,369	0	0	134,619	13,227,956	FY07
FY08	0	8,601,527	0	3,402,962	50,247	0	0	0	544,707	0	822,360	0	0	0	115,887	0	0	0	13,537,690	FY08
FY09	0	8,974,262	0	3,917,702	52,786	0	0	0	574,419	0	866,336	0	0	0	121,682	0	0	0	10,981,186	FY09
FY10	0	9,395,451	0	4,154,441	55,465	0	0	0	604,130	0	914,710	0	0	0	127,766	0	0	0	11,512,962	FY10
FY11	0	9,898,606	0	4,391,181	58,273	0	0	0	633,841	0	967,482	0	0	0	134,154	0	0	0	12,131,536	FY11
FY12	0	10,491,723	0	4,747,990	61,220	0	0	0	668,504	0	1,029,049	0	0	0	140,862	0	0	0	12,868,148	FY12
FY13	0	10,015,059	0	4,985,530	64,317	0	0	0	708,120	0	1,090,616	0	0	0	147,905	0	0	0	12,524,545	FY13
FY14	0	9,921,877	0	5,341,139	67,573	0	0	0	747,735	0	1,156,581	0	0	0	133,177	0	0	0	12,561,082	FY14
FY15		10,527,294		557,878	70,999						0								11,156,171	FY15
FY16		6,968,828		605,357	74,594														7,648,779	FY16
FY17		3,332,296		640,967	38,716														4,011,978	FY17
TOTAL	288,502	227,033,584	1,860,000	61,823,771	2,254,550	15,883,377	51,210,000	5,410,000	14,151,901	5,100,000	30,468,173	27,529,445	1,860,000	4,283,974	6,154,038	6,840,000	7,285,000	1,106,863	470,543,178	TOTALS

NOTE: These numbers do not include approximately \$59.25 million of bond principal for Fairbanks projects scheduled for bond election on May 7, 1995.

This scenario accounts for only the eligible amount of principle due on school construction bonds net of any prorations for ineligible portions of the bonds.

STATEWIDE LIABILITY

SCHOOL CONSTRUCTION DEBT RETIREMENT

UPDATED 1/2/97

Fiscal Year	ALEUTIC	ANCHORAGE	BRISTOL BAY	FAIRBANKS	MCONAH	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE & PEN	MAT-SU	N. SLOPE	PTERBURG	SITKA	UNALASKA	VALDEZ	WRANGELL	YAKUTAT	Statewide Liability	Fiscal Year
FY97	54,840	22,227,612	367,920	7,720,962	117,978	3,295,274	9,085,205	1,645,708	1,639,793	402,397	6,084,499	5,586,134	698,523	1,693,769	1,074,263	2,020,723	960,883	0	64,676,481	FY97
FY98	53,965	22,914,607	382,700	8,011,090	167,576	3,099,946	9,082,035	1,356,520	1,634,212	452,177	5,402,629	5,595,546	685,416	689,130	1,033,669	1,705,236	972,837	99,681	63,318,831	FY98
FY99	54,868	22,798,941	365,400	7,926,700	167,804	2,466,291	9,084,227	1,088,160	1,637,693	454,762	4,922,050	5,206,450	220,806	346,942	987,805	1,698,484	979,858	100,595	60,507,831	FY99
FY00	53,647	18,637,468	361,800	7,197,960	168,218	1,723,789	9,085,954	1,024,320	1,631,295	456,410	2,644,081	5,688,509	223,128	331,309	945,825	1,598,984	979,421	101,234	50,833,349	FY00
FY01	54,134	15,339,065	350,760	4,652,038	168,556	1,590,706	9,082,697	0	1,628,225	457,242	2,621,347	897,289	0	315,264	571,193	161,000	975,787	101,618	38,172,919	FY01
FY02	0	12,602,797	354,780	4,683,417	165,769	1,585,243	1,104,203	0	551,095	457,149	2,606,308	1,545,397	0	298,946	228,729	160,500	842,745	98,246	27,285,123	FY02
FY03	0	13,028,423	0	4,698,035	166,390	273,130	1,107,768	0	552,445	459,446	856,005	1,564,519	0	282,490	229,388	0	845,863	98,292	24,162,192	FY03
FY04	0	12,648,038	0	4,755,741	166,735	272,397	1,104,709	0	553,041	464,018	857,741	0	0	0	146,363	0	842,074	98,096	21,908,952	FY04
FY05	0	12,639,156	0	4,797,831	167,033	271,605	1,105,599	0	552,554	463,830	857,732	0	0	0	146,363	0	739,260	101,143	21,842,106	FY05
FY06	0	10,390,544	0	4,830,308	167,016	271,758	1,101,240	0	550,777	463,507	855,928	0	0	0	146,363	0	0	100,271	18,877,709	FY06
FY07	0	9,661,189	0	3,011,806	79,604	0	0	0	551,294	45,327	858,437	0	0	0	146,363	0	0	99,133	14,453,152	FY07
FY08	0	9,499,903	0	3,045,588	55,535	0	0	0	552,625	0	858,708	0	0	0	146,363	0	0	0	14,158,722	FY08
FY09	0	9,433,834	0	487,847	55,533	0	0	0	552,833	0	856,679	0	0	0	146,363	0	0	0	11,533,088	FY09
FY10	0	9,369,575	0	490,695	55,537	0	0	0	551,918	0	855,671	0	0	0	146,363	0	0	0	11,469,759	FY10
FY11	0	9,331,063	0	492,595	55,537	0	0	0	549,680	0	855,474	0	0	0	146,363	0	0	0	11,430,911	FY11
FY12	0	9,339,965	0	502,803	55,535	0	0	0	549,741	0	857,937	0	0	0	146,363	0	0	0	11,452,343	FY12
FY13	0	8,495,754	0	502,328	55,533	0	0	0	551,734	0	857,813	0	0	0	146,363	0	0	0	10,609,525	FY13
FY14	0	7,957,846	0	510,162	55,533	0	0	0	552,202	0	858,183	0	0	0	126,452	0	0	0	10,060,378	FY14
FY15		7,968,197		507,313	55,537						0								8,531,047	FY15
FY16		5,133,932		522,032	55,537														5,711,500	FY16
FY17		2,356,754		525,593	27,779														2,950,125	FY17
TOTAL:	271,454	249,814,660	2,169,360	69,872,841	2,230,273	14,850,135	50,943,635	5,114,708	15,343,355	4,576,265	34,567,221	26,083,844	1,827,873	3,957,849	6,660,949	7,344,983	8,138,525	998,310	504,766,242	TOTALS

NOTE: These numbers do not include the liability at 70% associated with approximately \$59.25 million of bond principle for Fairbanks projects scheduled for bond election on May 7, 1995

Reimbursements for projects approved for cash expenditures from local revenue are not included in this information.

STATEWIDE INTEREST

SCHOOL CONSTRUCTION DEBT RETIREMENT

UPDATED 1/2/97

Fiscal Year	ALEUT E	ANCHORAGE	BRIST BAY	FAIRBANKS	HOONAH	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE&PEN	MAT-SU	N SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	YAKUTAT	Statewide Interest	Fiscal Year
FY97	17,638	10,830,169	148,800	3,408,638	74,100	653,697	4,289,083	339,188	779,754	274,853	1,745,487	1,585,571	125,004	270,202	348,113	456,650	362,648	0	25,709,596	FY97
FY98	14,120	11,017,703	128,000	3,218,038	103,641	611,287	3,299,225	244,400	699,153	216,215	1,352,915	1,198,758	71,133	138,585	288,674	346,538	320,708	52,656	23,319,747	FY98
FY99	10,399	10,072,150	106,000	2,751,011	96,315	443,522	2,657,228	160,200	613,571	197,920	1,001,161	779,618	26,008	90,849	228,163	243,815	283,729	48,976	19,810,632	FY99
FY00	6,449	9,246,953	82,000	2,382,388	89,112	309,306	1,954,798	80,400	528,732	178,188	1,629,253	420,874	8,910	71,308	166,746	133,190	243,245	44,903	17,574,753	FY00
FY01	2,209	8,538,819	56,400	2,005,277	81,639	209,726	1,185,595	0	433,335	157,184	1,662,507	521,738	0	51,253	104,370	21,000	199,208	40,465	15,270,765	FY01
FY02	0	7,908,530	29,200	1,810,881	74,562	117,626	352,433	0	376,271	134,751	1,693,417	767,269	0	30,854	82,667	10,500	151,384	35,649	13,575,774	FY02
FY03	0	7,381,869	0	1,600,411	67,194	62,792	287,525	0	358,393	110,618	594,001	806,012	0	10,285	74,074	0	109,848	30,728	11,493,747	FY03
FY04	0	6,823,201	0	1,374,347	59,265	47,970	218,155	0	339,437	84,612	561,300	0	0	0	67,284	0	65,638	25,463	9,666,670	FY04
FY05	0	6,231,796	0	1,127,852	51,080	32,263	144,428	0	318,934	56,679	526,106	0	0	0	62,517	0	21,400	19,844	8,592,899	FY05
FY06	0	5,669,019	0	860,899	42,251	15,578	53,200	0	296,588	23,420	488,347	0	0	0	57,512	0	0	13,611	7,520,426	FY06
FY07	0	5,175,746	0	578,665	32,855	0	0	0	272,567	3,083	447,955	0	0	0	52,256	0	0	7,000	6,570,127	FY07
FY08	0	4,704,736	0	404,023	29,090	0	0	0	244,757	0	404,366	0	0	0	46,738	0	0	0	5,833,709	FY08
FY09	0	4,237,114	0	218,107	26,546	0	0	0	215,343	0	357,491	0	0	0	40,943	0	0	0	5,095,545	FY09
FY10	0	3,724,220	0	197,928	23,874	0	0	0	184,324	0	307,677	0	0	0	34,859	0	0	0	4,472,882	FY10
FY11	0	3,165,426	0	176,563	21,066	0	0	0	151,701	0	254,624	0	0	0	28,471	0	0	0	3,797,850	FY11
FY12	0	2,586,414	0	153,713	18,116	0	0	0	116,840	0	196,575	0	0	0	21,763	0	0	0	3,093,421	FY12
FY13	0	2,011,634	0	129,380	15,016	0	0	0	80,072	0	134,832	0	0	0	14,720	0	0	0	2,385,655	FY13
FY14	0	1,446,474	0	103,564	11,760	0	0	0	41,125	0	69,395	0	0	0	7,325	0	0	0	1,679,643	FY14
FY15		855,844		76,263	8,340						0								940,447	FY15
FY16		365,360		47,182	4,745														417,287	FY16
FY17		91,638		16,024	968														108,630	FY17
TOTAL:	50,815	112,084,836	550,400	22,640,934	931,555	2,503,765	14,441,668	824,188	6,048,896	1,437,521	13,427,408	6,077,838	231,054	663,337	1,727,138	1,211,693	1,757,805	319,295	186,930,205	TOTALS

NOTE: These numbers do not include the interest associated with approximately \$59.25 million of bond principle for Fairbanks projects scheduled for bond election on May 7, 1995

This scenario accounts for only the eligible amount of interest due on school construction bonds net of any prorations for ineligible portions of the bonds.

DISTRIBUTION OF CAPITAL FUNDS FY '89 - FY '97

During the period from FY '89 through FY '97, the State of Alaska has distributed \$1,307,230,476 in capital funds to public school districts. The funds have come in the form of grants (including repeals and reappropriations), bond debt reimbursement, and cigarette tax payments. All districts are eligible for CIP grants, but only municipal districts are eligible for debt reimbursement and cigarette tax revenues.

Prior to March 1, 1990, municipalities could bond for school buildings as they pleased, and they could receive reimbursement from the state for the principal and interest at up to 100%, depending upon when the indebtedness was incurred. House Bill 37, effective March 1, 1990, was to have ended the era of municipalities creating State debt by distributing all subsequent school capital funds based on objective needs criteria, with the highest priority going to health/life safety projects. As can be noted in the attached letter from the sponsor, Representative Swackhammer, the bill was intended to correct the inequities caused by the funding of CIP grants on a political, rather than on a needs, basis and to put the brakes on the indebtedness municipalities were creating for the State.

Inasmuch as health/life safety problems were more prevalent in rural districts, urban districts soon lobbied for additional bonding authority and the elimination of the preferential priority treatment for health/life safety projects. Thus came Senate Bill 7, signed into law on June 25, 1993, which removed health/life safety projects from preferential priority for CIP grant funds and authorized municipalities to create new bonded indebtedness of up to \$250,000,000 to be reimbursed at 70%. In the attached position paper, the Department of Education opposed Senate Bill 7 on the grounds that it did not address public school capital needs on a statewide basis and because it discriminated against REAA's and smaller municipal districts.

The end result of the State's inconsistent policy regarding school construction and major maintenance funding has been to favor the larger and more wealthy municipal districts to the detriment of REAA's in particular, with but few exceptions to this pattern. Attached is a table showing the distribution of capital funds to school districts for the period FY '89 through FY '97. The summary data reproduced below clearly shows the funding discrepancy between municipal districts and REAA's.

DISTRICT TYPE	GRANTS	DEBT RETIREMENT	CIGARETTE TAX	TOTAL CAPITAL FUNDS
Municipal	316,771,733	914,598,012	26,752,924	1,203,784,576
% of Funding	75.38%	100%	100%	92.09%
REAA	103,445,900	0	0	103,445,900
% of Funding	24.62%	0%	0%	7.91%
TOTAL	420,217,633	914,598,012	26,752,924	1,307,230,476

The Governor's operating budget proposes \$62,288,400 for debt reimbursement and \$2,608,400 for cigarette tax distributions, all to municipal districts. In order to bring equity to public school capital funding, the Governor should propose for FY '98, and the Legislature should appropriate, at least an equal amount for CIP grants.

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Phone/Fax (907) 586-3897

February 23, 1997

**DISTRIBUTION OF CAPITAL FUNDS
FY '89 - FY '97**

DISTRICT	GRANTS	DEBT RETIREMENT	CIGARETTE TAX	TOTAL CAPITAL FUNDS
Anchorage	89,058,100	259,845,363	9,842,521	358,745,984
Matanuska-Susitna	17,378,600	157,852,540	2,400,749	177,631,889
Kenai	7,581,800	154,238,922	2,188,163	164,008,885
Fairbanks	48,946,417	108,147,280	3,418,692	160,512,389
North Slope	1,998,500	57,654,590	391,237	60,044,327
Juneau	12,725,022	45,680,669	1,231,707	59,637,398
Ketchikan	26,001,600	27,174,508	669,779	53,845,887
Valdez	0	27,157,909	243,242	27,401,151
Kodiak	914,703	24,914,988	1,107,400	26,464,321
Sitka	2,129,800	17,155,150	461,738	19,746,688
Northwest Arctic	18,258,600	0	457,609	18,986,209
Unalaska	3,552,900	9,003,025	116,864	12,672,789
Nome	59,750,000	5,615,035	225,564	11,815,599
Wrangell	924,900	8,872,228	175,843	9,972,971
Petersburg	7,192,968	215,925	1,799,200	8,847,893
Bristol Bay	200,000	5,640,155	114,564	5,954,719
Lake & Peninsula	3,603,123	975,888	135,242	4,714,130
Denali	3,906,000	0	59,488	3,965,488
Hoonah	3,153,200	190,824	112,704	3,456,728
Cordova	1,191,000	1,182,547	163,518	2,537,065
Aleutians East	1,410,000	771,983	142,109	2,324,092
Kake	1,738,500	0	95,659	1,834,159
Haines	36,200	1,360,448	148,649	1,545,297
Dillingham	1,065,600	304,080	165,768	1,535,448
Hydaburg	1,437,000	0	79,508	1,516,508
Tanana	999,400	0	76,538	1,075,938
Craig	883,500	0	124,661	1,008,161
Yakutat	523,100	0	87,400	610,500
Galena	0	468,500	87,561	556,061
Nenana	81,000	175,455	98,179	354,634
Kiawock	120,000	0	100,655	220,655
Skagway	10,200	0	87,064	97,264
St. Mary's	0	0	78,469	78,469
Pelican	0	0	64,880	64,880
Municipal Subtotal	316,771,733	914,598,012	26,752,924	1,203,784,576
% Funding	75.38%	100%	100%	92.09%
Lower Kuskokwim	30,824,800	0	0	30,824,800
Bering Strait	20,074,200	0	0	20,074,200
Alaska Gateway	14,049,200	0	0	14,049,200
Lower Yukon	9,397,400	0	0	9,397,400
Southeast	5,908,300	0	0	5,908,300
Copper River	5,146,300	0	0	5,146,300
Yukon-Koyukuk	2,513,100	0	0	2,513,100
Iditarod	2,494,700	0	0	2,494,700
Southwest	2,209,500	0	0	2,209,500
Delta/Greely	1,940,900	0	0	1,940,900
Pribilof	1,799,200	0	0	1,799,200
Annette	1,641,400	0	0	1,641,400
Yukon Flats	1,620,000	0	0	1,620,000
Kuspuk	1,107,400	0	0	1,107,400
Kashunamiut	1,066,100	0	0	1,066,100
Yupik	753,100	0	0	753,100
Chugach	359,200	0	0	359,200
Aleutian Region	320,000	0	0	320,000
Chatham	171,100	0	0	171,100
Adak	50,000	0	0	50,000
REAA Subtotal	103,445,900	0	0	103,445,900
% Funding	24.62%	0%	0%	7.91%
TOTAL	420,217,633	914,598,012	26,752,924	1,307,230,476

NOTES

Grants include grant appropriations as well as repeals and reappropriations.

Aleutians East contains data regarding King Cove, Sand Point, and the portion of Aleutian Region incorporated into the borough

Denali contains data regarding Railbelt.

(Prepared by Kashunamiut School District-- 02/23/97.)

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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SUMMARY OF CS for HOUSE BILL 37 (FIN) AM

The inequity in Alaska's school construction policy is not new. The current law requires the state to pay up to 80% of the bond debt created by municipalities for school construction. But in the past, the state has funded at less than the 80% level, which leaves the balance to the local taxpayers. Also, the state has little control over the projects funded by bond issues. At the same time, school districts that do not have the ability to bond rely on direct grants from the legislature for new school construction.

The total statewide debt created by school bond issues is \$965,036,714, which extends through the year 2008. Reimbursement to school districts for the last five years has averaged 94.17% of full entitlement. The figures for the last four years have declined from 100% in FY85 to 91.98% in FY 89. Those figures are likely to decrease on a year to year basis due to declining oil revenues, thus putting the burden of repaying the debt back on local taxpayers.

There is another problem with the current system. Neither the Governor nor the legislature is inclined to follow the priority list submitted by the Department of Education for new school construction needs. State funding of schools has been formulated on political decisions rather than needs-based priorities.

Approximately \$261,355,200 was appropriated for school construction over the past five years. The requests for priority one projects, addressing life and safety needs, was \$165,209,900. Only 21.8% of the total funds were appropriated to priority one projects; the remaining \$204,315,100 was spent on projects of either lower priority or no priority ranking at all. In other words, only 34.5% of the priority one requests during this five year period received funded.

CS for House Bill 37 (FIN) am addresses both the accountability and equity issues in school construction.

The proposed legislation will:

- * Require districts to submit a six year plan for school construction to the state, updated on an annual basis.

- * Require DOE to review, evaluate and recommend projects for approval by the State Board of Education. Each project would be assigned a priority. Top priority would be given to projects required to avert imminent danger or correct life-threatening situations. A single, prioritized list would be approved by the State Board. An appeals process is also established for districts contesting the priority assigned to a project. (The priority criteria is currently under review by a subcommittee of the Alaska Coalition for Education).
- * Establish a new school construction grant fund to hold legislative appropriations for school construction. The legislature would appropriate funds to the grant fund, but not for individual projects. Projects would then be funded in priority order to the extent of the funding.
- * Require all districts to maintain property insurance for replacement cost of all school facilities and equipment. An uninsured loss could jeopardize the system by catapulting a replacement project to the top of the list.
- * Fund all the state's new school construction by this process. The state would not reimburse municipalities for bonds sold after passage of the bill. When the bonds which have been previously sold are retired, all state funding for school construction would be by direct appropriation through the grant account. This does not preclude a municipality from selling bonds to finance school construction, but the state would not be responsible for any of the debt incurred through a reimbursement program.

The uncertainty of oil revenues and the ability "to get a handle on school bond debt reimbursement" are the predominant driving forces behind this bill. It is in everyone's best interest statewide to tackle this problem in order to develop the most equitable policy.

POSITION PAPER: DEPARTMENT OF EDUCATION

Division: Administrative Services

Bill Number: SB 7

Bill Title: An Act relating to reimbursement of school construction; and providing for an effective date.

Sponsor: Senator Kertula

Position Statement: Explain briefly what the bill does, its impact and Department's position, i.e. a) support, b) do not support, c) neutral or d) oppose

SB7 would reinstate the debt reimbursement program for bonds sold by a municipality and approved by the voters for school construction and repair. It would also reinstate the cash reimbursement program for municipal school districts who use locally generated revenue to construct or repair school facilities in their district. The rate of reimbursement would be 80% of principle and interest on the bonds and 80% of cash expenditures. Reimbursement for cash would be on a two year lag basis and eligible expenditures would be verified by the school district's audit. All projects would require the Department of Education's approval. Only those projects or parts of projects approved by the Department would be eligible for reimbursement.

The Department feels that this approach to funding capital projects fails to address critical needs statewide. Only those communities with the capacity to bond or with the available cash could participate in this program. REAAs and many of the small single site districts would be excluded. It is impossible to predict the State's financial liability under this bill. However, at this rate of reimbursement there is very little incentive for school district's to be prudent. Governor Hickel has introduced legislation (HB82 and 83 and SB59 and 60) that would create a comprehensive program to address school construction, rehabilitation and major maintenance needs. The Department believes that an all encompassing program would better serve the state's interest. Therefore, the Department opposes SB 7.

Director: Gary Bader Division: Administrative Services

Signature: *Gary M. Bader* Date: 1/27/93

Commissioner/Deputy: Jerry Covey/Mike Maher

Signature: *Shela Peterson* Date: 1/28/93

for Mike Maher

Bond Reimbursement Projects

Projects Funded 1990 or Later

District Name	District #	DOE DR #	Project Description	1996 Authorized Bonding (\$xxx)	1995 Authorized Bonding (\$xxx)	1994 Authorized Bonding (\$xxx)	1993 Authorized Bonding (\$xxx)	1992 Authorized Bonding (\$xxx)	1991 Authorized Bonding (\$xxx)	1990 Authorized Bonding (\$xxx)	1989 Authorized Bonding (\$xxx)	Total Authorized Bonding (\$xxx)	State Contribution (Grants) (\$xxx)	Bonds + Grants (\$xxx)	Other Sources (Bonding) (\$xxx)	Other Sources (Misc.) (\$xxx)	Other Sources (Interest) (\$xxx)	Total Project Budget (\$xxx)	Leg Ref Chapter	SLA	Page
Anchorage	5	90-100	Abbott Loop Elementary							\$3,695.0	\$128.5	\$3,823.5		\$3,823.5		\$159.8	\$481.1	\$4,474.2			
Anchorage	5	90-101	Homestead Elementary Addition							\$2,230.0		\$2,230.0		\$2,230.0				\$2,230.0			
Anchorage	5	90-102	Whalley Center Addition							\$3,450.0	\$21.8	\$3,471.8		\$3,471.8		\$20.7	\$372.5	\$3,865.1			
Anchorage	5	90-103	Districtwide Roof Repair							\$3,800.0		\$3,800.0		\$3,800.0				\$3,800.0			
Anchorage	5	90-104	Districtwide Heating Systems & Boiler Repair							\$3,000.0		\$3,000.0		\$3,000.0		\$18.7	\$63.5	\$3,082.2			
Anchorage	5	90-105	Roger's Park Elementary Addition							\$3,590.0		\$3,590.0		\$3,590.0		\$37.2	\$1,173.1	\$4,800.3			
Anchorage	5	90-106	Tudor Elementary Addition							\$2,495.0		\$2,495.0		\$2,495.0				\$3,007.7			
Anchorage	5	90-107	Lake Otis Elementary Addition							\$3,865.0		\$3,865.0		\$3,865.0			\$1,220.4	\$5,085.4			
Anchorage	5	90-108	Service High Roof Replacement							\$2,785.0		\$2,785.0		\$2,785.0				\$2,785.0			
Anchorage	5	90-109	West High School Auditorium Lighting							\$835.0		\$835.0		\$835.0				\$835.0			
Anchorage	5	94-122	Chinook Elementary Addition/Renovation			\$4,500.0				\$4,500.0		\$4,500.0	\$537.5	\$5,037.5	\$652.5			\$5,690.0			
Anchorage	5	94-123	Romig Jr. High Addition/Renovation			\$4,645.0				\$4,645.0		\$4,645.0	\$1,125.7	\$5,770.7	\$482.4			\$6,253.1			
Anchorage	5	94-124	Williwaw Elementary Completion			\$6,000.0				\$6,000.0		\$6,000.0	\$3,194.6	\$9,194.6	\$1,369.1			\$10,563.8			
Anchorage	5	94-125	Chugiak Elementary Septic System Replace			\$205.0				\$205.0		\$205.0		\$205.0				\$205.0			
Anchorage	5	94-126	Diamond High Electrical Upgrade			\$575.0				\$575.0		\$575.0		\$575.0				\$575.0			
Anchorage	5	94-127	Replace Deteriorated Roofs (4 sites)			\$2,685.0				\$2,685.0		\$2,685.0		\$2,685.0				\$2,685.0			
Anchorage	5	94-128	Heating System Upgrade			\$2,395.0				\$2,395.0		\$2,395.0		\$2,395.0				\$2,395.0			
Anchorage	5	94-129	Sand Lake New Elementary			\$14,500.0				\$14,500.0		\$14,500.0	\$609.0	\$15,109.0	\$561.0			\$15,670.0			
Anchorage	5	94-130	Turnagain New Elementary			\$14,400.0				\$14,400.0		\$14,400.0	\$609.0	\$15,009.0	\$1,013.0			\$16,022.0			
Anchorage	5	94-131	88th Street New Elementary			\$13,300.0				\$13,300.0		\$13,300.0	\$609.0	\$13,909.0	\$608.1			\$14,517.1			
Anchorage	5	94-132	Mountain View New Elementary			\$13,915.0				\$13,915.0		\$13,915.0	\$609.0	\$14,524.0	\$261.0		\$79.0	\$14,884.0			
Anchorage	5	94-133	West High School Addition/Renovation			\$18,675.0				\$18,675.0		\$18,675.0	\$2,100.0	\$20,775.0	\$900.0			\$21,675.0			
Anchorage	5	94-134	Chugiak New Jr High/Middle School			\$25,160.0				\$25,160.0		\$25,160.0		\$25,160.0	\$11,840.0			\$37,000.0			
Anchorage	5	94-135	Anchorage Bowl New Jr High/Middle School			\$12,045.0		\$1,500.0		\$13,545.0		\$13,545.0		\$13,545.0	\$30,125.0			\$43,670.0			
Fairbanks	16	94-114	Lathrop High School Rehabilitation			\$3,748.6				\$3,748.6		\$3,748.6	\$11,320.0	\$15,068.6	\$4,851.4			\$19,920.0			
Fairbanks	16	96-102	Badger Elementary HV System Renovation	\$1,000.0						\$1,000.0		\$1,000.0		\$1,000.0				\$1,000.0			
Fairbanks	16	96-103	Hunter Elementary Addition/Renovation	\$1,500.0						\$1,500.0		\$1,500.0		\$1,500.0				\$1,500.0			
Fairbanks	16	96-104	Salcha & Two Rivers Elementary Renovation	\$300.0						\$300.0		\$300.0		\$300.0				\$300.0			
Fairbanks	16	96-105	Denali Elementary Renovation	\$750.0						\$750.0		\$750.0		\$750.0				\$750.0			
Fairbanks	16	96-106	Nordale Elementary Renovation	\$750.0						\$750.0		\$750.0		\$750.0				\$750.0			
Fairbanks	16	96-107	Ryan Junior High Renovation	\$1,250.0						\$1,250.0		\$1,250.0		\$1,250.0				\$1,250.0			
Fairbanks	16	96-108	New Fairbanks Junior High School	\$16,500.0						\$16,500.0		\$16,500.0		\$16,500.0				\$16,500.0			
Fairbanks	16	96-109	West Valley High School Renovation Addition	\$32,870.2						\$32,870.2		\$32,870.2		\$32,870.2				\$32,870.2			
Fairbanks	16	96-110	Districtwide Tech/Electrical Upgrade	\$2,250.0						\$2,250.0		\$2,250.0		\$2,250.0				\$2,250.0			
Fairbanks	16	96-114	North Pole Elementary Renovation/Addition	\$6,581.2						\$6,581.2		\$6,581.2		\$6,581.2				\$6,581.2			
Haines	18	94-109	Middle School Phase II Addition		\$4,032.0					\$4,032.0		\$4,032.0		\$4,032.0				\$4,032.0			
Hoonah	19	95-101	Hoonah Multipurpose Facility		\$1,991.6					\$1,991.6		\$1,991.6		\$1,991.6				\$1,991.6			
Hoonah	19	96-115	Hoonah DW Code Upgrade	\$263.0						\$263.0		\$263.0		\$263.0				\$263.0			
Juneau	22	90-112	Gastineau Addition/Renovation							\$1,920.0		\$1,920.0	\$12.5	\$1,932.5			\$898.0	\$2,830.5			
Juneau	22	90-113	Auke Bay Addition/Renovation							\$1,146.0		\$1,146.0		\$1,146.0	\$28.7		\$588.5	\$1,763.2			
Juneau	22	90-114	Lemon Creek New Middle Sch							\$18,634.9		\$18,634.9		\$18,634.9			\$60.0	\$18,694.9			
Juneau	22	90-117	Realignment Downtown Facility							\$419.2		\$419.2		\$419.2				\$419.2			
Juneau	22	90-118	Redesign F. Dryden HVAC							\$100.0		\$100.0		\$100.0			\$100.0	\$200.0			
Juneau	22	90-119	Fire Rated Corridor Door Assembly							\$164.0		\$164.0		\$164.0				\$164.0			
Juneau	22	90-120	High School Boiler Replacement							\$110.0		\$110.0		\$110.0	\$20.0		\$4.3	\$134.3			
Juneau	22	90-121	Juneau Schools Reroofing							\$455.0		\$455.0		\$455.0				\$455.0			
Kenai	24	94-108	West Homer Elementary			\$11,737.2				\$11,737.2		\$11,737.2		\$11,737.2				\$11,737.2			
Kodiak	28	94-103	North Star Elementary				\$8,491.7			\$8,491.7		\$8,491.7		\$8,491.7			\$156.4	\$8,648.0			
Kodiak	28	94-110	Ouzinkie Addition & Renovation				\$1,115.0			\$1,115.0		\$1,115.0		\$1,115.0	\$22.8		\$62.2	\$1,200.0			
Lake & Pen	30	94-101	Pilot Point School				\$1,100.0			\$1,100.0		\$1,100.0		\$1,100.0				\$1,100.0			
Lake & Pen	30	94-102	Ivanof Bay School				\$1,000.0			\$1,000.0		\$1,000.0		\$1,000.0				\$1,000.0			

Bond Reimbursement Projects

Projects Funded 1990 or Later

District Name	District #	DOE DR #	Project Description	1996 Authorized Bonding (\$xxx)	1995 Authorized Bonding (\$xxx)	1994 Authorized Bonding (\$xxx)	1993 Authorized Bonding (\$xxx)	1992 Authorized Bonding (\$xxx)	1991 Authorized Bonding (\$xxx)	1990 Authorized Bonding (\$xxx)	1989 Authorized Bonding (\$xxx)	Total Authorized Bonding (\$xxx)	State Contribution (Grants) (\$xxx)	Bonds + Grants (\$xxx)	Other Sources (Bonding) (\$xxx)	Other Sources (Misc.) (\$xxx)	Other Sources (Interest) (\$xxx)	Total Project Budget (\$xxx)	Leg Ref Chapter	SLA	Page
Lake & Pen	30	94-105	Kokhanok School Addition				\$650.0					\$650.0		\$650.0				\$650.0			
Lake & Pen	30	94-107	Fuel Tank Upgrade & Spill Remediation				\$950.0					\$950.0		\$950.0				\$950.0			
Lake & Pen	30	94-115	Iglugig School Addition				\$500.0					\$500.0		\$500.0				\$500.0			
Lake & Pen	30	94-117	Port Heiden/Meshik School Addition				\$800.0					\$800.0		\$800.0				\$800.0			
Lake & Pen	30	94-118	Chignik Bay Gym Replacement				\$900.0					\$900.0		\$900.0				\$900.0			
Lake & Pen	30	94-120	Egegik School Addition/Replacement				\$500.0					\$500.0		\$500.0				\$500.0			
Lake & Pen	30	96-101	DW Water/Sewer Upgrade	\$500.0								\$500.0		\$500.0				\$500.0			
Mat/Su	33	94-104	Glacier View Addition			\$5,000.0						\$5,000.0		\$5,000.0				\$5,000.0			
Mat/Su	33	94-111	Wasilla Middle School/ Addition & Renovation			\$9,200.0						\$9,200.0		\$9,200.0				\$9,200.0			
N. Slope	36	90-115	Ipalook Elementary							\$21,611.7		\$21,611.7		\$21,611.7		\$17,334.7		\$38,946.4			
N. Slope	36	90-116	Barrow Middle School							\$22,245.6		\$22,245.6		\$22,245.6				\$22,245.6			
N. Slope	36	94-119	Swimming Pool Repair Districtwide					\$1,009.0				\$1,009.0		\$1,009.0		\$1,141.0		\$2,150.0			
N. Slope	36	94-121	Nulqsut School					\$3,000.0				\$3,000.0		\$3,000.0		\$300.0		\$3,300.0			
N. Slope	36	94-137	Anaktuvuk Pass Expansion					\$1,484.0				\$1,484.0		\$1,484.0				\$1,484.0			
Aleutians East	41	90-127	Nelson Lagoon Foundation							\$60.5		\$60.5		\$60.5				\$60.5			
Aleutians East	41	90-131	King Cove School Roof							\$550.0		\$550.0		\$550.0				\$550.0			
Aleutians East	41	90-133	Sand Point School Addition							\$400.0		\$400.0		\$400.0	\$328.0			\$728.0			
Valdez	48	90-136	District Modifications & Renovations							\$1,037.0		\$1,037.0		\$1,037.0				\$1,037.0			
Yakutat	50	96-111	Yakutat Elementary Renovation	\$838.9								\$838.9		\$838.9				\$838.9			
Yakutat	50	96-112	Yakutat Roof Renovation	\$270.0								\$270.0		\$270.0				\$270.0			
Totals				\$85,621.3	\$8,023.6	\$182,685.7	\$16,006.7	\$8,993.0	20.0	\$98,598.9	\$150.3	\$358,079.4	\$20,728.3	\$378,805.7				\$454,680.3			

Capital Outlay Proposals for Financing School Facilities

Proposal	Effect(s)	Pros	Cons	DOE - Administrative Review
Expand Authority of REAAs	<ul style="list-style-type: none"> authorizes REAA board, acting as landlord and tenant, to enter property agreements. permits REAA to issue revenue bonds payable to the Alaska Municipal Bond Bank Authority. clarifies status of REAA as corporate entity. amends definitions of Alaska Municipal Bond Bank Authority statute to include revenue bonds. amends state statutory restriction on leaseback purchase agreements, increasing allowable lease cap from \$2.5 to \$15 million. 	<ul style="list-style-type: none"> enables REAA board to use lease revenue bonds as method of financing capital outlay with rents from state as tenant pledged to support bonds. clarifies status of as corporate entity and political subdivision of state. provides way to address unmet priority needs, i.e., life safety, major maintenance, unhoused students. enhances local decision making. provides state and local cost sharing. 	<ul style="list-style-type: none"> repayment subject to annual appropriation. cost more to service debt. 	<ul style="list-style-type: none"> The department recommends that the suggestions regarding changes to the legal status of REAA's be reviewed for other legal implications. Alternative bonding options should be pursued.
Education Endowment A Constitutional Endowment B. Statutory Endowment	<ul style="list-style-type: none"> creates education endowment by amending constitution or by using amended public school trust fund statute. permits endowment account or public school trust fund to secure or guaranty bonds for K-12 school purposes. amends constitution to create educational endowment account and permits use of account to secure or guaranty local school bonds. amends existing statute to permit use of public school trust fund and/or cigarette taxes to secure or guaranty local school bonds, increases fund revenues through one time deposit in first fiscal year, plus annual increments for any number of fiscal years, and permits school districts to pledge a portion of annual foundation revenue to service local capital outlay debt. 	<ul style="list-style-type: none"> guarantees bonds on a two times leveraged basis. makes bonds higher rated, reducing cost of servicing debt. cost state nothing. enhances local decision making. provides state and local cost sharing. provides means to address unmet priority needs, i.e., life-safety, major maintenance, unhoused students. requires only amending existing law to create statutory endowment, instead of cumbersome process of amending constitution to create constitutional endowment. 	<ul style="list-style-type: none"> requires amendment to constitution to achieve constitutionally created education endowment. use of statutory endowment approach, instead of constitutional one, provides lesser guaranty to investors and, therefore, higher debt service cost. imposes stricter state scrutiny and fiscal oversight of local decision making, regardless of whether endowment is created constitutionally or statutorily. 	<ul style="list-style-type: none"> The department supports the concept of using an endowment as a stable, long-term source of funding for education. Determining the form the endowment should take will require participation by the governor, the legislature and the public.
State Guaranty of Local School Bonds	<ul style="list-style-type: none"> provides local school bonds with state guaranty of its full faith, credit, and resources in cases of default. provides state eligibility pre-qualification, fiscal oversight, and intercept of district foundation revenue by state to service debt of any district that defaults. 	<ul style="list-style-type: none"> guarantees bonds on a two times leveraged basis. makes bonds higher rated, reducing cost of servicing debt. cost state nothing. enhances local decision making. provides means to address unmet priority needs, i.e., life-safety, major maintenance, unhoused students. 	<ul style="list-style-type: none"> requires amending constitution or existing statute to create an education endowment as security for state guaranty of local school bonds. imposes stricter state scrutiny and fiscal oversight of local decision making to reduce to a minimum any risk of default. 	<ul style="list-style-type: none"> The department supports the concept of guarantees for bonds given that the ability for all districts to bond is provided.
Use Portion of Foundation Revenue	<ul style="list-style-type: none"> authorizes school district board use up to 10% of its annual foundation revenue for servicing capital outlay debt. 	<ul style="list-style-type: none"> enables school district board to use part of its annual foundation revenue for repayment of capital outlay debt. enhances local decision making. provides state and local cost sharing. 	<ul style="list-style-type: none"> repayment subject to annual appropriation. cost more to service debt. imposes stricter state scrutiny and fiscal oversight of local decision making duplicates what district may already do under existing statute. 	<ul style="list-style-type: none"> The department supports school districts in maximizing their ability to manage and control facilities locally. Could be used in conjunction with state guarantees.

SCHOOL CONSTRUCTION DEBT RETIREMENT - FY98 ESTIMATED STATE AID

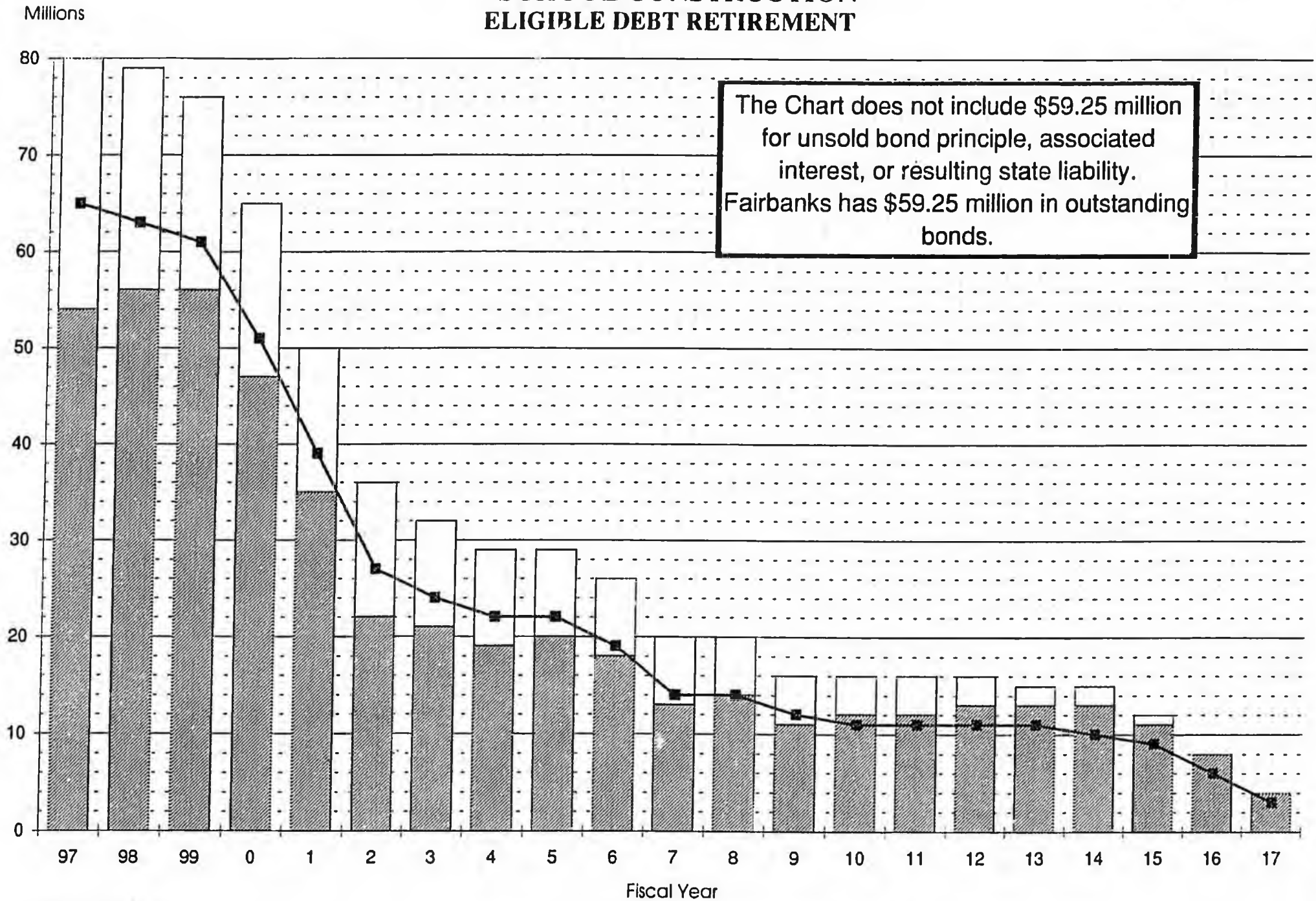
Updated 11/20/96

SCHOOL DIST.	100%	90%	80%	90%	80%	70%	Estimated new debt	LESS CIG. TAX PAID IN FY96	SCHOOL DIST.	ESTIMATED TOTAL DEBT RETIREMENT BY DISTRICT FOR FY98
	BOND SALES PRE 7/1/77 2YR LAG	BOND SALES 7/1/77 TO 1/1/82 2YR LAG	ESTIMATED CASH PAYMENTS 2YR LAG	BOND SALES 1/1/82 TO 7/1/83 CURRENT PAY	BOND SALES 7/1/83 TO 3/31/90 CURRENT PAY	BOND SALES 4/1/90 TO PRESENT CURRENT PAY	BOND SALES 4/1/90 TO PRESENT CURRENT PAY			
ALEUTIANS EAST					\$53,965			(\$14,294)	ALEUTIANS EAST	\$39,671
ANCHORAGE			\$8,493	\$1,378,839	\$14,368,650	\$7,164,440		(\$1,048,940)	ANCHORAGE	\$21,871,482
BRISTOL BAY		\$355,775						(\$12,118)	BRISTOL BAY	\$343,657
FAIRBANKS	\$826,982		\$133,846	\$3,127,658	\$3,523,622	\$466,234	\$773,500	(\$356,099)	FAIRBANKS	\$8,495,743
GALENA			\$64,618					(\$9,227)	GALENA	\$55,391
HOONAH						\$87,976	\$152,953	(\$11,895)	HOONAH	\$229,034
JUNEAU			\$2,746	\$631,296	\$2,468,650			(\$128,705)	JUNEAU	\$2,973,987
KENAI			\$1,440		\$7,980,616	\$1,101,419		(\$236,514)	KENAI	\$8,846,961
KETCHIKAN	\$205,000				\$1,151,520			(\$68,013)	KETCHIKAN	\$1,288,507
KODIAK				\$1,082,980		\$551,231		(\$67,616)	KODIAK	\$1,566,596
LAKE & PEN						\$406,851	\$45,326	(\$17,535)	LAKE & PEN	\$434,642
MAT-SU	\$550,625			\$1,827,684	\$2,167,164	\$857,156		(\$276,282)	MAT-SU	\$5,126,347
NORTH SLOPE					\$5,124,068	\$471,471		(\$44,679)	NORTH SLOPE	\$5,550,860
PETERSBURG	\$280,800			\$183,150	\$221,466			(\$23,242)	PETERSBURG	\$662,174
SITKA					\$689,130			(\$47,783)	SITKA	\$641,347
UNALASKA		\$232,329			\$801,340			(\$14,092)	UNALASKA	\$1,019,577
VALDEZ	\$164,125			\$1,541,171				(\$26,514)	VALDEZ	\$1,678,782
WRANGELL		\$127,793		\$844,844				(\$18,881)	WRANGELL	\$953,756
YAKUTAT							\$99,681	(\$9,795)	Y. KUTAT	\$89,886
TOTALS	\$2,027,532	\$715,897	\$211,143	\$10,617,622	\$38,550,191	\$11,106,779	\$1,071,460	(\$2,432,224)		\$61,868,399

THESE ENTITLEMENTS ARE SUBJECT TO ADJUSTMENTS BASED ON ACTUAL BOND PAYMENTS.

BOND ENTITLEMENT	\$64,089,481
CASH ENTITLEMENT	\$211,143
SUB TOTAL	<u>\$64,300,623</u>
LESS: FY96 CIG. TAX	<u>(\$2,432,224)</u>
EST. STATE AID-FY98	<u>\$61,868,399</u>
DOE OVERHEAD	\$420,000
TOTAL FY98 STATE AID	<u>\$62,288,399</u>

SCHOOL CONSTRUCTION ELIGIBLE DEBT RETIREMENT



Updated 1/297
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OUTSTANDING PRINCIPAL

 OUTSTANDING INTEREST

 STATE LIABILITY

STATEWIDE PRINCIPAL

SCHOOL CONSTRUCTION DEBT RETIREMENT

UPDATED 1/2/97

Fiscal Year	ALEUTIC	ANCHORAGE	BRIST BAY	FAIRBANKS	HCONAH	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE & PEN	MAT-SU	N SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	YAKUTAT	Statewide Principal	Fiscal Year
FY97	50,912	17,757,327	260,000	5,593,400	94,439	3,377,548	7,265,000	1,610,000	1,216,824	300,000	5,432,957	5,477,812	650,000	1,847,008	962,757	1,770,000	705,000	0	54,390,985	FY97
FY98	53,337	18,713,892	275,000	6,154,682	135,753	3,175,965	8,250,000	1,400,000	1,291,632	429,752	5,161,934	5,881,867	690,000	722,828	971,145	1,530,000	760,000	89,748	55,687,532	FY98
FY99	58,185	19,527,141	300,000	6,530,793	143,405	2,639,341	8,895,000	1,200,000	1,381,439	451,740	4,923,922	5,745,306	250,000	342,828	974,702	1,625,000	805,000	94,731	55,888,515	FY99
FY00	60,610	12,927,838	320,000	6,179,265	151,198	1,845,430	9,600,000	1,200,000	1,461,295	473,827	1,580,863	6,794,900	270,000	342,828	983,437	1,825,000	845,000	99,717	48,761,205	FY00
FY01	65,459	12,018,812	340,000	3,726,135	159,134	1,778,656	10,365,000	0	1,551,151	496,018	1,522,274	760,103	0	342,828	577,359	140,000	865,000	104,703	34,832,631	FY01
FY02	0	9,234,832	365,000	3,958,004	162,250	1,863,928	1,225,000	0	411,006	518,319	1,474,166	1,440,441	0	342,828	171,477	150,000	785,000	104,703	22,206,955	FY02
FY03	0	10,296,905	0	4,184,874	170,506	278,621	1,295,000	0	430,814	545,735	828,863	1,429,016	0	342,828	180,801	0	830,000	109,689	20,723,651	FY03
FY04	0	10,380,690	0	4,481,744	178,928	292,526	1,360,000	0	450,622	578,272	664,044	0	0	0	95,341	0	870,000	114,675	19,468,841	FY04
FY05	0	10,960,789	0	4,780,483	187,539	307,243	1,435,000	0	470,429	605,935	699,226	0	0	0	100,108	0	800,000	124,647	20,471,399	FY05
FY06	0	8,727,473	0	5,087,353	196,344	324,117	1,520,000	0	490,237	638,732	734,407	0	0	0	105,113	0	0	129,632	17,953,409	FY06
FY07	0	8,360,983	0	3,186,093	80,865	0	0	0	514,996	61,669	778,383	0	0	0	110,369	0	0	134,619	13,227,956	FY07
FY08	0	8,601,527	0	3,402,962	50,247	0	0	0	544,707	0	822,360	0	0	0	115,887	0	0	0	13,537,690	FY08
FY09	0	8,974,262	0	391,702	52,788	0	0	0	574,419	0	866,338	0	0	0	121,682	0	0	0	10,981,186	FY09
FY10	0	9,395,451	0	415,441	55,465	0	0	0	604,130	0	914,710	0	0	0	127,766	0	0	0	11,512,962	FY10
FY11	0	9,898,606	0	439,181	58,273	0	0	0	633,841	0	967,482	0	0	0	134,154	0	0	0	12,131,536	FY11
FY12	0	10,491,723	0	474,790	61,220	0	0	0	668,504	0	1,029,049	0	0	0	140,862	0	0	0	12,868,148	FY12
FY13	0	10,015,059	0	498,530	64,317	0	0	0	708,120	0	1,090,616	0	0	0	147,905	0	0	0	12,524,545	FY13
FY14	0	9,921,877	0	534,139	87,573	0	0	0	747,735	0	1,156,581	0	0	0	133,177	0	0	0	12,561,082	FY14
FY15		10,527,294		557,878	70,993						0								11,156,171	FY15
FY16		6,968,828		605,357	74,594														7,648,779	FY16
FY17		3,332,296		640,967	38,716														4,011,978	FY17
TOTAL	288,502	227,033,584	1,860,000	61,823,771	2,254,550	15,883,377	51,210,000	5,410,000	14,151,901	5,100,000	30,468,173	27,529,445	1,860,000	4,283,974	6,154,038	6,640,000	7,285,000	1,106,663	470,543,178	TOTALS

NOTE: These numbers do not include approximately \$59.25 million of bond principle for Fairbanks projects scheduled for bond election on May 7, 1995.

This scenario accounts for only the eligible amount of principle due on school construction bonds net of any proration for ineligible portions of the bonds.

STATEWIDE LIABILITY

SCHOOL CONSTRUCTION DEBT RETIREMENT

UPDATED 1/2/97

Fiscal Year	ALEUTIC	ANCHORAGE	BRISTOL BAY	FAIRBANKS	HOONAH	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE & PEN	MAT-SU	N. SLOPE	PTERBURG	SITKA	UNALASKA	VALDEZ	WRANGELL	YAKUTAT	Statewide Liability	Fiscal Year
FY97	54,840	22,227,612	367,920	7,720,962	117,978	3,295,274	9,085,205	1,645,708	1,639,793	402,397	6,084,499	5,588,134	698,523	1,693,769	1,074,263	2,020,723	960,683	0	64,076,481	FY97
FY98	53,965	22,914,607	362,700	8,011,090	167,576	3,099,940	9,082,035	1,356,520	1,634,212	452,177	5,402,629	5,595,548	685,416	688,130	1,033,669	1,705,296	972,837	99,681	63,318,831	FY98
FY99	54,868	22,798,941	365,400	7,928,700	167,804	2,468,291	9,084,227	1,088,160	1,637,893	454,762	4,922,050	5,206,450	220,806	346,942	987,805	1,698,484	979,856	100,595	64,507,831	FY99
FY00	53,647	16,637,468	361,800	7,197,960	168,216	1,723,789	9,085,954	1,024,320	1,631,285	456,410	2,644,081	5,688,509	223,128	331,309	945,825	1,998,984	978,421	101,234	50,853,349	FY00
FY01	54,134	15,339,065	356,760	4,652,038	168,558	1,590,706	9,082,697	0	1,628,225	457,242	2,621,347	897,289	0	315,264	571,193	161,000	975,787	101,618	38,972,919	FY01
FY02	0	12,602,797	354,780	4,683,417	165,769	1,585,243	1,104,203	0	551,095	457,149	2,608,308	1,545,397	0	298,946	228,729	160,500	842,745	98,246	27,285,323	FY02
FY03	0	13,028,423	0	4,698,035	166,390	273,130	1,107,768	0	552,445	459,446	856,005	1,564,519	0	282,490	229,388	0	845,863	98,292	24,162,192	FY03
FY04	0	12,648,038	0	4,755,741	166,735	272,397	1,104,709	0	553,041	464,018	857,741	0	0	0	146,363	0	842,074	98,096	21,908,952	FY04
FY05	0	12,639,156	0	4,797,831	167,033	271,605	1,105,599	0	552,554	463,830	857,732	0	0	0	146,363	0	739,260	101,143	21,842,108	FY05
FY06	0	10,390,544	0	4,830,308	167,016	271,758	1,101,240	0	550,777	463,507	855,928	0	0	0	146,363	0	0	100,271	18,877,709	FY06
FY07	0	9,661,189	0	3,011,806	79,604	0	0	0	551,294	45,327	858,437	0	0	0	146,363	0	0	99,133	14,453,152	FY07
FY08	0	9,499,903	0	3,045,588	55,535	0	0	0	552,625	0	858,708	0	0	0	146,363	0	0	0	14,158,722	FY08
FY09	0	9,433,834	0	487,847	55,533	0	0	0	552,833	0	856,679	0	0	0	146,363	0	0	0	11,533,088	FY09
FY10	0	9,369,575	0	490,695	55,537	0	0	0	551,918	0	855,671	0	0	0	146,363	0	0	0	11,469,759	FY10
FY11	0	9,331,063	0	492,595	55,537	0	0	0	549,880	0	855,474	0	0	0	146,363	0	0	0	11,430,911	FY11
FY12	0	9,339,965	0	502,803	55,535	0	0	0	549,741	0	857,937	0	0	0	146,363	0	0	0	11,452,343	FY12
FY13	0	8,495,754	0	502,328	55,533	0	0	0	551,734	0	857,813	0	0	0	146,363	0	0	0	10,609,525	FY13
FY14	0	7,957,846	0	510,162	55,533	0	0	0	552,202	0	858,183	0	0	0	126,452	0	0	0	10,060,378	FY14
FY15		7,968,197		507,313	55,537						0								8,531,047	FY15
FY16		5,133,932		522,032	55,537														5,711,500	FY16
FY17		2,398,754		525,593	27,779														2,950,125	FY17
TOTAL:	271,454	249,814,660	2,169,360	69,872,841	2,730,273	14,850,135	50,943,635	5,114,708	15,343,355	4,576,265	34,567,221	26,083,844	1,827,873	3,957,849	6,660,949	7,344,988	8,138,525	998,310	504,766,242	TOTALS

NOTE: These numbers do not include the liability at 70% associated with approximately \$59.25 million of bond principle for Fairbanks projects scheduled for bond election on May 7, 1995

Reimbursements for projects approved for cash expenditures from local revenue are not included in this information.

STATEWIDE INTEREST

SCHOOL CONSTRUCTION DEBT RETIREMENT

UPDATED 1/2/97

Fiscal Year	ALEUT E	ANCHORAGE	BRIST BAY	FAIRBANKS	HOONAH	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE&PEN	MAT-SU	N SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	YAKUTAT	Statewide Interest	Fiscal Year
FY97	17,638	10,830,169	148,800	3,408,638	74,100	653,697	4,289,083	339,188	779,754	274,853	1,745,487	1,585,571	125,004	270,202	348,113	456,650	362,648	0	25,709,596	FY97
FY98	14,120	11,017,703	128,000	3,218,038	103,641	611,287	3,299,225	244,400	699,153	216,215	1,352,915	1,196,750	71,133	138,585	288,674	346,538	320,708	52,656	23,319,747	FY98
FY99	10,399	10,072,150	108,000	2,751,011	96,315	443,522	2,657,228	160,200	613,571	197,920	1,001,161	779,616	26,008	90,849	228,163	243,815	283,729	48,976	19,810,632	FY99
FY00	6,449	9,246,953	82,000	2,382,381	89,112	309,306	1,954,798	80,400	526,732	178,188	1,629,253	420,874	8,910	71,308	166,746	133,190	243,245	44,903	17,574,753	FY00
FY01	2,209	8,538,819	56,400	2,005,277	81,659	209,726	1,185,595	0	433,335	157,184	1,662,507	521,738	0	51,253	104,370	21,000	199,208	40,465	15,270,765	FY01
FY02	0	7,908,530	29,200	1,810,661	74,562	117,626	352,433	0	378,271	134,751	1,693,417	767,269	0	30,854	82,687	10,500	151,384	35,649	13,575,774	FY02
FY03	0	7,381,869	0	1,600,411	67,194	62,792	287,525	0	358,393	110,616	594,001	806,012	0	10,285	74,074	0	109,848	30,728	11,493,747	FY03
FY04	0	6,823,201	0	1,374,347	59,265	47,970	218,155	0	339,437	84,612	561,300	0	0	0	67,284	0	65,638	25,463	9,668,670	FY04
FY05	0	6,231,796	0	1,127,852	51,080	32,263	144,428	0	318,934	56,679	526,106	0	0	0	62,517	0	21,400	19,844	8,592,899	FY05
FY06	0	5,869,019	0	860,899	42,251	15,578	53,200	0	296,589	23,420	488,347	0	0	0	57,512	0	0	13,611	7,520,426	FY06
FY07	0	5,175,746	0	578,665	32,855	0	0	0	272,587	3,083	447,955	0	0	0	52,256	0	0	7,000	5,570,127	FY07
FY08	0	4,704,736	0	404,023	29,090	0	0	0	244,757	0	404,366	0	0	0	46,738	0	0	0	5,833,709	FY08
FY09	0	4,237,114	0	218,107	26,546	0	0	0	215,343	0	357,491	0	0	0	40,943	0	0	0	5,095,545	FY09
FY10	0	3,724,220	0	197,928	23,874	0	0	0	184,324	0	307,677	0	0	0	34,859	0	0	0	4,472,882	FY10
FY11	0	3,165,426	0	178,563	21,066	0	0	0	151,701	0	254,624	0	0	0	28,471	0	0	0	3,797,850	FY11
FY12	0	2,586,414	0	153,713	18,116	0	0	0	116,840	0	196,575	0	0	0	21,763	0	0	0	3,093,421	FY12
FY13	0	2,011,634	0	129,380	15,016	0	0	0	80,072	0	134,832	0	0	0	14,720	0	0	0	2,385,655	FY13
FY14	0	1,446,474	0	103,564	11,760	0	0	0	41,125	0	69,395	0	0	0	7,325	0	0	0	1,679,043	FY14
FY15		855,844		76,263	8,340						0								940,447	FY15
FY16		365,360		47,182	4,745														417,287	FY16
FY17		91,638		16,024	968														108,630	FY17
TOTAL:	50,815	112,084,836	550,400	22,640,934	931,555	2,503,765	14,441,668	824,188	6,048,896	1,437,521	13,427,408	6,077,838	231,054	663,337	1,727,198	1,211,693	1,757,805	319,295	186,930,205	TOTALS

NOTE: These numbers do not include the interest associated with approximately \$59.25 million of bond principle for Fairbanks projects scheduled for bond election on May 7, 1995

This scenario accounts for only the eligible amount of interest due on school construction bonds net of any prorations for ineligible portions of the bonds.



Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1000

May 7, 1997

The Honorable Mike Miller
Senate President
Alaska State Legislature
Capitol Building
Juneau, AK 99801

Dear President Miller:

Now I have just learned that CS Senate Bill No. 11 (Fin), An Act establishing a reimbursement program for school construction debt, passed the Senate and has been transmitted to the House.

This legislation contains an amendment to current law that will have drastic adverse consequences for the Fairbanks North Star Borough, because it removes the reimbursement provision for school bonds authorized by the voters between July 1, 1995 and July 1, 1997.

On May 7, 1996, the Fairbanks North Star Borough voters authorized over \$64,000,000 for school bonds. These bonds are eligible for 70% reimbursement under current law, but would no longer qualify for any reimbursement if the proposed amendment to AS 14.11.100(a)(6) in Senate Bill 11 becomes law. Section 1 of CS for Senate Bill No. 11 (Fin) contains the following amendment to AS 14.11.100(a)(6):

(6) . . . 70 percent of payments made by the municipality during the fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after April 30, 1993, but before July 1, 1995, to pay costs of school construction, additions to schools, and major rehabilitation projects . . .

When the voters of the Fairbanks North Star Borough voters authorized school bonds in May, 1996, the bonds were eligible for 70% reimbursement under AS 14.11.100(a)(6). This proposed amendment would retroactively close the window for any debt reimbursement for these bonds. Clearly the legislature intended that these bonds would be eligible for reimbursement, because Senate Bill 7 enacted in 1993 made a \$67,000,000 reimbursement allocation for this borough effective until July 1, 1996.

Letter to Senator Miller
May 7, 1997
Page 2

One year ago today, Fairbanks North Star Borough voters approved school bonds under current AS 14.11.100, which authorizes 70% reimbursement for school bonds and makes a specific reimbursement allocation effective until July 1, 1996. Your version of Senate Bill 11 provides no school debt reimbursement for bonds authorized by voters between July 1, 1995 to July 1, 1997. This means you just wiped out all school debt reimbursement to the Fairbanks North Star Borough for bonds approved last May 7, 1996. This will cost taxpayers over \$77,000,000. We urge you to delete this proposed amendment to AS 14.11.100(a)(6) so that our school bonds remain eligible for reimbursement.

Sincerely,



Jim Sampson
Borough Mayor

cc: Senator Gary Wilken
Representative Tom Brice
Representative John Davies
Representative Jeannette James
Representative Peter Kelly
Representative Bert Sharp, Co-chair, Finance
Representative Gene Therriault, Co-chair, Finance
Representative Al Vezey
Hank Hove, Presiding Officer, FNSB Assembly
Cynthia Henry, President, Board of Education
Dr. John Monahan Superintendent of Schools
Linda Anderson, Legislative Liaison
Nadine Winters, Special Assistant to the Mayor

FAX TRANSMITTAL SHEET

Date: 4/19/97
Time: _____

Alaska Department of Education
Education Support Services
801 West 10th Street, STE 200
Juneau, Alaska 99801-1894
Fax Number: (907) 465-3452

TO: NAME: Brett Huber
COMPANY: Juneau Halford's Office
PHONE #: 4907
FAX #: 4923

COMMENTS: Urgent For Your Review Reply ASAP Please Comment

Brett —
Here is the expanded list
subject to the qualifications over each
section. Un-approved projects would
still need to meet scope constraints.
Note - As I mentioned, there may be
a few additional projects we don't
have current knowledge of passing.

FROM: NAME: Mr. Morgan
PHONE #: 465-1353

Number of pages including this cover sheet: _____, if you have not received the number of pages
in this transmittal or some are not legible please call our office. Thank you.

**Approved Bond Debt Reimbursement Projects
Voter Approved**

DISTRICT	Project Name	Const. Cost	Amount	Election Date
Mat-Su	Talkeetna School Renovation/Addn	\$6,230,474	\$6,230,474	
Mat-Su	Meadow Lakes Elementary School	\$12,904,744	\$12,904,744	
Mat-Su	Alasta Middle School	\$32,814,749	\$24,282,914	

**Potentially Approvable Bond Debt Reimbursement Projects
DOE Not Notified of Voter Approval**

DISTRICT	Project Name	Const. Cost	Amount	Election Date
Craig	New Secondary School	\$17,410,830	\$17,410,830	
Craig	Elementary Addition/Reroof	\$3,950,400	\$3,950,400	
Unalaska	New Elementary Design & Construct.	\$6,308,593	\$6,308,593	
Aleutians E	False Pass Remodel/Addition	\$1,402,000	\$1,241,880	
Yakutat	Voc Ed Bldg Code Deficiencies Renovation	\$263,073	\$263,073	
Aleutians E	King Cove Mech & Exterior Upgr.	\$2,226,000	\$2,226,000	

**Potentially Approvable Bond Debt Reimbursement Projects
Approved By Voters in 1996 (Anchorage)**

DISTRICT	Project Name	Const. Cost	Amount	Election Date
Anchorage	Northern Lights ABC Replacement School	\$12,000,000	\$12,000,000	4/16/97
Anchorage	Fairview Elementary Replacement	\$12,000,000	\$12,000,000	4/16/97
Anchorage	DW Reroofing	\$6,765,000	\$6,765,000	4/16/97
Anchorage	DW Heating and Ventilation Upgrades	\$11,450,000	\$11,450,000	4/16/97
Anchorage	Chugiak High School Septic Remediation	\$300,000	\$300,000	4/16/97
Anchorage	ADA DW Improvements per Transition Plan	\$500,000	\$500,000	4/16/97
Anchorage	DW Underground Tank Removal - Phase I	\$1,500,000	\$1,500,000	4/16/97
Anchorage	Additional Approval for Northern Lights & Fairview	\$3,000,000	\$3,000,000	4/16/97
Anchorage	DW Fire Code Violations-Phase IV	\$1,985,000	\$652,000	4/16/97

**Unapproved Bond Debt Reimbursement Projects
Scheduled For Voter Approval in April 1997 (Anchorage)**

DISTRICT	Project Name	Const. Cost	Amount	Election Date
Anchorage	Taku Elementary Addition/Renovation	\$6,200,000	\$6,200,000	
Anchorage	Ptarmigan Elementary Renovation	\$2,700,000	\$2,700,000	
Anchorage	Nunaka Valley Elementary Renewal/Upgrade	\$5,400,000	\$5,400,000	
Anchorage	Ocean View Elementary Wall Construction	\$445,000	\$445,000	
Anchorage	Scenic Park Elementary Renewal/Upgrade	\$4,000,000	\$4,000,000	
Anchorage	Service High Renewal/Upgrade	\$750,000	\$750,000	

0-LS0151NB.2
Ford
4/8/97

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 11(HES)

BY SENATOR HALFORD

1 Page 4, line 7:

2 Delete "(i) and (i) of this section"

3 Insert "(h), (i), and (i)(2) - (4) of this section, and after the bonds, notes, or other
4 indebtedness have been approved by the commissioner"

projects funded by

5 Page 4, line 13:

6 Delete "(i) and (i)"

7 Insert "(h), (i), and (i)(1) - (4)"

8 Page 5, line 1:

9 Delete "(a)(4) - (7)"

10 Insert "(a)(4) - (9)"

11 Page 5, line 7:

12 Delete "(a)(4) - (7)"

13 Insert "(a)(4) - (9)"

14 Page 5, lines 23 - 24:

15 Delete "(a)(5) - (9) [(a)(5), (6), OR (7)]"

16 Insert "(a)(5), (6), or (7)"

17 Page 5, line 29, following "subsection,":

18 Insert "and to the extent required in (a)(8) and (9) of this section."

DISTRICT DOE #	Projects Approved According to 44.85.180(c)(2)(C)	Const. COST	Amt. Approved 14.11.100(a)(6)	Election Date
Aleutians East				
05-96-113	Sand Point Remodel/Addition	\$692,000	\$456,300	
Hoonah				
05-95-101	Hoonah Multipurpose Facility	\$1,991,550	\$1,991,550	10-3-1995/Pass
05-96-115	Hoonah DW Code Upgrade	\$263,000	\$263,000	10-1-1996/Pass
Kenai				
05-94-108	West Homer Elementary	\$10,764,000	\$11,737,156	10-4-1994/Pass
Kodiak				
05-94-103	North Star Elementary	\$8,491,660	\$8,491,660	10-5-1993/Pass
05-94-110	Ouzinkie Addition & Renovation	\$1,115,000	\$1,115,000	10-5-1993/Pass
Lake & Peninsula				
05-94-101	Pilot Point School Replacement	\$1,100,000	\$1,055,440	10-5-1993/Pass
05-94-102	Ivanof Bay School Replacement	\$1,000,000	\$1,000,000	" "
05-94-105	Kokhanok School Addition	\$650,000	\$650,000	" "
05-94-107	Fuel Tank Upgrade & Spill Remediation	\$950,000	\$595,958	" "
05-94-117	Port Heiden/Meshik Addition	\$800,000	\$800,000	" "
05-94-120	Egegik School Addition	\$500,000	\$500,000	" "
05-96-101	District Wide Water/Sewer Upgrade	\$500,000	\$500,000	" "
Mat-Su				
05-94-104	Glacier View School Addition	\$5,000,000	\$5,000,000	2-1-1994/Pass
05-94-111	Wasilla Middle Schl Add. & Renovat.	\$9,200,000	\$9,200,000	" "
North Slope				
05-94-121	Nuiqsut School	\$3,300,000	\$3,000,000	6-16-1992/Pass
05-94-119	Swimming Pool Repair Districtwide	\$2,150,000	\$1,009,000	6-16-1992/Pass
05-94-137	Anaktuvuk Pass School Expansion	\$1,484,000	\$1,484,000	6-16-1992/Pass
Yakutat				
05-96-111	Yakutat Elementary Renovation	\$896,863	\$836,863	9-17-1996/Pass
05-96-112	Yakutat Roof Renovation	\$260,000	\$270,000	9-17-1996/Pass

Approved Funding under 44.85.180(c)(2)(C)	\$49,955,927
Unobligated funds remaining from the \$50,000,000	\$44,073

APPROVED DEBT RETIREMENT PROJECTS

DISTRICT DOE #	Projects Approved \$133,000,000	Const. COST	Amt. Approved 14.11.100(a)(6)	Election Date
Anchorage				
05-94-122	Chinook Elementary Addition/Reno.	\$4,500,000	\$4,500,000	4-6-1994/Pass
05-94-123	Romig Jr.High Addition/Renovation	\$4,645,000	\$4,645,000	4-6-1994/Pass
05-94-124	Williwaw Elementary, Completion	\$6,000,000	\$6,000,000	4-6-1994/Pass
05-94-125	Chugiak Elem.Septic System Repl.	\$205,000	\$205,000	4-6-1994/Pass
05-94-126	Dimond High Electrical Upgrade	\$575,000	\$575,000	4-6-1994/Pass
05-94-127	Replace Deteriorated Roofs (Chugiak, Ptarmigan, Wonder Park, Government Hill)	\$2,685,000	\$2,685,000	4-6-1994/Pass
05-94-128	Heating System Upgrades (Bartlett & Service)	\$2,395,000	\$2,395,000	4-6-1994/Pass
05-94-129	New Elementary/Sand Lake	\$15,500,000	\$14,500,000	4-6-1994/Pass
05-94-130	New Elementary/Turnagain	\$15,400,000	\$14,400,000	4-6-1994/Pass
05-94-131	New Elementary/68th Street	\$14,300,000	\$13,300,000	4-6-1994/Pass
05-94-132	New Elementary/Mountain View	\$14,915,000	\$13,915,000	4-6-1994/Pass
05-94-133	West High Addition/Renovation	\$18,675,000	\$18,675,000	4-6-1994/Pass
05-94-134	Chugiak New Jr.Hi/Middle School	\$37,000,000	\$25,160,000	4-6-1994/Pass
05-94-135	Anchorage Bowl New Jr.Hi/Middle	\$42,170,000	\$12,045,000	4-6-1994/Pass
NOTE: Amounts approved for reimbursement have been established by deducting previous sources of state funding awarded through SB60 and the required participating share, and limited to eligible space according to DOE School Space Guidelines and available funding according to 44.85.180(c)(2)(A).				

Approved Funding under 44.85.180 (c) (2) (A)	\$133,000,000
Unobligated funds remaining from the \$133,000,000	\$0

APPROVED BOND DEBT REIMBURSEMENT PROJECTS

DISTRICT DOE #	Projects Approved According to 44.85.180(c)(2)(B)	Const. COST	Amt. Approved 14.11.100(a)(6)	Elect.Dt Pass/Fail
Fairbanks				
05-94-114	Lathrop HS Rehabilitation	\$20,000,000	\$3,748,600	10-5-1993/Pass
05-96-114	North Pole Elem Renovate & Addn	\$6,581,200	\$6,581,200	5-7-1996/Pass
05-96-102	Badger Elem HV System Renovate	\$1,000,000	\$1,000,000	5-7-1996/Pass
05-96-103	Hunter Elementary Addn/Renovate	\$4,695,000	\$1,500,000	5-7-1996/Pass
05-96-104	Salcha & Two Rivers Elem's Renovate	\$300,000	\$300,000	5-7-1996/Pass
05-96-105	Denali Elementary Renovation	\$750,000	\$750,000	5-7-1996/Pass
05-96-106	Nordale Elementary Renovation	\$750,000	\$750,000	5-7-1996/Pass
05-96-107	Ryan Junior High Renovation	\$1,250,000	\$1,250,000	5-7-1996/Pass
05-96-108	New Fairbanks Junior High School	\$16,500,000	\$16,000,000	5-7-1996/Pass
05-96-109	West Valley HS Renovate & Addn	\$32,870,229	\$32,870,200	5-7-1996/Pass
05-96-110	Districtwide Tech Electrical Upgrade	\$2,250,000	\$2,250,000	5-7-1996/Pass

NOTE: Amounts approved for reimbursement are reduced by the following: SB 60 awarded \$20,000,000 for the combined projects. The district must provide \$8,571,428 as a participating share. \$2,000,000 from a previous grant was distributed among the three.

Approved Funding under 44.85.180(c)(2)(C)	\$67,000,000
Unobligated funds remaining from the \$67,000,000	\$0

S B

1 3

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase Tobacco Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Sharp
 Requestor: (S) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	30.0	30.0	30.0	30.0	30.0	30.0
TRAVEL	0.5	0.5	0.5	0.5	0.5	0.5
CONTRACTUAL	6.5	1.5	1.5	1.5	1.5	1.5
SUPPLIES	0.5	0.5	0.5	0.5	0.5	0.5
EQUIPMENT	4.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	41.5	32.5	32.5	32.5	32.5	32.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES	28,938.8	43,408.2	43,408.2	43,408.2	43,408.2	43,408.2
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	41.5	32.5	32.5	32.5	32.5	32.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	41.5	32.5	32.5	32.5	32.5	32.5

Estimate of any current year (FY97) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried, Economist Phone: 465-3682
 Division: Income and Excise Audit Division Date: February 3, 1997
 Approved by Commissioner: Wilson L. Condon Date: February 4, 1997
 Agency: Department of Revenue

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Alaska Department of Revenue
Income and Excise Audit Division

Increase Tobacco Taxes

SB 13

0-LS0159\F

February 3, 1997

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DRAFT BILL ANALYSIS

Section 1 establishes the legislative intent to use revenues generated by increases in the cigarette tax rate for the state support of elementary and secondary education and revenues generated by increases in the tobacco tax rate to establish and maintain an anti-tobacco campaign targeted at children.

Section 2 increases the School Fund portion of the cigarette tax rate by \$1.00 per pack of 20; from 2.5 mills per cigarette (\$.05 per pack) to 52.5 mills per cigarette (\$1.05 per pack). Combining this rate with the 12 mills per cigarette (\$.24 per pack) levied under AS 43.50.190, which goes to the General Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.29.

Section 3 This section only takes effect if section 1 of this act is ruled unconstitutional (see section 6). If so, the statute would be amended back to how it was prior to the bill passage.

Section 4 This section only takes effect if section 1 is ruled unconstitutional (see section 6). If so, this section increases the General Fund portion of the cigarette tax rate by \$1.00 per pack of 20; from 12 mills per cigarette (\$.24 per pack) to 62 mills per cigarette (\$1.24 per pack) through FY 2000. Combining this rate with the 2.5 mills per cigarette (\$.05 per pack) levied under AS 43.50.090, which is dedicated to the School Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.29.

Section 5 increases the tobacco products tax rate from 25% to 100% of the wholesale price of the tobacco products.

Section 6 provides for sections 3 and 4 of this Act only taking effect if dedication of the proceeds of the cigarette tax to the School Fund is found to be unconstitutional.

Section 7 establishes an effective date of October 1, 1997 for sections 1, 2, and 5 of this act.

Section 8 establishes an effective date of which ever of the following comes later for sections 3 and 4 of this act: (1) when a court enters a final judgement that the amendment

Alaska Department of Revenue
Income and Excise Audit Division

Increase Tobacco Taxes

SB 13

0-LS0159F

February 3, 1997

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under section 1 of this act is unconstitutional or (2) when the time for appeal has expired or upon entry of a final order on the appeal that section 1 is unconstitutional.

OPERATING EXPENDITURES

Department of Revenue is requesting operating funds to cover ½ the costs of a Revenue Auditor III position. With such a large increase in taxes due the state (increase from \$17 to \$60 million annually), the department anticipates increased taxpayer noncompliance.

With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This ½ position will be responsible for ensuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax. The projected annual salary costs for the ½ portion of this position comes to \$30.0.

The department is also requesting one time FY 98 funding of \$5.0 for contractual funds to cover costs of public notice of rate increases, forms revisions and postage, and \$4.0 for equipment (\$3.5 for computer costs and \$.5 for office equipment). The recurring costs will be \$2.5 to cover travel, contractual and supplies.

REVENUE COLLECTED

The attached spreadsheet details revenue projections from rate increases in this bill.

Alaska Department of Revenue
Income and Excise Audit Division
Projected Revenue Increases from Change in Tobacco Tax Rates

Increase Tobacco Taxes
 SB 13
 O-LS0159\F
 February 3, 1997
 Page 4 of 4

	<u>FY 98*</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
Cigarettes							
<i>Elasticity Factor</i>	-18.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumption (packs of cigarettes)	28,625,595 *	42,938,393	42,938,393	42,938,393	42,938,393	42,938,393	42,938,393
Rate	\$1.29	\$1.29	\$1.29	\$1.29	\$1.29	\$1.29	\$1.29
Cigarette Tax	<u>\$36,927,017</u>	<u>\$55,390,527</u>	<u>\$55,390,527</u>	<u>\$55,390,527</u>	<u>\$55,390,527</u>	<u>\$55,390,527</u>	<u>\$55,390,527</u>
Less 1.0% Commission	<u>(369,270)</u>	<u>(553,905)</u>	<u>(553,905)</u>	<u>(553,905)</u>	<u>(553,905)</u>	<u>(553,905)</u>	<u>(553,905)</u>
Net Cigarette Tax	\$36,557,747	\$54,836,622	\$54,836,622	\$54,836,622	\$54,836,622	\$54,836,622	\$54,836,622
FY 97 Projected Net Cigarette Tax	<u>(10,083,937) *</u>	<u>(15,125,905)</u>	<u>(15,125,905)</u>	<u>(15,125,905)</u>	<u>(15,125,905)</u>	<u>(15,125,905)</u>	<u>(15,125,905)</u>
Net Cigarette Tax Increase	\$26,473,810	\$39,710,717	\$39,710,717	\$39,710,717	\$39,710,717	\$39,710,717	\$39,710,717
Increase to School Fund	\$26,473,810	\$39,710,717	\$39,710,717	\$39,710,717	\$39,710,717	\$39,710,717	\$39,710,717
Tobacco Products							
<i>Elasticity Factor</i>	-18.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumption (Whole. Pr. 1996 \$)	\$3,591,648 *	\$5,387,473	\$5,387,473	\$5,387,473	\$5,387,473	\$5,387,473	\$5,387,473
Rate	100%	100%	100%	100%	100%	100%	100%
Tobacco Products Tax	<u>\$3,591,648</u>	<u>\$5,387,473</u>	<u>\$5,387,473</u>	<u>\$5,387,473</u>	<u>\$5,387,473</u>	<u>\$5,387,473</u>	<u>\$5,387,473</u>
Less 1.0% Commission	<u>(35,916)</u>	<u>(53,875)</u>	<u>(53,875)</u>	<u>(53,875)</u>	<u>(53,875)</u>	<u>(53,875)</u>	<u>(53,875)</u>
Net Tobacco Products Tax	\$3,555,732	\$5,333,598	\$5,333,598	\$5,333,598	\$5,333,598	\$5,333,598	\$5,333,598
FY 97 Projected Net Tob. Prod. Tax	<u>(1,090,715)</u>	<u>(1,636,073)</u>	<u>(1,636,073)</u>	<u>(1,636,073)</u>	<u>(1,636,073)</u>	<u>(1,636,073)</u>	<u>(1,636,073)</u>
Net Tobacco Prod. Tax Increase	\$2,466,016	\$3,697,625	\$3,697,625	\$3,697,625	\$3,697,625	\$3,697,625	\$3,697,625
Increase to General Fund	\$2,466,016	\$3,697,625	\$3,697,625	\$3,697,625	\$3,697,625	\$3,697,625	\$3,697,625
Cigarette and Tob. Products							
Net Cigarette and Tobacco Tax	\$40,113,479 *	\$60,170,220	\$60,170,220	\$60,170,220	\$60,170,220	\$60,170,220	\$60,170,220
Net Cig. and Tob. Increase	<u>\$28,938,827 *</u>	<u>\$43,408,242</u>	<u>\$43,408,242</u>	<u>\$43,408,242</u>	<u>\$43,408,242</u>	<u>\$43,408,242</u>	<u>\$43,408,242</u>

*Note: The bill's effective date results in the tax increase covering 8 months in FY 98.

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/13/97

FURTHER: Finance

Date of 5-Day Notice: 1/30/97
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 2/14/97

Health, Education and Social Services Committee considered SENATE BILL NO. 13

"An Act relating to taxes on cigarettes and tobacco products, and to the use of the proceeds of those taxes; and providing for an effective date."

and recommends:

- be replaced with CS SB 13 (HES)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by Committee
- further referral to the Committee

- Senate Bill:**
 same title
 new title
- House Bill:**
 same title
 technical title
 new: SCR#

SIGNING DE PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
		<i>[Signature]</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
Revenue	2/3/97		<input checked="" type="checkbox"/>
Fiscal Notes for CSSB/3(HES) forthcoming			

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

CS FOR SENATE BILL NO. 13(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS SHARP, Ellis

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxes on cigarettes and tobacco products, and to the filings
2 of returns for and the use of the proceeds of those taxes; and providing for an
3 effective date."

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

5 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that

6 (1) the first two and one-half mills of the tax on cigarettes supports the "school
7 fund," a pre-Statehood dedicated fund the proceeds of which are to be used only for the
8 construction and maintenance of public school facilities and for closely related purposes;

9 (2) as reported in the Alaska Constitutional Convention Proceedings, the
10 delegates to Alaska's Constitutional Convention, while favoring a general prohibition against
11 dedicated funds, authorized an exception in order to permit the continuance of a dedication
12 for special purposes in effect on the date of ratification of the proposed state constitution;

13 (3) in debate about the provision, key members of the convention committee
14 that developed its language, defending the exception, related that the provision was drafted

1 so that the rate of taxation that supported a dedicated fund could be changed by law without
2 affecting the status of the dedication;

3 (4) the attorney general, in a 1959 opinion, concluded that the legislature was
4 without power to raise or lower the dedication by increasing or decreasing the rate of a tax
5 or license fee;

6 (5) while the intent of the constitutional framers has weight in determining the
7 intent of the Constitutional Convention and has influenced the legislature in its decision to
8 increase the rate of the tax on cigarettes dedicated for deposit to the "school fund," a final
9 resolution of the question rests with the courts, which may find that any change made by the
10 legislature in the rate of taxation of cigarettes eliminates the dedicated status of the "school
11 fund" as an exception to the dedicated fund prohibition; and

12 (6) it is in the best interests of the state that the tax on cigarettes be increased,
13 but that provision for the increase in the rate of the state's tax on cigarettes shall be made in
14 the alternative so that, in the event a court makes a final determination that adjustment of the
15 rate of the tax that supports a dedicated fund eliminates the dedication, the tax will return to
16 its current rate, its dedication for school facility related purposes may continue, and the
17 increased levy shall instead be deposited into the general fund for the uses and purposes
18 otherwise described in this Act.

19 * Sec. 2. LEGISLATIVE INTENT. It is the intent of the legislature that, of the tax
20 revenue derived

21 (1) from the amendment to the cigarette tax made by sec. 5 of this Act, the
22 amount obtained be deposited into the school fund (AS 43.50.140) and used as required by
23 that section for state support of elementary and secondary education;

24 (2) from the amendment contingently made to the cigarette tax by sec. 7 of this
25 Act, subject to appropriation by the legislature to the school construction savings fund, an
26 endowment trust fund, with the income to be used for state support of elementary and
27 secondary education; and

28 (3) from the amendment made to the tobacco tax by sec. 9 of this Act, subject
29 to appropriation, the amount obtained be used to establish and maintain an aggressive anti-
30 tobacco campaign targeting children, to be administered by the Department of Health and
31 Social Services, and be used to establish and maintain a program of pass-through grants to

1 municipalities to detect and prosecute those who sell or otherwise supply tobacco to children,
2 to be administered by the Department of Public Safety.

3 * Sec. 3. AS 37.13 is amended by adding a new section to article 2 to read:

4 **Sec. 37.13.320. Corporation to manage school construction savings fund.**

5 The corporation shall manage the school construction savings fund subject to
6 AS 37.13.120.

7 * Sec. 4. AS 37.14 is amended by adding a new section to read:

8 **Article 2A. School Construction Savings Fund.**

9 **Sec. 37.14.175. School construction savings fund established.** (a) The
10 school construction savings fund is established as a separate endowment trust of the
11 state. The principal of the school construction savings fund consists of legislative
12 appropriations to it, including those made under AS 43.50.190(c), and amounts
13 transferred from the fund's income to the fund's principal sufficient to offset the
14 effects of inflation on fund principal during the fiscal year.

15 (b) The school construction savings fund shall be held and invested by the
16 Alaska Permanent Fund Corporation subject to AS 37.13.120.

17 (c) The earnings from the school construction savings fund shall be accounted
18 for separately. Subject to appropriation, after transfer from income earnings to the
19 fund's principal of an amount sufficient to offset the effects of inflation on fund
20 principal during the fiscal year, the remaining income may be used for a purpose
21 described in AS 43.50.140. This section is not intended to create a dedication in
22 violation of art. IX, sec. 7, Constitution of the State of Alaska.

23 * Sec. 5. AS 43.50.090(a) is amended to read:

24 (a) There is levied an excise tax of 52 1/2 [TWO AND ONE-HALF] mills on
25 each cigarette imported or acquired in the state. Each licensee shall, at the time of
26 filing the return required by AS 43.50.080, pay to the department the excise for the
27 calendar month covered by the return, deducting three-tenths of one percent of the
28 total tax due, which the licensee shall retain to cover the expense of accounting and
29 filing returns. Cigarettes upon which the excise is imposed are not again subject to the
30 excise when acquired by another person.

31 * Sec. 6. AS 43.50.090(a) is amended to read:

1 (a) There is levied an excise tax of two and one-half [52 1/2] mills on each
2 cigarette imported or acquired in the state. Each licensee shall, at the time of filing
3 the return required by AS 43.50.080, pay to the department the excise for the calendar
4 month covered by the return, deducting three-tenths of one percent of the total tax due,
5 which the licensee shall retain to cover the expense of accounting and filing returns.
6 Cigarettes upon which the excise is imposed are not again subject to the excise when
7 acquired by another person.

8 * Sec. 7. AS 43.50.190 is amended to read:

9 Sec. 43.50.190. Additional tax levy on cigarettes. (a) There is levied an
10 excise tax of 62 [12] mills on each cigarette imported or acquired in this state.

11 (b) The tax levied by this section is in addition to the tax levied by
12 AS 43.50.010 - 43.50.180. The tax shall be administered and collected in the same
13 manner as the tax levied by AS 43.50.010 - 43.50.180, except that receipts from the
14 tax shall be deposited in the general fund and may be appropriated by the
15 legislature as provided by (c) of this section. The penalties provided in AS 43.05
16 apply to the tax levied in this section.

17 * Sec. 8. AS 43.50.190 is amended by adding a new subsection to read:

18 (c) The tax collected under (a) of this section that is deposited into the general
19 fund shall be accounted for separately in an account called the "school construction
20 savings transfer account." The legislature may appropriate from the "school
21 construction savings transfer account" to the school construction savings fund
22 established in AS 37.14.175. The deposit required and appropriation authorized by this
23 section are not intended to create a dedication in violation of art. IX, sec. 7,
24 Constitution of the State of Alaska.

25 * Sec. 9. AS 43.50.300 is amended to read:

26 Sec. 43.50.300. Excise tax levied. An excise tax is levied on tobacco products
27 in the state at the rate of 100 [25] percent of the wholesale price of the tobacco
28 products. The tax is levied when a person

29 (1) brings, or causes to be brought, a tobacco product into the state
30 from outside the state for sale;

31 (2) makes, manufactures, or fabricates a tobacco product in the state

1 for sale in the state; or

2 (3) ships or transports a tobacco product to a retailer in the state for
3 sale by the retailer.

4 * Sec. 10. AS 43.50.330(b) is amended to read:

5 (b) The licensee shall remit with the return the tax due under AS 43.50.300
6 for the month covered by the return, after deducting three-tenths of one percent of the
7 tax due, which the licensee shall retain to cover the expense of accounting and filing
8 the return.

9 * Sec. 11. AS 43.50 is amended by adding a new section to read:

10 Sec. 43.50.365. Tax adjustment. (a) The amounts in AS 43.50.090(a), in
11 AS 43.50.190(a), and in AS 43.50.300 change, as provided in this section, according
12 to and to the extent of changes in the Consumer Price Index for all urban consumers
13 for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics,
14 United States Department of Labor. The index for January of 1998 is the reference
15 base index.

16 (b) The amounts change on July 1 of each even-numbered year in an amount
17 equal to the percentage of change, calculated to the nearest whole percentage point,
18 between the index for January of that year and the most recent index used to change
19 the amount in AS 43.50.300. However, the amounts do not change if the amounts
20 required by this section are those currently in effect as a result of earlier application
21 of this section.

22 (c) If the index is revised, the percentage of change is calculated on the basis
23 of the revised index. If a revision of the index changes the reference base index, a
24 revised reference base index is determined by multiplying the reference base index
25 applicable by the rebasing factor furnished by the United States Bureau of Labor
26 Statistics. If the index is superseded, the index referred to in this section is the one
27 represented by the Bureau of Labor Statistics as reflecting most accurately changes in
28 the purchasing power of the dollar for Alaska consumers.

29 * Sec. 12. AS 43.50 is amended by adding a new section to read:

30 Sec. 43.50.380. Notice. At the time of a change under AS 43.50.365 in the
31 amount of a tax, the department shall promptly give public notice of the change. The

1 department shall also provide notification of a change to all persons licensed under this
2 chapter.

3 * Sec. 13. **CONDITIONAL EFFECT OF CERTAIN SECTIONS.** Sections 3, 4, and 6 - 8
4 of this Act take effect only if

5 (1) a court enters a final judgment that the amendment made to
6 AS 43.50.090(a) by sec. 5 of this Act changing the rate of taxation on cigarettes violates the
7 prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against dedication of
8 the proceeds of a state tax or license; and

9 (2) either the time for appeal of that judgment expires or, if an appeal is taken,
10 the court enters a final order in the appeal that AS 43.50.090(a), as amended by sec. 5 of this
11 Act, violates art. IX, sec. 7, Constitution of the State of Alaska.

12 * Sec. 14. **CONDITIONAL RETROACTIVITY OF CERTAIN PROVISIONS.** If secs. 6
13 and 7 of this Act take effect under sec. 13 of this Act, then the amendments to
14 AS 43.50.090(a) and 43.50.190(a) made by secs. 6 and 7 of this Act are retroactive to
15 October 1, 1997, and the revenue derived from the levy of mills per cigarette of the tax levied
16 under AS 43.50.090(a), as amended by sec. 5 of this Act, for cigarettes sold after
17 October 1, 1997, that exceeds two and one-half mills shall be credited to the tax levied under
18 AS 43.50.190(a), as amended by sec. 7 of this Act.

19 * Sec. 15. Sections 1, 2, 5, and 9 - 12 of this Act take effect October 1, 1997.

20 * Sec. 16. If secs. 3, 4, and 6 - 8 of this Act take effect under sec. 13 of this Act, they take
21 effect on the later of (1) the date a court enters a final judgment that the amendment made to
22 AS 43.50.090(a) by sec 5 of this Act changing the rate of taxation on cigarettes violates the
23 prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against dedication of
24 the proceeds of a state tax or license, and (2) the expiration of any time for appeal of that
25 judgment, or upon entry of a final order in the appeal that AS 43.50.090(a), as amended by
26 sec. 5 of this Act, violates art. IX, sec. 7, Constitution of the State of Alaska. The attorney
27 general shall promptly notify the lieutenant governor and the revisor of statutes of a judgment
28 described in this section.

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 4, 1997

Honorable Bert Sharp
 Senator
 State Capitol Rm. 514
 Juneau, Alaska 99801-1182

Re: Senate Bill 13 (relating to taxes on cigarettes
 and other tobacco products)

Dear Senator Sharp:

At the request of Pat Pourchot, we have reviewed SB 13. We are concerned about the prospects for litigation involving the power of the legislature to increase the tobacco tax levied under AS 43.50.090. The proceeds of a tax levied under AS 43.50.090 may be dedicated, because the dedication was in effect before statehood. If you are prepared to assume the risk of a challenge to the validity of this tax increase, you may wish to consider an amendment intended to make certain that tax receipts collected during the pendency of a court challenge are not lost to the state treasury if the appellants prevail. Under the bill as currently drafted, effective October 1997, the rate of the tax dedicated since before statehood (hereinafter the "primary tax") is increased.¹ The bill also levies an alternate tax with the proceeds deposited in the general fund to take effect if a court decides that the amendment to the primary tax violates the dedicated fund prohibition.²

It is likely that a taxpayer will protest levy of the primary tax, and sue to recover a refund of any tax paid. The claim for a refund would be based on the theory that the legislature lacked the power to increase the primary tax rate, to a dedicated fund.³ Because the alternate tax is not made retroactive, a taxpayer could receive a complete refund of the primary tax, and the alternative tax would not take effect until the date of the final unappealable appellate court decision. Even if the tax increase is promptly protested after enactment, the date of a final unappealable appellate court decision may be as long as two tax years after the primary tax is first levied. As currently drafted, the alternative tax is levied prospectively only, to remedy the possibility of losing perhaps two years of increased tax revenues, it would be prudent to make the alternate tax retroactive

¹ Sec. 2 of SB 13.

² Sec. 3, 4, and 6 of SB 13.

³ In our 1959 opinion, we declared that any attempt to change the rate of dedication is "a nullity." 1959 Opinion of the Attorney General No. 7 at p. 5.

PLEASE REPLY TO:

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 ANCHORAGE, ALASKA 99501-1133
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 FAX: (907) 276-3697

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 100 CUSHMAN ST., SUITE 400
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 PHONE: (907) 451-2811
 FAX: (907) 451-2816

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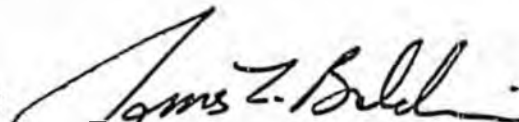
to October 1997, and to further provide that any tax increase paid under the primary tax may be taken as a credit against the retroactive alternate tax. This would protect against possible double taxation.

Thank-you for the opportunity to comment on this bill.

Very truly yours,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By:



James L. Baldwin
Assistant Attorney General

JLB:clh

cc: Pat Pourchot
Legislative Director
Office of the Governor

Elmer Lindstrom
Special Assistant
Office of the Commissioner
Department of Health & Social Services

AMENDMENT

OFFERED IN THE SENATE

TO: SB 13

1 Page 3, following line 10:

2 Insert a new bill section to read:

3 **"* Sec. 7. RETROACTIVITY.** If secs. 3 and 4 of this Act take effect under sec. 6 of this
4 Act, then the amendments to AS 43.50.090(a) and 43.50.190(a) made by secs. 3 and 4 of this
5 Act are retroactive to October 1, 1997, and 50 mills per cigarette of the tax levied under
6 AS 43.50.090(a), as amended by sec. 2 of this Act, for cigarettes sold after October 1, 1997,
7 shall be credited to the tax levied under AS 43.50.190(a), as amended by sec. 4 of this Act."

8 Renumber the following bill sections accordingly.

A M E N D M E N T

OFFERED IN THE _____

BY SENATOR WARD

TO: _____

1 To the title of a bill relating to cigarettes or tobacco, insert:

2 "relating to penalties for sales or gifts of tobacco to persons under 19 years of age, to
3 possession of tobacco by a person under 19 years of age, and to penalties on cigarette
4 tax and tobacco tax licensees for selling or giving cigarettes or tobacco to persons under
5 19 years of age."

6 Insert new bill sections at appropriate places:

7 ** Sec. A. AS 11.76.100(d) is amended to read:

8 (d) A person

9 (1) who violates (a)(1) of this section by selling, exchanging,
10 [SELLING] or giving tobacco to a person under 19 years of age [MINOR] is guilty
11 of a class A misdemeanor, except that, if within the five years preceding the
12 offense, the person has previously been convicted under this subsection or a law
13 or ordinance of this or another jurisdiction with elements substantially similar
14 to this section, the person is guilty of a class C felony;

15 (2) who maintains a vending machine in violation of (a)(2) of this
16 section commits a violation and upon conviction is punishable by a fine of not less
17 than \$300.

18 * Sec. B. AS 11.76.105(b) is amended to read:

19 (b) Possession of tobacco or a product containing tobacco in violation of
20 (a) of this section by a person under 19 years of age [MINOR] is a violation.

21 * Sec. C. AS 43.50.070 is amended to read:

22 Sec. 43.50.070. Revocation of licenses. The department shall revoke a

1 license issued under AS 43.50.010 - 43.50.180 for a violation of
2 AS 11.76.100(a)(1). The department may suspend or revoke a license issued under
3 AS 43.50.010 - 43.50.180 (1) for a criminally negligent violation of AS 11.76.107,
4 [AS 11.76.100, 11.76.107 OR] a violation of AS 11.76.100(a)(2) or AS 43.50.010 -
5 43.50.180, or a regulation of the department adopted under AS 43.50.010 - 43.50.180;
6 (2) if a licensee ceases to act in the capacity for which the license was issued; or (3)
7 if a manufacturer, distributor, or wholesale distributor negligently sells tobacco or
8 products containing tobacco to a nonlicensed retailer or a retailer whose license
9 endorsement under AS 43.70.075 has been suspended. A person whose license is
10 suspended or revoked may not sell cigarettes or permit cigarettes to be sold during the
11 period of the suspension or revocation on the premises occupied or controlled by that
12 person. A disciplinary proceeding or action is not barred or abated by the expiration,
13 transfer, surrender, renewal, or extension of a license issued under AS 43.50.010 -
14 43.50.180. The department shall comply with the provisions of AS 44.62 ([THE]
15 Administrative Procedure Act [(AS 44.62)].

16 * Sec. D. AS 43.50.320(f) is amended to read:

17 (f) The department shall revoke a license issued under this section for a
18 violation of AS 11.76.100(a)(1) and may suspend or revoke a license issued under
19 this section if the licensee violates AS 11.76.100(a)(2) or violates a provision of
20 AS 43.50.300 - 43.50.390 or a regulation adopted under AS 43.50.370.

21 * Sec. E. APPLICABILITY. This Act applies to offenses committed on or after the
22 effective date of secs. A - E of this Act. References in AS 11.76.100(d)(1), amended by
23 sec. A of this Act, to prior or previous convictions refer to convictions occurring on or after
24 the effective date of secs. A - E this Act."

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR WILKEN

TO: SB 13

1 Page 1, line 6:

2 Delete "sec. 2"

3 Insert "sec. 4"

4 Page 1, line 9:

5 Delete "sec. 4"

6 Insert "sec. 6"

7 Page 1, line 12:

8 Delete "sec. 5"

9 Insert "sec. 8"

10 Page 2, following line 3:

11 Insert new bill sections to read:

12 **** Sec. 2.** AS 37.13 is amended by adding a new section to article 2 to read:

13 **Sec. 37.13.320. Corporation to manage school construction savings**
14 **account.** The corporation shall manage the school construction savings fund subject
15 to AS 37.13.120.

16 *** Sec. 3.** AS 37.14 is amended by adding a new section to read:

17 **Article 2A. School Construction Savings Fund.**

18 **Sec. 37.14.175. School construction savings fund established.** (a) The
19 school construction savings fund is established as a separate endowment trust of the
20 state. The principal of the school construction savings fund consists of legislative
21 appropriations to it, including those made under AS 43.50.190(c).

22 (b) The school construction savings fund shall be held and invested by the

1 Alaska Permanent Fund Corporation subject to AS 37.13.120.

2 (c) The net income from the school endowment savings fund shall be
3 accounted for separately and may be appropriated by the legislature for a purpose
4 described in AS 43.50.140. This section is not intended to create a dedication in
5 violation of art. IX, sec. 7, Constitution of the State of Alaska."

6 Renumber the following bill sections accordingly.

7 Page 2, lines 20 - 22:

8 Delete all material and insert:

9 **"* Sec. 6.** AS 43.50.190 is amended to read:

10 **Sec. 43.50.190. Additional tax levy on cigarettes.** (a) There is levied an
11 excise tax of 62 [12] mills on each cigarette imported or acquired in this state.

12 (b) The tax levied by this section is in addition to the tax levied by
13 AS 43.50.010 - 43.50.180. The tax shall be administered and collected in the same
14 manner as the tax levied by AS 43.50.010 - 43.50.180, except that receipts from the
15 tax shall be deposited in the general fund and may be appropriated by the
16 legislature as provided by (c) of this section. The penalties provided in AS 43.05
17 apply to the tax levied in this section.

18 *** Sec. 7.** AS 43.50.190 is amended by adding a new subsection to read:

19 (c) The tax collected under (a) of this section that is deposited into the general
20 fund shall be accounted for separately in an account called the "school construction
21 savings transfer account." The legislature may appropriate from the "school
22 construction savings transfer account" to the school construction savings fund
23 established in AS 37.14.175. The deposit required and appropriation authorized by
24 this section are not intended to create a dedication in violation of art. IX, sec. 7,
25 Constitution of the State of Alaska."

26 Renumber the following bill sections accordingly.

27 Page 3, line 2:

28 Delete "Sections 3 and 4"

1 Insert "Sections 2, 3, and 5 - 7"

2 Page 3, line 5:

3 Delete "sec. 2"

4 Insert "sec. 4"

5 Page 3, line 9:

6 Delete "sec. 2"

7 Insert "sec. 4"

8 Page 3, line 11:

9 Delete "Sections 1, 2, and 5"

10 Insert "Sections 1, 4, and 8"

11 Page 3, line 12:

12 Delete "If secs. 3 and 4 of this Act take effect under sec. 6"

13 Insert "If secs. 2, 3, and 5 - 7 of this Act take effect under sec. 9"

14 Page 3, line 14:

15 Delete "sec. 2"

16 Insert "sec. 4"

17 Page 3, line 18:

18 Delete "sec. 2"

19 Insert "sec. 4"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR WILKEN

TO: Draft CSSB 13(HES) ("K" version dated 2/12/97)

1 Page 6, following line 2:

2 Insert a new bill section to read:

3 **** Sec. 13. FLOOR STOCK TAXES.** (a) There is imposed on every person engaged in
4 business in this state as a distributor of cigarettes a floor stock tax. The floor stock tax is
5 imposed once on the cigarettes that are in the person's possession or under the person's
6 control at 12:01 a.m. on the date that is the effective date of this section. The tax is imposed
7 at the rate required under AS 43.50.090(a), as amended by sec. 5 of this Act, less any tax
8 paid or owed on the same product under AS 43.50.010 - 43.50.190 at the rate in effect on
9 the date before the effective date of this section.

10 (b) There is imposed on every person engaged in business in this state as a distributor
11 of tobacco products other than cigarettes a floor stock tax. The floor stock tax is imposed
12 once on those tobacco products that are in the person's possession or under the person's
13 control at 12:01 a.m. on the effective date of this section. The tax is imposed at the rate
14 required under AS 43.50.300, as amended by sec. 9 of this Act, less any tax paid or owed
15 on the same product under AS 43.50.300 - 43.50.390 at the rate in effect on the date before
16 the effective date of this section.

17 (c) The provisions of AS 43.05 and AS 43.10 apply to the administration,
18 enforcement, and collection of the floor stock tax levied by this section.

19 (d) The Department of Revenue shall adopt regulations as necessary to implement
20 this section.

21 (e) In this section,

22 (1) the definitions of AS 43.50.170 apply to (a) of this section; and

23 (2) the definitions of AS 43.50.390 apply to (b) of this section."

24 Renumber the following bill sections accordingly.

- 1 Page 6, line 13:
- 2 Delete "sec. 13"
- 3 Insert "sec. 14"

- 4 Page 6, line 19:
- 5 Delete "9 - 12"
- 6 Insert "9 - 13"

- 7 Page 6, line 20:
- 8 Delete "sec. 13"
- 9 Insert "sec. 14"

Summary of Changes to
CS for Senate Bill No. 13 (HES)
"Increase in Tobacco Taxes"

- 1) Legislative Findings Sec. 1
 - Strengthens the argument that it is constitutional to change the rate of a pre-Statehood dedicated fund

- 2) School Construction Savings Fund Sec. 2, 3, 4, 7, 8
 - Establishes a secure fall-back position that will provide a steady source of revenue for school construction

- 3) Change in Tax Collection Administrative Fee Sec. 5 & 10
 - Ensures that the administrative fee for filing tax returns remains constant even as the tax increases

- 4) Tax Increase Tied to the Consumer Price Index Sec. 11
 - Guarantees an increase in the tax as the Consumer Price Index increases

- 5) Public Notice of Tax Change Sec. 12
 - Ensures a public notice of the tax change due to an increase in the Consumer Price Index

- 6) Retroactive Protection of Revenue Collected Sec. 14
 - Provides a safeguard that the tax revenue collected after 10/1/97 will be transferred to the School Construction Savings Fund if a constitutional challenge is successful

Increase Tax on Cigarettes and Tobacco Products

The excise tax levied on cigarettes is increased 50 mills on each cigarette (\$1.00 per pack).

Tax revenue (\$39.7 million in FY 99) is deposited directly into the School Fund (AS 43.50.140) for rehabilitation, construction, and repair of school facilities.

The Legislature may appropriate money from the School Fund (AS 43.50.140) for rehabilitation, construction, and repair of school facilities.

The tax rate on tobacco products is increased from 25% to 100% of the wholesale price.

Tax revenue (\$3.7 million in FY 99) is deposited directly into the General Fund for appropriation.

The legislature may appropriate tax revenue to establish and maintain an aggressive anti-tobacco campaign targeting children; administered by DH&SS.

The legislature may appropriate tax revenue to establish and maintain a program of pass-through grants to detect and prosecute those who sell tobacco to children; administered by DPS.

Court Rules on Dedicated Fund Deposit

Dedicated fund deposit was constitutional

The excise tax levied on cigarettes is increased 50 mills on each cigarette (\$1.00 per pack).

Tax revenue (\$39.7 million in FY 99) is deposited directly into the School Fund (AS 43.50.140) for rehabilitation, construction, and repair of school facilities.

The Legislature may appropriate money from the School Fund (As 43.50.140) for rehabilitation, construction, and repair of school facilities.

Dedicated fund deposit was unconstitutional

The excise tax levied on cigarettes is increased 50 mills on each cigarette (\$1.00 per pack).

Unencumbered tax revenue collected since 10/1/97 and new revenue is deposited in the School Construction Savings Transfer Account within the General Fund.

The legislature may appropriate the tax revenues into the School Construction Savings Account, an endowment fund managed by the Permanent Fund Corporation (AS 37.14.175).

The legislature may appropriate the net income minus inflation proofing for rehabilitation, construction, and repair of school facilities.

Cigarette and Tobacco Activity

<i>Alaska Department of Revenue</i>				
<i>Income and Excise Audit Division</i>				
Tobacco Tax Report				
<i>For the Period 01/11/97 - 02/10/97</i>				
			FY 97 YTD	
	<i>Activity</i>	<i>Tax</i>	<i>Activity</i>	<i>Tax</i>
Cigarettes				
Gross Number of Cigarettes Sold	60,477,090		609,951,281	
Less Military Sales	(800,100)		(4,807,260)	
Less Other Credits	(60,000)		(3,615,275)	
Net Taxable Cigarettes	59,616,990		601,528,746	
Tax <i>(equals 1.45¢ per cigarette)</i>		864,446		\$8,722,167
Tobacco Products				
<i>(Tax equals 25% of wholesale price)</i>				
Gross Wholesale Price of Sales	430,169		\$4,067,567	
Less Military Sales	(5,457)		(23,648)	
Less Other Credits	(14,415)		(58,666)	
Net Wholesale Price	\$410,297		\$3,985,253	
Tax <i>(equals 25% of wholesale price)</i>		102,574		996,313
Gross Tax		967,021		9,718,481
Less 1% Commission		(9,670)		(97,186)
Total Net Tax		\$957,350		\$9,621,294

Note: This statistical report is based on tax return information received during the period, however it does not necessarily represent the actual revenue collected.

Prepared by the Dept. of Revenue

Cigarette and Tobacco Activity

Alaska Department of Revenue

Income and Excise Audit Division

Tobacco Tax Report

For the Period 02/11/97 - 03/10/97

		<i>FY 97 YTD</i>		
	<i>Activity</i>	<i>Tax</i>	<i>Activity</i>	<i>Tax</i>
Cigarettes				
Gross Number of Cigarettes Sold	84,561,677		694,512,958	
Less Military Sales	(908,132)		(5,715,392)	
Less Other Credits	(1,563,510)		(5,178,785)	
Net Taxable Cigarettes	82,090,035		683,618,781	
Tax <i>(equals 1.45¢ per cigarette)</i>		1,190,306		\$9,912,473
Tobacco Products				
<i>(Tax equals 25% of wholesale price)</i>				
Gross Wholesale Price of Sales	465,856		\$4,533,423	
Less Military Sales	(3,380)		(27,028)	
Less Other Credits	(2,241)		(60,907)	
Net Wholesale Price	\$460,235		\$4,445,488	
Tax <i>(equals 25% of wholesale price)</i>		115,059		1,111,372
Gross Tax		1,305,364		11,023,844
Less 1% Commission		(13,054)		(110,240)
Total Net Tax		\$1,292,311		\$10,913,605

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Mall Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2108

MEMORANDUM

April 3, 1996

SUBJECT: Tobacco Tax - (Work Order No. 9-LS1832)

TO: Representative Jeannette James

FROM: Michael R. Ford
Legislative Counsel

You have asked for an explanation of the effects of an increase of the tobacco tax (AS 43.50.090) on the dedicated fund provision contained in AS 43.50.140. As explained in this memo, it appears that the legislature may be able to increase the tax without affecting the dedicated status of the state school fund.

Under AS 43.50.140, the proceeds derived from the tobacco tax are required to be paid into the school fund. This fund avoids the constitutional prohibition against dedicated funds contained in Article IX, sec. 7, of the Alaska Constitution because the fund existed at the time the Alaska Constitution was ratified by the voters. Specifically, the Alaska Constitution provides that the dedicated funds prohibition does not "prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska." The two main motivations for the ban on dedicated funds are to maintain the potential of flexibility in budgeting and to ensure that the legislature does not abdicate its responsibility in making budget decisions. Fairbanks v. Convention & Visitor Bur., 818 P.2d 1153, at 1158 (Alaska 1991).

The precise question you have raised is whether the Alaska Constitution allows the legislature to change the amount of the tax, without affecting the status of the school fund as an exception to the dedicated fund rule. In 1959, the Attorney General issued opinion No. 7, that concluded that the "legislature has no power to raise or lower the dedication by increasing or decreasing the tax or license fee or the rate thereof which is set aside." 1959 Opinion No. 7, at page 5. This conclusion is, however, contradicted by the minutes of the constitutional convention. In discussing the language in Article IX, sec. 7, at the constitutional convention, the question arose as to the effect of this section regarding a change to the rate of taxation in a dedicated fund. The committee with the responsibility for writing Article IX was the committee on Finance and Taxation. The spokesman for that committee was Mr. Barrie M. White. The following discussion with Mr. White and other delegates illustrates the intent of the framers of the Alaska Constitution:

04/23/80 10.00
Representative Jeannette James

April 3, 1996

Page 2

R. RIVERS: May I make a correction? When I was illustrating the gas tax about the going up to six, no that would be wrong, because absolutely allowing allocations as exist at the time this constitution is ratified would fix the ceiling, I am sure, as to how high they could go. I'll call this the closing, if you wish, Mr. McCutcheon. But certainly they could go through. Now, when Mr. Taylor read my proposed amendment, he said "allocations allowed at the time this goes into effect" and he may have inadvertently omitted "continuance of". All I'm objecting to is this "continuance of". I'm in accord with their idea of not letting any more allocations come along, but when you say "continuance of" allocations I immediately think of the rate of allocations as well as the subject matter. Now if they are only going to allow allocations on particular subjects that are now covered by allocations then I have no quarrel with them whatsoever but I am sure that's not the intent of the Committee. The Committee intends to allow such rates of allocations as will exist when this constitution is ratified but no one may go beyond those rates in the future and if they ever drop down, this continuance business does not allow them to re-enact.

PRESIDENT EGAN: Mr. McCutcheon.

MCCUTCHEON: Mr. President, if as Mr. Rivers deduces, the terminology of this sentence means that the rates are frozen. The principle behind this sentence is not that the rates are frozen, it is the principle of allocating earmarked funds. It is not a matter of percentage wise, it is a theory of earmarked funds and I can't see his argument in this by striking out "continuance". He proposes that this is going to cure the proposition of a freeze. He thinks it is a freeze. It is not a freeze in any respect of the word as far as I can see; it is a matter of a theory of earmarked funds and doesn't have anything to do with dollar and cents or percentages.

PRESIDENT EGAN: Mr. Victor Rivers.

V. RIVERS: Mr. President, I would like to ask the Committee what their intent was on that. I would like to hear what they say.

PRESIDENT EGAN: Do you wish to answer that, Mr. White?

WHITE: I think I can answer for the Committee on that, Mr. Rivers. It is not the intent of the Committee that this be interpreted to mean a freeze in any way, shape, or form. The Committee feels that the objections raised by Mr. Rivers are covered by the existing language. The reason the Committee resists the deletion of the words "continuance of" is that it would then mean that the legislature could discontinue a presently earmarked fund next year

Representative Jeannette James

April 3, 1996

Page 3

and then 50 years from now bring it back into being. We do not intend that that be the case.

V. RIVERS: If you are not freezing an amount, could they raise an existing allocation under this? On the gasoline tax could they raise that to six per cent according to your thinking on this?

WHITE: Certainly they could.

V. RIVERS. If they lowered it down to three could they then re-enact two more after that?

WHITE: The Committee intends that this not have any reference to rates at all. The Committee intends that this apply to the allocation of particular taxes to a particular propose and no more than that.

V. RIVERS: I just wanted this in the record. Now if they wipe it out altogether, discontinue it, it's gone forever, is that right?

WHITE: That is right.

V. RIVERS: But if you discontinue half of it, you can raise it back up?

WHITE: That would mean that.

We believe that this discussion indicates a clear intent to allow a change to the rate of taxation, without affecting the status of a dedication of the proceeds of the tax. To this extent, we disagree with the 1959 opinion No. 7 issued by the Attorney General, that the framers of the constitution intended that a change to the rate of taxation would destroy the dedicated status of the fund.

It is important to note that while the intent of the constitutional framers has weight, the final decision on interpretation of the Alaska Constitution rests with the Alaska Supreme Court. It is possible that the court would disagree with the intent expressed in the constitutional minutes and find that any change to the rate of tobacco taxation destroys the status of the school fund as an exception the dedicated fund rule. Nonetheless, comments by delegates to the constitutional convention do have some bearing on the decision making process of the Alaska Supreme Court. In Starr v. Haggund, 374 P.2d 316, 319 (Alaska 1962), the court stated that "opinions of individual members of the constitutional convention are not considered to be a safe guide in ascertaining the purpose of a majority of the convention when adopting a particular provision. But reports of committees and statements of chairmen of such committees stand on more solid footing and may be resorted to in determining the

Representative Jeannette James

April 3, 1996

Page 4

intent of the enacting body." (Emphasis added) Therefore, the comments of Mr. White, as chairman of the committee on finance and taxation, may be persuasive to the court.

You have also asked if the rate of taxation is changed, does the additional revenue go into the school fund or the general fund? We believe that any increase in the tax imposed under AS 43.50.090 will not, by itself, affect the disposition of the proceeds of the tax. The increased revenues will still flow into the school fund as required under AS 43.50.140. It is also important to note that to maintain the status of the school fund as an exception to the dedicated fund rule, that disposition of the proceeds of the tobacco tax cannot be changed. To change the disposition of the proceeds of the tax as required under AS 43.50.140 would destroy the dedicated fund exemption granted to the school fund under Article IX, sec. 7, of the Alaska Constitution.

Please contact me if you have further questions.

MFF:klb
96-252.klb

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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105


MEMORANDUM

April 26, 1996

SUBJECT: Draft CSHB 431 () (Work Order No. 9-LS1518\F)

TO: Representative Jeannette James, Chair
House State Affairs Committee

FROM: Jack Chenoweth
Legislative Counsel



This is drafted in the alternative.

Until a few weeks ago, based on a very old Opinion of the Attorney General, I would have advised as a matter of course that this proposal to dedicate the tax increment constituted a violation of the dedicated fund prohibition of article IX, section 7. Now, as a result of further research explained in Legislative Counsel Mike Ford's April 3 memorandum, I believe that conclusion is not so certain.

The drafting of the amendment reflects the possibility that the dedication might not be found unconstitutional for the reason given in that memo.

To repeat advice already provided to you:

Under AS 43.50.140, the proceeds derived from the original tobacco tax are required to be paid into the school fund. This fund avoids the constitutional prohibition against dedicated funds contained in Article IX, sec. 7, of the Alaska Constitution because the fund existed at the time the Alaska Constitution was ratified by the voters. Specifically, the Alaska Constitution provides that the dedicated funds prohibition does not "prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska." The two main motivations for the ban on dedicated funds are to maintain the potential of flexibility in budgeting and to ensure that the legislature does not abdicate its responsibility in making budget decisions. Fairbanks v. Convention & Visitors Bureau, 818 P.2d 1153, at 1158 (Alaska 1991).

A question was raised as to whether the Alaska Constitution allows the legislature to change the amount of the tax, without affecting the status of the school fund as an exception to the dedicated fund rule. In 1959, the Attorney General issued opinion No. 7, that concluded that the "legislature has no power to raise or lower the dedication by increasing or decreasing the

Representative Jeannette James

April 26, 1996

Page 2

tax or license fee or the rate thereof which is set aside." 1959 Opinion No. 7, at page 5. This conclusion is, however, contradicted by the minutes of the constitutional convention. In discussing the language in Article IX, sec. 7, at the constitutional convention, the question arose as to the effect of this section regarding a change to the rate of taxation in a dedicated fund. The committee with the responsibility for writing Article IX was the committee on Finance and Taxation. The spokesman for that committee was Barrie M. White. The following discussion with Delegate White and other delegates illustrates the intent of the framers of the Alaska Constitution:

R. RIVERS: May I make a correction? When I was illustrating the gas tax about the going up to six, no that would be wrong, because absolutely allowing allocations as exist at the time this constitution is ratified would fix the ceiling, I am sure, as to how high they could go. I'll call this the closing, if you wish, Mr. McCutcheon. But certainly they could go through. Now, when Mr. Taylor read my proposed amendment, he said "allocations allowed at the time this goes into effect" and he may have inadvertently omitted "continuance of". All I'm objecting to is this "continuance of". I'm in accord with their idea of not letting any more allocations come along, but when you say "continuance of" allocations I immediately think of the rate of allocations as well as the subject matter. Now if they are only going to allow allocations on particular subjects that are now covered by allocations then I have no quarrel with them whatsoever but I am sure that's not the intent of the Committee. The Committee intends to allow such rates of allocations as will exist when this constitution is ratified but no one may go beyond those rates in the future and if they ever drop down, this continuance business does not allow them to re-enact.

PRESIDENT EGAN: Mr. McCutcheon.

MCCUTCHEON: Mr. President, if as Mr. Rivers deduces, the terminology of this sentence means that the rates are frozen. The principle behind this sentence is not that the rates are frozen, it is the principle of allocating earmarked funds. It is not a matter of percentage wise, it is a theory of earmarked funds and I can't see his argument in this by striking out "continuance". He proposes that this is going to cure the proposition of a freeze. He thinks it is a freeze. It is not a freeze in any respect of the word as far as I can see; it is a matter of a theory of earmarked funds and doesn't have anything to do with dollar and cents or percentages.

PRESIDENT EGAN: Mr. Victor Rivers.

V. RIVERS: Mr. President, I would like to ask the Committee what their intent was on that. I would like to hear what they say.

PRESIDENT EGAN: Do you wish to answer that, Mr. White?

WHITE: I think I can answer for all the Committee on that, Mr. Rivers. It is not the intent of the Committee that this be interpreted to mean a freeze in any way, shape, or form. The Committee feels that the objections raised by Mr. Rivers are covered by the existing language. The reason the Committee resists the deletion of the words "continuance of" is that it would then mean that the legislature could discontinue a presently earmarked fund next year and then 50 years from now bring it back into being. We do not intend that that be the case.

V. RIVERS: If you are not freezing an amount, could they raise an existing allocation under this? On the gasoline tax could they raise that to six per cent according to your thinking on this?

WHITE: Certainly they could.

V. RIVERS. If they lowered it down to three could they then re-enact two more after that?

WHITE: The Committee intends that this not have any reference to rates at all. The Committee intends that this apply to the allocation of particular taxes to a particular propose and no more than that.

V. RIVERS: I just wanted this in the record. Now if they wipe it out altogether, discontinue it, it's gone forever, is that right?

WHITE: That is right.

V. RIVERS: But if you discontinue half of it, you can raise it back up?

WHITE: That would mean that.

(Emphasis added). This discussion indicates a clear intent on the part of the delegates to allow a change to the rate of taxation without affecting the status of a dedication of the proceeds of the tax. While the intent of the constitutional framers has weight, the final decision on interpretation of the Alaska Constitution rests with the Alaska Supreme Court. It is possible that the court would disagree with the intent expressed in the constitutional minutes and find that any change to the rate of tobacco taxation destroys the status of the school fund as an exception the dedicated fund rule. Nonetheless, comments by delegates to the constitutional convention do have some bearing on the decision making process of the Alaska Supreme Court. In Starr v. Hagglund, 374 P.2d 316, 319 (Alaska 1962), the court stated that

Representative Jeannette James

April 26, 1996

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opinions of individual members of the constitutional convention are not considered to be a safe guide in ascertaining the purpose of a majority of the convention when adopting a particular provision. But reports of committees and statements of chairmen of such committees stand on more solid footing and may be resorted to in determining the intent of the enacting body.

(Emphasis added) Therefore, the comments of Mr. White, as chairman of the committee on finance and taxation, may be persuasive to the court.

Please contact me if you have further questions.

JBC:pl:glc:lmb

96-091.lmb

PLEASE REPLY TO:

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DEPARTMENT OF LAW

CRIMINAL DIVISION

July 26, 1996

MEMORANDUM

TO: Loren Jones, Director
Division of Alcoholism and Drug Abuse
Department of Health and Social Services

FROM: Dean J. Guaneli 
Chief Assistant Attorney General

This is in response to your request for advice as to the criminal liability of juveniles who purchase tobacco as part of a carefully supervised program, that has been approved by your department, to assess how well local vendors are complying with state laws prohibiting sale of tobacco products to minors.

The short answer to your question is that, if the juvenile is under appropriate adult supervision as part of a department-approved program, and possesses the tobacco only for so long as is necessary to turn the material over to the adult supervisor, no offense has been committed by the juvenile.

Your request arises in the context of a federal initiative to determine if tobacco retailers are complying with state laws aimed at reducing the accessibility of tobacco to young people. Your department has developed a program under which carefully selected and trained juveniles, under trained adult supervision, attempt to purchase tobacco products. The training includes instruction in the proper procedures to follow. For example, the adult must wait outside the store while the juvenile goes inside, and the juvenile must not have contact with any other juveniles before giving the tobacco product to the adult supervisor immediately after the purchase.

Loren Jones, Director
Division of Alcohol and Drug Abuse

July 26, 1996
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Under Alaska law it is an offense for a juvenile to possess tobacco products. AS 11.76.105. "Possess" is defined to mean having physical possession or the exercise of dominion or control over property. AS 11.81.900(b).

Yet Alaska case law makes it clear that momentary possession of contraband for purposes of disposal does not constitute possession for purposes of the criminal law. *Jordan v. State*, 819 P.2d 39 (Alaska App. 1991). Such momentary possession is often called "passing control" or "fleeting possession". As noted by the court of appeals in *Jordan*, "Alaska cases have tended to treat the issue of passing control as intrinsically related to the definition of possession" *Id.* at 41.

Alaska case law does not set forth any clear guidelines to determine the maximum amount of time that property can be handled yet still not be "possessed" for purposes of the criminal law, and in *Jordan* the court recognized that the time is variable and dependent on the circumstances. *Id.* at 43, n. 4. Thus it is not possible to try to discuss all the complicating factual scenarios that might arise when juveniles are buying tobacco products under a monitoring program such as your department has developed. We can say, however, that if a juvenile purchases tobacco products under proper adult supervision and under guidelines set down by your department, and immediately gives the tobacco product to an adult supervisor, the juvenile has not "possessed" the tobacco for purposes of AS 11.76.105.

We caution that the juveniles and the adult supervisors should strictly adhere to the program's guidelines. We also recommend that local municipal authorities be contacted to determine the applicability of local laws.

Please contact me if you have additional questions.

DJG:rew

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF HEALTH AND
SOCIAL SERVICES**

DIVISION OF ALCOHOLISM AND DRUG ABUSE

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July 9, 1996

Dear Law Enforcement Official.

The Alaska Department of Health and Social Services Divisions of Public Health (DPH) and Alcoholism and Drug Abuse (ADA) are collaborating to implement new Synar regulations. Synar is an amendment of the Public Health Act that mandates states demonstrate they are taking effective measures to enforce laws restricting access of tobacco to minors.

One of the key regulations of the Synar amendment requires every state to conduct annual random, unannounced inspections (*compliance checks*) of tobacco vendors to ensure compliance with tobacco restriction laws. The compliance checks have to be conducted in a scientifically sound manner using a random probability sample. A total of 200 inspections will be conducted between July and August across 26 communities in the state. This effort will provide the state with a baseline percent of the number of tobacco vendors who comply with the law.

The only feasible way to adequately meet the federal regulations is to use persons under the age of nineteen to purchase cigarettes or smokeless tobacco. ADA and DPH have met with the Department of Law, and local community health associations to develop a compliance check protocol, training manual and procedures that will be used this summer. These inspections may take place in your community between July 13 and August 24. This is not an enforcement activity and data on individual vendors will not be released. All participants in the inspections have agreed to keep the results on individual stores confidential.

If you have any questions regarding this effort please contact Mary P. Collins, Research Analyst at (800) 478-2072. We will be happy to provide you copies of our protocol or training manual if you require it. Results from this statewide effort will be available in September. Feel free to contact Ms. Collins for any additional information. Thank you for your cooperation.

Sincerely,



Loren Jones
Director