

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2795

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-
10.070(c).

14 May 1981

ESTIMATED IMPLEMENTAL COST
HOUSE CS FOR SB NO. ~~86~~ (FINANCE)
323

The estimated cost of action to be taken by the Alaska Capital City Development Corporation under House CS for CS for Senate Bill No. 86 (Finance) is as follows:

(x 1,000)

1. Work commenced but not completed by the Capital Site Planning Commission:
 - (a) Environmental impact study, new capital site \$ 200
 - (b) Soils investigation, site of state office complex and other development areas..... 200
 - (c) Completion of plan for city water system 300
 - (d) Completion of plan for city sewer system 100
2. Development Plan and Estimates of Cost
 - (a) Land use study, including mapping 200
 - (b) Urbanization Plan including principal street layout within capital city footprint for Governor's mansion, State Office Complex, federal buildings, including post office, railroad, municipal buildings, schools, housing both transient and residential, commercial areas, churches, cemetery, possible water well sources, vehicle park, parks and other recreational areas, industrial areas, etc. 100
 - (c) Determination of architectural style and concept of new capital city with special reference to Governor's mansion, State Office Complex, federal and municipal buildings, schools, shopping centers, transient and residential housing 100
 - (d) Opening pioneer roads for access to capital city

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(d) Completion of plan for city sewer system	100
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(b) Urbanization Plan including principal street layout within capital city footprint for Governor's mansion, State Office Complex, federal buildings, including post office, railroad, municipal buildings, schools, housing both transient and residential, commercial areas, churches, cemetery, possible water well sources, vehicle park, parks and other recreational areas, industrial areas, etc.	100
(c) Determination of architectural style and concept of new capital city with special reference to Governor's mansion, State Office Complex, federal and municipal buildings, schools, shopping centers, transient and residential housing	100
(d) Opening pioneer roads for access to capital city footprint; and determining the layout of principal streets and arterial highways	200
(e) Real estate development plan including plan for sale or lease of land	100
(f) Determination of classifications and numbers of state employees to be relocated	100
(g) Study of impact on Juneau, including estimates of cost of indemnification and of public facilities required in absence of relocation	100
(h) Financial plan and estimates of cost	100

More

-2-

(i) Meetings of CDC Board of Directors	100
(j) Estimates of cost of physical relocation	100
(k) Public hearings	100
(l) Required CDC staff	<u>300</u>
Total estimated cost	\$2,400,000

CDC staff. The CSPC plan called for a "start up" staff consisting of an Executive Director, Director Land Development, Director State Facilities Development, General Counsel and three secretaries.

Cost of office rent, telephones, miscellaneous travel and other overhead expenses would be pro-rated and charged against budgetary items.

Sequence of preparation of items in the CDC development plans would be approximately as listed. However, some items are interdependent and will proceed concurrently.

The Board of Directors of the CDC may apply savings from one item to another item or items as long as the total expenditure does not exceed the appropriation.

(i) Meetings of CDC Board of Directors	100
(j) Estimates of cost of physical relocation	100
(k) Public hearings	100
(l) Required CDC staff	<u>300</u>
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Cost of office rent, telephones, miscellaneous travel and other overhead expenses would be pro-rated and charged against budgetary items.

Sequence of preparation of items in the CDC development plans would be approximately as listed. However, some items are interdependent and will proceed concurrently.

The Board of Directors of the CDC may apply savings from one item to another item or items as long as the total expenditure does not exceed the appropriation.

HOUSE FINANCE COMMITTEE

May 19, 1981

8:45 a.m.

(Tape HFC 81-89, side 2 #386)

PRESENT

All Members of the Committee were present except Representative Freeman. (Representative Malone arrived later in the meeting.) Present to testify was Assistant Attorney General Rod Peques, Department of Law.

HB 43

Chairman Cotten called the meeting to order and brought HB 43 up for consideration.

HB 43 -- "An Act relating to day care assistance."

Representative Buchholdt MOVED to adopt the CS workdraft as a Finance CS for HB 43. She said the fiscal note is \$1,750,000. Representative Montgomery said the last fiscal note was \$7.5 million. He asked how they were able to make this decrease. Representative Buchholdt said the new figures represent \$25 per child instead of the \$150 in the workdraft. She advised the \$1,750,000 fiscal note is above the legislature's recommended budget figure. Representative Montgomery asked if they were leaving \$150 in the bill, but only funding \$25. Representative Buchholdt said this was correct. There was discussion. Representative Montgomery said he didn't think this was proper. He said if they have a set amount, it should be put in the bill; otherwise, nothing should be put in.

Representative Rogers said, in terms of funding for the first year, he thinks \$25 is a good level. He agreed that putting \$150 in the bill when they are only funding \$25 seems a bit high. He suggested an amount 25%-50% higher than the amount they are funding.

Representative Buchholdt MOVED TO AMEND THE MOTION, on page 2, line 25, to delete "\$150" and insert "\$50". Representative Rogers said he supported this motion. He commented it would be a \$3.5 million fiscal note if the program were to be fully funded. There was further discussion. There being NO OBJECTION to the motion, it was so ordered.

There being NO OBJECTION to the MAIN MOTION AS AMENDED, the workdraft was adopted as a Finance CS for HB 43.

Representative Rogers moved to add a new section 4 to CSHB 43 as follows:

"Sec. 4. AS 44.47.250(b)(2) is amended to read:

(2) contract with municipalities, or, if necessary, with day care facilities, to perform (ITS) duties of the department under AS 44.47.250 - 44.47.310 within that municipality; with the approval of the department, the municipality may subcontract with another organization in the community to perform administrative duties, or, if necessary, the department may contract with another organization to perform administrative duties;"

Renumber following bill sections accordingly.

Representative Rogers explained this amendment would allow the department to contract with other organizations to perform administrative duties. It said it would allow a nonprofit organization to administer the program if the borough doesn't want to. Representative Carney commented on the situation in the Mat-Su Borough.

(Representative Malone arrived at this time.)

There being NO OBJECTION, the Amendment was adopted.

Representative Buchholdt said she will have prepared an adjusted revised fiscal note to indicate the changes to the bill in the amount of \$1,750.0.

Representative Buchholdt moved to report CSHB 43 (fin) out of Committee with a \$1,750.0 fiscal note. There being no objection, it was so ordered. The bill was reported out with individual recommendations.

HB 460

The next bill to be considered was HB 460.

HB 460 -- "An Act relating to the fisheries and salmon enhancement taxes; and providing for an effective date."

Representative Malone said he has a set of recommendations on the Bill, but he would like to receive the comments of the Department of Revenue before making them. HB 460 was Held.

HB 20

The next bill to be considered was HB 20.

HB 20 -- "An Act relating to loans for the development of electric service in rural areas; and providing for an effective date."

Representative Moss said the State Affairs CS for HB 20 should be changed on page 1, line 24: "2%" should be "5%". He said this bill is basically the enabling legislation to allow us to use the money in HCS CSSB 26 ("An Act making special appropriations to the Alaska Power Authority for energy projects and for the power production cost assistance program; and providing for an effective date.") He explained this bill would allow them to loan money to rural electrical associations for line extensions for power distribution to a number of areas. He commented that in his district there are people living right under the Healy/Fairbanks power line, and they cannot get power into their homes for less than \$16,000. He explained the bill will allow them to loan money to the cooperatives producing the power to reduce costs to prospective consumers.

Representative Moss explained in the House Resources version of CSSB 26 there is a section allocating \$10 million from the general fund to the Alaska Power Authority for a rural electrification fund. He said this HB 20 is the enabling legislation to allow the Alaska Power Authority to use and distribute loan monies.

Representative Malone said apparently the Alaska Power Authority would determine what "rural" means through regulation. He asked what it is intended to mean. Representative Moss said rural could be an organized borough. He said it would be areas that do not have power, but where there is power available 5-15 miles away. He said hopefully the bill will cause the consumer to pay less for getting power. Representative Rogers wondered if determining the definition of rural should be left to the power authority. He commented on the problems they have had with the Alaska Housing Finance Corporation's definition of rural.

(Tape Change, HFC 81-90, side 1)

Representative Rogers said he objected to the bill for the following reasons: (1) dedication of income; (2) question of definition of rural areas; and (3) the terms of the loan.

Chairman Cotten commented this bill is similar to a bill introduced by Representative Hurlbert on rural telephone electrification.

Representative Moss commented this bill is for additional distribution lines. He said it has nothing to do with putting in new generators. He said in order to get power, a person has to put "up front money" to get power to his place of residence.

There was further discussion on the bill.

Representative Adams said this may be a good bill; however, if the Committee considers this bill, he thinks it only fair that they also consider its companion bill -- HB 21 - "An Act making a special appropriation to the Department of Commerce and Economic Development for the rural electrification fund; and providing for

an effective date." Representative Moss explained that section 21 of HCS CSSB 26 appropriates \$10 million from the general fund to the Alaska Power Authority for the rural electrification revolving loan fund, so HB 21 is not required.

Representative Moss said a rate of 5% would be a more accurate figure on page 1, line 24. There was further discussion on the bill.

HB 20 was held in Committee.

HB 478

The next bill to be considered was HB 478.

HB 478 -- "An Act appropriating to the Department of Transportation and Public Facilities the amount of money necessary to settle the claims of Modern Construction, Inc., against the Lower Kuskokwim Regional Education Attendance Area; and providing for an effective date."

Representative Rogers presented a proposed CS for the bill. He said it essentially says this is a contingent appropriation. He explained the Attorney General has to sign off on it before any money goes to the corporation. He said \$50.0 is appropriated to the Department of Law to see that the award is bonified. He advised this CS does not include the proposed loan, which would violate the single subject rule.

MR. ROD PEGUES, Assistant Attorney General, Department of Law, said this bill does provide adequate safe guards. He explained they intend to retain counsel experienced in construction claims to go over the work of the facilitator and arbitrator, and satisfy himself that it is a bonified arbitration award. He said without that, they would not be able to sign off.

Representative Rogers said the total claim is just under \$17 million. He said this bill makes a contingent appropriation to the Department of Transportation and Public Facilities. Of that \$17 million, Representative Rogers advised that \$14 million is for business damages and \$3 million is for construction.

Representative Montgomery asked, if this bill passes, would the money be paid immediately. Mr. Pegues said it would not be immediate. He said the parties must either come to a settlement and the Attorney General must determine the agreement was made in good faith; or, if they do not do it that way, it has to go to arbitration. He explained the arbitrator has to make an award and the Attorney General has to determine that it is a binding arbitration. After doing that, Mr. Pegues said the money could be paid.

There was further discussion on the bill.

Representative Rogers commented that the difference between passing a bill this year and waiting until next year is six months to a year before the company can resume their operations.

HB 478 was held

ADJOURNMENT

The meeting adjourned at 9:50 a.m.

Tape HFC 81-89, side 2 #386 to end
HFC 81-90, side 1 #001 to #522

HOUSE FINANCE COMMITTEE

May 20, 1981

8:45 a.m.

(Tape HFC 81-90, side 1 #522.)

PRESENT

All Members of the Committee were present except Chairman Cotten. (Representatives Carney and Malone arrived later in the meeting.)

HB 313

Vice Chairman Freeman called the meeting to order. Representative Montgomery said there was an error in the fiscal note for a bill the Committee passed out earlier.

HB 313 -- "An Act relating to the Alaska Fisheries Center and to appropriations to that center."

Representative Montgomery explained there was an overage of \$18.0 in their expenses, and he MOVED to correct the fiscal note, by lowering it by that amount. There being NO OBJECTION, it was so ordered.

SSHB 43

Representative Buchholdt requested that the Committee address the fiscal note for a bill they reported out of Committee yesterday.

SSHB 43 -- "An Act relating to day care assistance."

Representative Buchholdt advised the Committee reported out CSSHB 43 (fin) with a \$1,750,000 fiscal note at yesterday's meeting. She said the actual figure should be \$1,798,200.

Representative Rogers explained the additional \$48.2 is for a new position to administer the program. He said he believes this position is necessary.

Representative Buchholdt MOVED to adopt the \$1,798,200 fiscal note. There being NO OBJECTION, it was so ordered.

HB 131

Representative Haugen advised he has received the back-up information for the \$2373.1 fiscal note for CSHB 131 (HESS) -- "An Act increasing state aid for health facilities and hospitals; and providing for an effective date." -- (the bill was reported out May 16, 1981). He advised a copy of that information has been submitted to the Rules Chairman to be placed with the bill.

HB 514

Representative Rogers said the Committee has received the fiscal note for CSHB 514 (C&RA) -- "An Act relating to state aid to volunteer fire departments; and providing for an effective date". (The bill was reported out May 16, 1981 with a fiscal note to follow.) Representative Rogers MOVED to accept the \$203.0 fiscal note. There being NO OBJECTION, it was so ordered.

(Representatives Carney and Malone arrived at this time.)

HB 460

The next bill to be considered was HB 460.

HB 460 -- "An Act relating to the fisheries and salmon enhancement taxes; and providing for an effective date."

Representative Malone presented a set of proposed amendments to CSHB 460 (Resources) which he believes address the issues raised by the Finance Committee on the bill. (See Attachment #1.)

(Tape Change, HFC 81-90, Side 2.)

Representative Malone briefly explained the issues/amendments he presented.

Representative Malone MOVED to accept the following amendment:

"Page 2, line 13, after "GOVERNMENT" insert (a)

Page 2, line 16, change 50 to 30

line 19, change 25 to 15

line 23, change 50 to 30

line 26, change 25 to 15

Page 2, between lines 28 and 29 add a new subsection:

(b) after July 1, 1982, the commissioner of revenue shall pay:

(1) to each municipality unified under AS 29.68.240-29.68.240, and to each city located in the unorganized borough, 50 (20) percent of the amount of tax revenue collected in the municipality from taxes levied by AS 43.75;

(2) to each city located within a borough, 25 (10) percent of the amount of tax revenue collected in the city from taxes levied by AS 43.75; and

(3) to each borough

(A) 50 (20) percent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied by AS 43.75; and

(B) 25 (10) percent of the amount of tax revenue collected in cities within the borough from taxes levied by AS 43.75."

There being NO OBJECTION, it was so ordered.

Representative Malone MOVED to accept the following amendment:

Page 2, line between 11 and 12, insert new subsection #4:

(4) the fishery resource is sold by the person claiming the exclusion from tax to a fisheries business licensed under AS 43.75."

There being NO OBJECTION, it was so ordered.

There was brief discussion on the third amendment offered by Representative Malone. Representative Malone MOVED to accept the following amendment:

Page 1, section 2, replace (c) with the following:

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource, or a person who purchases a fishery resource which is frozen from a person excluded by AS 43.75.017 from liability for the tax, is liable for and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may (NOT) deduct from the value of the fishery resources processed the value of fishery resources that are canned or processed for other fisheries businesses, but shall (INCLUDE THAT VALUE AS PART OF THE VALUE OF THE FISHERY RESOURCES PROCESSED.) report to the department information relating to any fisheries resource processed for other fisheries business as provided by regulation.

There being NO OBJECTION, it was so ordered.

Representative Malone MOVED to adopt the following amendment offered by the Chairman of the Resources Committee:

Insert on page 2, line 29 and renumber the following sections accordingly:

* Sec. 5. AS 43.75.140 (7) is amended to read:

"value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies or gear, whether paid at the time of purchase of the fisheries

resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the taking of the fishery resource is undertaken (PROCURED) in company-owned or company subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement;

* Sec. 6. AS 43.75.140 is amended by adding a new paragraph to read:

(9) "taking" means in any manner pursuing, fishing, capturing, or killing fisheries resources.

There being NO OBJECTION, it was so ordered.

Representative Malone MOVED to report out a Finance CS for HB 460 incorporating the above amendments, with a fiscal note in the amount of \$1969.0. There being NO OBJECTION, it was so ordered. CSHB 460 (fin) was reported out with individual recommendations.

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

Tape HFC 81-90, side 1 #522 to end
side 2 #001 to #658



Official Business

Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: All Members
House Finance Committee

FROM: Hugh Malone

DATE: May 20, 1981

RE: HB 460

Recommendations for CSHB 460 (Fin)

1254

Attachment #1

5/20/81

ISSUE - Fish Tax sharing to local government to help offset community impact resulting from state fisheries development. Current level provides an estimated \$3,938,000 in FY 82 budget. Bill proposes 150% increase for a fiscal note of \$5,907.

RECOMMENDATION: A 50% increase. Fiscal note is reduced to \$1,969,000 for FY 82. (Amendment No. 1.)

#1-a

AMENDMENT #1

Page 2, line 16, change 50 to 30
line 19, change 25 to 15
line 23, change 50 to 30
line 26, change 25 to 15

1256

5/20/81

ISSUE - Fish Tax sharing to local government to help offset community impact resulting from state fisheries development. Current level provides an estimated \$3,938,000 in FY 82 budget. Bill proposes 150% increase for a fiscal note of \$5,907.

RECOMMENDATION: A 50% increase. Fiscal note is reduced to \$1,969,000 for FY 82, and a 150% increase after July 1, 1982. This will provide that raw fish tax will be split 50-50 with municipalities after FY 82. (Amendment No. 1.)

#1-B
AMENDMENT #1

Page 2, line 13, after "GOVERNMENTS" insert (a)

Page 2, line 16, change 50 to 30
line 19, change 25 to 15
line 23, change 50 to 30
line 26, change 25 to 15

Page 2, between lines 28 and 29 add a new subsection:

(b) After July 1, 1982, the commissioner of revenue shall
pay

(1) to each municipality unified under AS 29.68.240 -
29.68.240, and to each city located in the unorganized borough,
50 [20] percent of the amount of tax revenue collected in the
municipality from taxes levied by AS 43.75;

(2) to each city located within a borough, 25 [10]
percent of the amount of tax revenue collected in the city from
taxes levied by AS 43.75; and

(3) to each borough

(A) 50 [20] percent of the amount of tax revenue
collected in the area of the borough outside cities from taxes
levied by AS 43.75; and

(B) 25 [10] percent of the amount of tax revenue
collected in cities within the borough from taxes levied by
AS 43.75.

ISSUE - Liability and Collection. Custom processors process the fish for a fee under contract, and do not buy, sell, or own the fish processed under a custom processing contract.

The amendment on custom processing would provide that the owner of the fish pay tax.

RECOMMENDATION: That custom processing business activity be excluded from payment of tax. (Amendment No. 2.)

AMENDMENT #2

Page 2, line between 11 and 12, insert new subsection #4:

(4) the fishery resource is sold by the person claiming the exclusion from tax to a fisheries business licensed under AS 43.75.

ISSUE - Exclusions from tax. Present law says processor is responsible for payment of tax.

Bill provides that butchering and freezing on board a fishing vessel would not be processing for purpose or tax, with the intent that the tax would be paid by the processor who buys the fish.

RECOMMENDATION: That the Department of Revenue amendment be adopted that clarifies the exemption would only apply when fish are sold to a person licensed as a processor. (Amendment No. 3.)

AMENDMENT #3

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource, or a person who purchases a fishery resource which is frozen from a person excluded by AS 43.75.017 from liability for the tax, is liable for and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may [NOT] deduct from the value of the fishery resources processed the value of fishery resources that are canned or processed for other fisheries businesses, but shall [INCLUDE THAT VALUE AS PART OF THE VALUE OF THE FISHERY RESOURCES PROCESSED.] report to the department information relating to any fisheries resource processed for other fisheries business as provided by regulation.

ISSUE - Salmon enhancement tax (aquaculture tax)

The bill as written just clarifies the present law - no issue.

The "U.F.A." amendment would change present base for tax, which is the price paid by the processor (or the value delivered at the processor), to the price paid to the fisherman. Basically, this would eliminate any tax on transportation and storage or other costs or charges by middlemen.

Additional accounting by Department of Revenue may be required to properly segregate these costs.

RECOMMENDATION: Include value amendment in revised form as recommended by House Resource Chairman. (Amendment No. 4.)

AMENDMENT #4

Insert on Page 2, line 29 and renumber:

*Sec. 5. AS 43.75.140 (7) is amended to read:

"value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the taking of the fishery resource ~~if~~ ^{is} [Procured) undertaken in company-owned or company subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement;

*Sec. 6. AS 43.75.140 is amended by adding a new paragraph to read:

(9) "taking" means in any manner pursuing, fishing, capturing, or killing fisheries resources.

HOUSE FINANCE COMMITTEE

May 20, 1981

2:30 p.m.

(Tape HFC 81-90, Side 2 #658.)

PRESENT

All Members of the Committee were present except Representative Rogers. (Representatives Malone and Haugen arrived later in the meeting.) Also present: Representative Metcalfe; Bob Cooksey, National Education Association; Eugene Kubina, President, Alaska Federation of Teachers; Paul Arnoldt, Director, Division of Retirement and Benefits, Department of Administration; Bill Miles, Lobbyist, Alaska Housing Finance Corporation; Clark Gruening, Lobbyist, Building Industry Association of Anchorage; Wes Coyner, Lobbyist, Alaska Bankers Association; Milt Barker, Fiscal Analyst, Legislative Finance Division; and Mike Doogan, Aide to Representative Freeman.

HB 118

Chairman Cotten called the meeting to order and brought HB 118 up for consideration.

HB 118 -- "An Act relating to the teachers' retirement system; and providing for an effective date."

MR. EUGENE KUBINA, President, Alaska Federation of Teachers, explained the bill basically allows teachers with outside service who taught prior to 1978 to bring this service into the TRS. He commented Administration says this would effect 540 people. He said they believe only one-fourth of those would take advantage of it. Mr. Kubina presented figures showing what they believe the cost of this bill will be (see attachment #1). He said they don't understand the Division of Retirement and Benefits' fiscal note. He said their figures indicate the fund would actually save money by allowing people to retire at an earlier date.

(Representative Malone arrived at this time.)

Mr. Kubina said some people say the system is set up now to encourage people to stay in the system. He said he thinks they should keep good teachers in the system longer.

(Tape change, HFC 81-91, side 1.)

(Representative Haugen arrived.)

Mr. Kubina said their main argument for the bill is these people are indebted to the fund and they feel the way it is set up is discriminatory against them.

Representative Moss asked what effect this bill would have on the school districts. Representative Montgomery commented the funding comes from teachers, the local districts, and the State, so it would have an effect. Mr. Kubina said it is matching funds.

Mr. Kubina said he spoke with the Department and they indicated they didn't want to justify the figures on the fiscal note because they do not approve of the bill.

MR. ROBERT CODKSEY, National Education Association, said they favor the bill. He explained the local districts will be effected by this legislation, but it may not be as significant as it would appear on the surface. He said the actual budget impact may be even less. He commented when they were going for 20 year retirement a few years ago, they picked up the bulk of the cost.

There was brief discussion on the fiscal note. Committee members indicated they would like a representative from the Division of Retirement and Benefits to explain the fiscal note to the Committee.

RECESS

Chairman Cotten called for a recess at 2:50 p.m., and recalled the meeting to order at 3:00 p.m.

HB 118

The Committee continued their consideration of HB 118.

Chairman Cotten said his understanding is that right now there are some teachers who can retire after 20 years, and this bill would allow them to retire earlier. He said there is a question on how accurate the fiscal note is. MR. PAUL ARNOLDT, Director, Division of Retirement and Benefits, said they are in opposition to this bill. He said they have about 2900 teachers who have outside teaching service they have put into the state program which is being granted under TRS. He said the reason they allowed outside experience to be put in is that in years past there was a shortage of teachers in the state, and this was used as an enticement to bring teachers to the state. He said this has been very expensive to the retirement fund. He explained that in 1978 the outside service was removed by having new teachers pay the actuarial cost for benefits. For the existing teachers within the system, he said, "the deed is done". He said they have used outside service to attract them to Alaska and retain them. He said what they are doing here (with this bill) is adding a bonus on top of the original benefit that doesn't serve any purpose.

Regarding the fiscal note, Mr. Arnoldt said he has seen the Alaska Federation of Teachers worksheet indicating there are dollars to be saved by this bill. He said he doesn't see how there can be any savings under the bill. He said they have

teachers teaching and receiving retirement benefits. He said if the bill passes and the teacher starts drawing retirement benefits, they also have to replace that teacher with a new teacher who would be accruing service.

Mr. Arnoldt said there are about 2900 teachers that could benefit from this bill. He said the teachers are accruing service and at some point they can retire under the normal procedures of the law. He said this bill creates a window of about three years. He said as a result of this bill people will start looking at retirement earlier than they would normally look at it. He said between that and the window, the fiscal impact is about \$27 million. He said they discussed this figures with the actuaries to verify it, and they believe the figure is correct. There was discussion on the fiscal note.

Mr. Arnoldt said the fiscal impact indicated on the fiscal note is correct; however, the narrative is not correct. Mr. Arnoldt said he believes the intent of the bill, to allow individuals to retire earlier when it serves no purpose, is not good policy.

There was further discussion on the fiscal note.

Representative Buchholdt MOVED to report out CSHB 18 (HESS). There being NO OBJECTION, it was so ordered. The bill was reported out with individual recommendations.

HB 487

The next bill to be considered was HB 487.

HB 487 -- "An Act relating to the Alaska Industrial Development Authority; and providing for an effective date."

There was brief discussion on Sec. 27 of the bill ("AHFC may issue revenue bonds in the principal amount of \$492,000,000 during the fiscal year ending June 30, 1982.")

(Tape change, HFC 81-91, side 2.)

MR. MILT BARKER, Fiscal Analyst, Legislative Finance Division, presented and explained his proposed amendments to CSHB 487 (finance) II (see attachment #2).

Representative Moss said he was opposed to the definition of "rural" on page 2 of Mr. Barkers proposed amendments. There was brief discussion. Chairman Cotten agreed this is an important question, and it will be addressed later.

There was brief discussion on the interest rates in the bill.

Mr. Barker pointed out the definitions of "urban" and "rural" in the amendment are the same definitions AHFC is currently using. The definition of "residence" was discussed.

Representative Adams asked if it would be advisable at this time to sell revenue bonds, with interest rates being so high. Mr. Barker said he believes AHFC's judgment has been it is advisable to postpone bond sales.

MR. BILL MILES, Alaska Housing Finance Corporation, said the Executive Director of AHFC has some proposed amendments to Mr. Barker's amendments and to the CS for HB 487 (fin) II. He presented and explained those amendments. (See attachment #3.) Mr. Miles advised the majority of the amendments are technical in nature.

Mr. Miles explained AHFC's recommendation that "or to the spouse of a person" be deleted on page 1, line 19. He said problems can come up when people get divorced or are separated. He suggested they could do better by being more definitive in their regulations.

On page 1, line 20, Mr. Miles said AHFC recommends a three year period. He said this would be in line with similar federal programs. Chairman Cotten said there have been some suggestions to take it out all together. He asked if AHFC's recommendation was an attempt to compromise, or if he thought they would rather it was removed entirely. Mr. Miles said he thinks AHFC understands the reason it was put in, and they want to take into consideration the problems the legislature is having. Chairman Cotten asked what the Committee's feeling on this was. Representative Carney said three years is not unreasonable. Representative Adams said he thinks they should leave it at three years. Representative Moss said he has no preference. Representative Montgomery said he supports three years.

MR. CLARK GRUENING, Building Industry Association of Anchorage, commented on provisions in the proposed CS that limit the ability to assume loans. He suggested the three year provision and non-assumability will work against each other.

Representative Carney said he would oppose not allowing assumptions. Chairman Cotten commented that allowing assumptions makes the program more expensive to the State. He said they get the money back sooner if they don't allow assumptions.

Mr. Miles commented 30-year bonds are assumed to be a thing of the past. There was further discussion on the assumption of loans.

(Tape change, HFC 81-92, side 1.)

REPRESENTATIVE METCALFE commented on "due on sale" clauses.

Mr. Miles suggested this is a political issue. He said due on sale does reduce assumable loans. He said assuming loans is an easy, convenient way of doing business, but it makes it hard to go to the bond market.

Mr. Miles continued his explanation of the amendments. He said in effect they don't want to cause any negative ripples on existing bond plans.

Concerning the proposed amendment to page 12, line 17, Mr. Miles said they are requesting an additional \$1 million. He said AHFC thinks the \$492 is cutting it close, and raising it would give them the flexibility they need.

Representative Adams asked if the bond counsel was suggesting selling bonds at the current high interest rate. Mr. Miles said they decided not to sell bonds at this time. He said they have tentatively set up bond meetings so, if the bond market improves, they can meet quickly and go ahead with a bond sale.

There was discussion on the appropriation for the Alaska Housing Finance Corporation.

Representative Moss said there are two groups of people who are not able to participate in this program, and he is working on proposed amendments to take care of them. He asked if those who have received agriculture title to land and homesite titles qualify. Mr. Miles said his understanding is if the banks accept it as collateral, AHFC doesn't have any problem. There was brief discussion.

ADJOURNMENT

The meeting adjourned at 4:32 p.m.

Tape HFC 81-90, side 2 #658 to end
HFC 81-91, side 1 #001 to end
side 2 #001 to end
HFC 81-92, Side 1 #001 to #292

5/20/81

ADDITIONAL INFORMATION HB 118

Below are some revised figures showing that HB 118 would still save the TRS fund money even when figuring no cost of living increases for teachers during the initial five year period.

\$37,000	estimated average salary	\$37,000
X 40%	% rate	X 50%
\$14,800	annual benefit paid	\$18,500
X 30 yrs	life expectancy	25 yrs
\$444,000	pay-out to age 75	\$462,500
540	max number of participants	540
\$239,760.000		\$249,750,000

The estimated difference of \$9,990,000 still show a savings to the fund over the benefit period. It must be noted though, that these figures are way too conservative. The Anchorage School District just yesterday ratified a three year contract granting at least an eight percent cost of living for the next three years. Therefore the original dollar amounts are even too conservative and the actual savings to the fund would be more than the 110 million dollar figure stated in the earlier estimate.

It should also be noted that not all teachers would take advantage of this option so that even the "540" number of persons would also be lower.

Eugene Kubina, President
Alaska Federation of Teachers
P.O. Box 1665
Valdez, Alaska 99686
(907) 835-2663

AMENDMENTS TO CSMB 487 (Finance)

1 * Sec. ____ AS 18.56.098(a) is amended to read:

2 Sec. 18.56.098. SPECIAL MORTGAGE LOAN PURCHASE PROGRAM. (a)

3 The corporation shall establish a special mortgage loan purchase
4 program. Under the special mortgage loan purchase program, the
5 corporation may purchase mortgage loans, including graduated payment
6 mortgage loans, made (1) for the purchase of residences; (OR) (2)
7 for the refinancing of a mortgage loan on a residence if the purpose
8 of the refinancing is to provide money for the improvement or re-
9 habilitation of the residence(.); (3) for financing after completion
10 of construction of ^{new} rental multi-family residences of more than two
11 units in rural and, when the requirements of (g) of this section are
12 met, in urban areas.

13 * Sec. ____ AS 18.56.098(d) is repealed and reenacted to read:

14 (d) The limitations on the loan amount and the interest rate
15 charged on a mortgage loan purchased by the corporation under (a) of
16 this section are as follows:

17 7 (1) the interest rate for a loan purchased under (a) (1) or
18 (a) (2) of this section may not exceed:

19 (A) nine percent on the first \$90,000 of the loan
20 if the loan is made to an eligible veteran under AS 18.56.101;

(B) ten percent on the first \$90,000 of the loan if

AMENDMENTS TO CSHE 487 (Finance)

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8 of the refinancing is to provide money for the improvement or re-
9 habilitation of the residence(.); (3) for financing after completion
10 of construction of ^{new} rental multi-family residences of more than two
11 units in rural and, when the requirements of (g) of this section are
12 met, in urban areas.

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15 charged on a mortgage loan purchased by the corporation under (a) of
16 this section are as follows:

17 7 (1) the interest rate for a loan purchased under (a)(1) or
18 (a)(2) of this section may not exceed:

19 (A) nine percent on the first \$90,000 of the loan
20 if the loan is made to an eligible veteran under AS 18.56.101;

21 (B) ten percent on the first \$90,000 of the loan if
22 the loan is made to a person other than an eligible veteran under
23 AS 18.56.101;

24 (2) the interest rate for a loan purchased under (a)(3)
25 of this section may not exceed:

26 (A) nine and one-half percent on the part of the loan
27 which does not exceed \$75,000 per unit multiplied by the number of
28 units if the loan is made in a rural area;

29 (B) eleven percent on the part of the loan which

1 does not exceed \$50,000 per unit multiplied by the number of units
2 if the loan is made in an urban area;

3 (3) a loan made for the financing after completion of
4 construction of a rental multi-family residence of three or more
5 units may not exceed \$75,000 per unit, and the maximum loan amount
6 for a multi-family housing project is \$1,500,000;

7 (4) except as provided in this subsection, the interest
8 rate for a loan shall equal the mortgage program costs to the
9 corporation attributable to the loan.

10 * Sec. _____. AS 18.56.098(f)(4) is repealed and reenacted to read:

11 (4) "residence" includes a single-family or multiple-unit
12 residence, including a mobile home, and an individually owned unit
13 in a multiple-unit residence.

14 * Sec. _____. AS 18.56.098(f) is amended by adding new paragraphs
15 to read:

16 (5) "urban" means an area which (A) has road or railroad
17 access to Anchorage or Fairbanks; or (B) a community that has a population
18 of 4,500 or more;

19 (6) "rural" means an area or community other urban.

20 * Sec. _____ AS 18.56.098 is amended by adding a new subsection

1 does not exceed \$50,000 per unit multiplied by the number of units
2 if the loan is made in an urban area;

3 (3) a loan made for the financing after completion of
4 construction of a rental multi-family residence of three or more
5 units may not exceed \$75,000 per unit, and the maximum loan amount
6 for a multi-family housing project is \$1,500,000;

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8 rate for a loan shall equal the mortgage program costs to the
9 corporation attributable to the loan.

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11 (4) "residence" includes a single-family or multiple-unit
12 residence, including a mobile home, and an individually owned unit
13 in a multiple-unit residence.

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15 to read:

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17 access to Anchorage or Fairbanks; or (B) a community that has a population
18 of 4,500 or more;

19 (6) "rural" means an area or community other urban.

20
21 * Sec. _____. AS 18.56.098 is amended by adding a new subsection
22 to read:

23 (g) Mortgage loans may be purchased under (a)(3) of this
24 section for a rental multi-family residence in an urban area only if
25 there is bank participation of at least 10 percent of the amount of
26 the loan.
27
28
29

AMENDMENTS TO CSRB487 (Finance)

- Page 1, Line 6 After "of" add "owner-occupied single-family or duplex"
- Page 1, Line 7 After "on" add "an owner-occupied single-family or duplex"
- Page 2, Line 4 Delete "three or more" and insert "more than two"
- Line 5 After "unit" add "the maximum loan-to-value ratio is eighty percent"
- Line 6 After "a" add "rental" delete "project" and insert "residence"
- Line 25 Delete "bank", and after "participation" add "by a private sector lender"

MAIN BILL CS FOR HB No. 487 (Finance) II

- Page 1, Add a new section as follows:

Section 1. AS 18.56.040 is amended to read:

Sec. 18.56.040. Meetings of board. The board shall elect a chairman from among its membership at its [first] annual meeting [in] each year. A majority of the members constitute a quorum for organizing the board, conducting its business and exercising the powers of the corporation. The board shall meet at the call of its chairman. The board shall meet not less than once each three months. The corporation may meet and transact business by electronic media, including conference telephone call, if the public is given notice and has the same right to participate in the meeting as if the meeting was conducted in person. A meeting by electronic media as authorized in this section has the same legal effect as a meeting in person.

- Page 1, Line 19 Delete "or to the spouse of a person"
- Line 20 Delete "seven" and insert "three"
- Line 21 Add a new sentence as follows: "Sub-section (2) does not apply to mortgage loans which the corporation has committed to purchase prior to September 1, 1981."

Page 2, Line 23 At beginning of line add "under sec. 103A(g)(4)
of that Act"

After "cf" add "mortgage revenue"

Line 24 After "municipality" add "under sec. 103A(g)(4)
of that Act"

Page 12, Line 16 Delete "revenue"

Line 17 Delete "\$492,000,000 and insert "\$592,000,000"

HOUSE FINANCE COMMITTEE

May 21, 1981

8:45 a.m.

{Tape HFC 81-92, Side 1, #282}

PRESENT

Chairman Cotten called the meeting to order at 8:45 a.m. All members of the Committee were present. Representatives Haugen, Buchholdt and Meekins arrived later in the meeting. Also in attendance: Mark Cameron, Alaska Housing Finance Corporation; Wes Coyner, Alaska Bankers Association; Clark Gruening, Building Industry Association of Anchorage; Mike Doogan, Administrative Assistant to Vice Chairman Freeman; Milt Barker, Fiscal Analyst, Division of Legislative Finance.

HB 487

Chairman Cotten brought HB 487 up for consideration:

HB 487 - "An Act relating to the Alaska Industrial Development Authority; and providing for an effective date."

NEW TITLE

CS for HB 487 (Finance) - "An Act relating to the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority."

Chairman Cotten noted the policy questions remaining to be resolved are whether or not to allow the boards to meet via electronic media, to include a due-on-sale clause and if there should be limited access.

Referring to previously discussed amendments to the current substitute draft, Chairman Cotten moved to reduce access to a three-year period, instead of seven, and leave in the due-on-sale clause. Representative Rogers asked unanimous consent. There was no objection.

(Representative Haugen arrived at this time.)

Chairman Cotten moved the amendment (see Attachment 1) adding a new section, suggested by AHFC, to allow the board of AHFC the same opportunity as AIDA to meet through electronic media.

(Representative Buchholdt arrived at this time.)

There was brief discussion on the question of per diem being allowed if this amendment is permitted. Chairman Cotten requested Milt Barker check on possible abuses that might occur.

Chairman Cotten moved the amendment to delete the language "or to the spouse of a person", page 1, line 19, of the draft, also suggested by AHFC.

Referring to the three-year period, Representative Carney moved to rescind previous Committee action and reduce this to two years. Representatives Freeman and Moss objected. The question was called for, and the motion FAILED (Carney in favor; five opposed).

There was discussion on the cut-off date for the due-on-sale clause amendment, which AHFC suggested as September 1, 1981. Chairman Cotten thought it should be earlier. Representative Rogers stated he feels it should take effect immediately. Mark Cameron, AHFC, indicated their only concern is with prepayments. Commenting the bond sale is structured assuming people are going to turn-over, Representative Rogers wondered if perhaps they shouldn't go back to seven years. Representative Malone suggested that, in prepaying the old mortgage, you aren't gaining any ground. Mr. Cameron agreed they wouldn't be gaining any, but would be recouping some. He did add that going back to seven years would make the situation worse, as far as restricting prepayments.

Representative Adams asked Mr. Cameron to comment on statements made that 6% will be loaned out through the rural mortgage purchase program. Mr. Cameron replied that was the figure requested in their budget. He noted they don't turn down a loan because of the area in which it is located. Representative Adams responded he (Cameron) said 20% was spent on rural while, in fact, only 11% was expended. He requested accurate records be kept. Mr. Cameron indicated the 20% was a rough estimate.

Representative Haugen asked if AHFC finances owner-built homes; and Mr. Cameron indicated yes, through interim financing. When AHFC approves an owner-built loan, he added, it is good for six months. During discussion, he indicated he would check on the requirements.

There was discussion on the total interest subsidy for a \$90,000 loan at 5% over a 30-year period. Representative Rogers noted it is a declining interest rate.

Representative Carney stated he is still concerned with the three-year period. Representative Rogers advised the problem lies in allowing the first year's subsidy over again. Representative Malone stated the impact is really what is happening in the bond market; it really depends on market fluctuation. He suggested the best policy is to have them pay off loans as soon as possible. Clark Gruening explained that, as the cost of housing goes up, the interest rates track the market somewhat.

(Representative Adams left the meeting.)

Representative Moss expressed concern this does not address the problem of getting the loans out to the rural areas. He suggested a change be made in the definition of rural and indicated he will be proposing just such an amendment. Mr. Cameron advised the main programs of AHFC--Special Mortgage Loan Purchase program and the Mobile Home Loan program--does not distinguish between urban and rural, but looks at the basic community standards for each area. Where the rural definition comes in, he said, relates to the Rural Mortgage Purchase program and the Rural Non-owner Occupied program. The definition there, he continued, is that the community not be connected to Anchorage or Fairbanks or Juneau by road or rail and does not have a population in excess 4,500. Under this definition, Representative Moss explained, his place of residence is considered urban; and he lives 109 miles outside the City of Delta.

(Representative Meekins arrived at this time.)

{Tape HFC 81-92, Side 2, #001}

Representative Moss stated he feels this definition unjustly impacts what he considers rural because of the cost to builders in those areas. He proposed amending the definition of urban to mean a city area with a population of over 15,000 within city boundaries. Chairman Cotten objected. There was further discussion.

(Representative Adams returned to the meeting.)

There was discussion of interest rates for the Rural Mortgage Purchase program, with Chairman Cotten indicating he would like to see all the home loan programs consistent in their interest rates, such as 9-10%.

There was discussion on non-conforming loans and hazard insurance loans. Mr. Cameron advised AHFC does not handle these loans; they are handled through the Department of Community and Regional Affairs.

Representative Moss inquired if ag rights title--which is a covenant--and homesite title land could be used as collateral for a loan; and Mr. Cameron stated he believes AHFC would not finance in either of those two instances. Representative Moss wondered if this land could be used as collateral if language were added to the draft on page 2, lines 7-16, that the regulations shall include provisions allowing the use of ag rights or homesite title land as collateral for a single-family mortgage loan to construct a residence on the property. Off-hand, Mr. Cameron said he thought it might.

As far as homesites are concerned, Representative Freeman commented that, if that's a requirement for qualifying for a loan, you won't get it. Because on homesite land, he continued, all you get is the right to enter, until you build a habitable

dwelling--you don't have any title to homestead or claim on the land at all. There was further discussion.

(Representative Meekins left the meeting.)

Chairman Cotten requested Representatives Moss, Carney and Freeman meet with Mr. Cameron and Mr. Barker to come up with suitable language for an amendment on this topic.

ADJOURNMENT

The meeting adjourned at 9:45 a.m.

Tape HFC 81-92, Side 1, #282 - End
Side 2, #001 - #486

AMENDMENTS TO CSRB487 (Finance) (M. 78 Am #1)

- Page 1, Line 6 After "of" add "owner-occupied single-family or duplex"
- Page 1, Line 7 After "on" add "an owner-occupied single-family or duplex"
- Page 2, Line 4 Delete "three or more" and insert "more than two"
- Line 5 After "unit" add "the maximum loan-to-value ratio is eighty percent"
- Line 6 After "a" add "rental" delete "project" and insert "residence"
- Line 25 Delete "bank", and after "participation" add "by a private sector lender"

MAIN BILL CS FOR HB No. 487 (Finance) II

- * Page 1, Add a new section as follows:

Section 1. AS 18.56.040 is amended to read:

Sec. 18.56.040. Meetings of board. The board shall elect a chairman from among its membership at its [first] annual meeting [in] each year. A majority of the members constitute a quorum for organizing the board, conducting its business and exercising the powers of the corporation. The board shall meet at the call of its chairman. The board shall meet not less than once each three months. The corporation may meet and transact business by electronic media, including conference telephone call, if the public is given notice and has the same right to participate in the meeting as if the meeting was conducted in person. A meeting by electronic media as authorized in this section has the same legal effect as a meeting in person.

- * Page 1, Line 19 Delete "or to the spouse of a person"

- * Line 20 Delete "seven" and insert "three"

Line 21 Add a new sentence as follows: "Sub-section (2) does not apply to mortgage loans which the corporation has committed to purchase prior to September 1, 1981."

At PM meeting this was changed back to "seven"

Page 2, Line 23 At beginning of line add "under sec. 103A(g)(4)
of that Act"

After "cf" add "mortgage revenue"

Line 24 After "municipality" add "under sec. 103A(g)(4)
of that Act"

Page 12, Line 16 Delete "revenue"

Line 17 Delete "\$492,000,000 and insert "\$592,000,000"

HOUSE FINANCE COMMITTEE

May 21, 1981

3:15 p.m.

{Tape HFC 81-92, Side 2, #486}

PRESENT

Chairman Cotten called the meeting to order at 3:15 p.m. All members of the Committee were present, except Representative Adams. Representatives Carney, Buchholdt and Meekins arrived later in the meeting. Also in attendance: Representative Ray Metcalfe; Commissioner Tom Williams, Department of Revenue; Mark Cameron and Bill Miles, Alaska Housing Finance Corporation; Wes Coyner, Alaska Bankers Association; Clark Gruening, Building Industry Association of Anchorage; Robert Sullivan, Alaska Mutual Bank; Mike Doogan, Administrative Aide to Vice Chairman Freeman; Milt Barker, Fiscal Analyst, Division of Legislative Finance.

HB 487

Chairman Cotten announced the Committee would continue hearings on HB 487:

HB 487 - "An Act relating to the Alaska Industrial Development Authority; and providing for an effective date."

Chairman Cotten advised the Committee would be addressing the CS for HB 487 (Finance) workdraft II:

CS for HB 487 (Finance) - "An Act relating to the loan programs of and authorizing issuance of revenue bonds for loan programs by the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority."

Addressing his comments to the amendments submitted by AHFC (see attachment to AM Minutes this date), Commissioner Williams noted he is a member of the board of directors of AHFC but would be speaking to the Committee today as Commissioner of Revenue. Referring to the amendment regarding page 1, line 20, changing the restriction from seven to three, he recommended keeping it as is--at seven. The argument for leaving it at seven, he said, is that AHFC is, in fact, the only game in town, and there is a serious problem of funding--not that AHFC can't issue bonds but in the amount of the subsidy.

(Representative Carney arrived at this time.)

Noting there has already been a supplemental appropriation for AHFC this year, Commissioner Williams explained, if the program becomes a running juggernaut and too accessible, a really dangerous situation will result. He stressed the need to slow down the program. One way to deal with this, he continued, is to

adopt floating interest rates or to leave in the seven-year restriction. Historically, he explained, the life of the mortgage here has been eight years. Considerable discussion followed on this point.

(Chairman Cotten left at this time, and Vice Chairman Freeman conducted the meeting.)

Commissioner Williams suggested that, if the cost of money continues to increase, next year the cost under the program might lead to a bubble that has to break, and the program may have to shut down in 1983-84. He again stressed the importance of reducing the "fire-sale, carnival atmosphere" and restated that he considers seven years a reasonable time based on historical data. Representative Rogers wondered if the demand could be slowed down by a 1% interest rate, and Commissioner Williams indicted this will penalize those who were not in line first. The point is not necessarily to make the money more expensive, but to establish that this program is not going to go out of business, he said, thereby reducing the frenzied atmosphere.

(Chairman Cotten returned at this time and conducted the meeting.)

Representative Carney wasn't sure he agreed with this philosophy and indicated he would like to see some actual figures to show how fast these houses are being turned over.

Representative Freeman commented the subsidy question has always been a problem for him--not with AHFC selling bonds and getting the cheapest rate--but he has been able to live with it because he feels it is the State's policy to see that its citizens have adequate housing. However, he said, if a person is willing to accept subsidy for his home, he should be satisfied with once in a lifetime. He agreed with Commissioner Williams that seven years was not unreasonable.

{Tape HFC 81-93, Side 1, #001}

Representative Carney indicated he could live with the three-year restriction, if presented with substantiated proof this program is being abused.

Representative Malone moved to change the figure back to seven years. During discussion, Representative Montgomery stated he can appreciate the Commissioner's concern, but can also understand Representative Carney's point regarding the problem first-time homebuyers face as well as those who wish to upgrade. Commissioner Williams responded it is not going to be a help to these people if the program cannot be controlled. The question was called for, and the motion PASSED (seven in favor).

(Representatives Buchholdt and Meekins arrived at this time.)

Commissioner Williams indicated he thought Section 3 was an improvement over its counterparts. In response to Chairman Cotten's question on AHFC's September 1, effective date amendment, Commissioner Williams said his recommendation would be to make this sooner rather than later.

Chairman Cotten moved and asked unanimous consent an immediate effective date be adopted. Milt Barker suggested there might still be some ambiguity there and that the intent was that everyone gets a fresh start when applying. Chairman Cotten said it is the intent of the Committee that the cut-off is when this bill passes--from this point forward when the legislation is enacted. Representative Rogers objected, citing the seven-year controversy. Representative Meekins indicated he supports the motion, though he can see the point that, at the time a person made the decision, this was not in effect. Last year was the first year the rules were changed, responded Representative Rogers; and it is unfair for those people who got loans last year to be able to come back again this year. Representative Malone indicated his support of the amendment, but felt there would be a practical problem if this were not made retroactive sometime.

Representative Carney formally requested Commissioner Williams provide him with information this has been abused or he would be prepared to make a Floor amendment. "We made the policy decision on this," observed Representative Meekins, "therefore, the public is not abusing this--just using it."

Representative Rogers moved an amendment to the amendment to make the effective date May 21, 1981; i.e., a person may not receive a loan for the next seven years after that date.

Though, Representative Malone agreed with Representative Meekins' argument, he felt that was not the question; the real problem is with the cost of the program. Referring to the amendment to the amendment, he wasn't sure how the Department could handle this administratively; he felt it might create a lot of uncertainty.

Representative Haugen posed the question regarding a waiting list of loan anticipation at the banks to Wes Coyner, who deferred to Robert Sullivan. Mr. Sullivan indicated the banks do have a large list of applications to be processed. Mark Cameron pointed out this usually involves an earnest-money agreement, and this person may elect not to put in for the loan now but wait, though he would be out that earnest money.

(Representative Freeman left the meeting.)

Chairman Cotten agreed with Representative Meekins that the rules shouldn't be changed in the middle of the game. Representative Rogers WITHDREW his amendment to the amendment. Chairman Cotten WITHDREW his amendment.

Referring to the two-page amendment (see Attachment) prepared by Mr. Barker, Chairman Cotten announced the Committee would now address the question of multi-family dwellings under the special mortgage loan purchase program.

Representative Moss moved to delete subsections (5) and (6) on page 2, lines 16-19, regarding the limitations on rural and urban. Chairman Cotten pointed out that, at the present time, no statute exists dealing with the definition of rural and urban, but only through regulation.

Chairman Cotten stated it is his intent to include language that loans for rural and urban be made at 9% for veterans and 10% for all others. During discussion, Representative Rogers asked the cost of the amendment, and Chairman Cotten indicated it would require a special appropriation for however much they intend to put in this program. Representative Rogers said he would object to such an amendment, commenting, "You are trying to hold it down in one area while opening it up in another."

Representative Meekins inquired if "any one group was pushing this". Chairman Cotten responded Representatives Miller and Hayes requested multi-family housing.

(Representative Freeman returned to the meeting, and Representative Moss left at this time.)

Chairman Cotten said it has been suggested multi-family housing be handled by AIOA and pointed out SB 404 includes eligibility for multi-family dwellings. Discussion followed on whether this should go into AHFC.

{Tape HFC 81-93, Side 1, #001}

In response to a question from Representative Rogers on whether the State should get into the apartment business, Mr. Sullivan indicated his own personal opinion would be no. Representative Metcalfe said he feels this program--up to seven units--should be addressed by the State. Mr. Cameron pointed out the bonding does not cost more--subsidy funding is independent of bonding funding.

Chairman Cotten moved to increase the amount of revenue bonds AHFC may issue to \$592,000,000. There being no objection, it was so ordered.

HB 487 HELD OVER

ADJOURNMENT

The meeting adjourned at 4:30 p.m.

Tape HFC 81-92, Side 2, #486 - End
HFC 81-93, Side 1, #001 - End
Side 2, #001 - #181

CS HB 487 Amendments

1 * Section 1. AS 18.56.098(a) is amended to read:

2 (a) The corporation shall establish a special mortgage loan
3 purchase program. Under the special mortgage loan purchase program,
4 the corporation may purchase mortgage loans, including graduated payment
5 mortgage loans, made (1) for the purchase of one, two, three, and four
6 family residences; (OR) (2) for the refinancing of a mortgage loan on a
7 one, two, three, or four family residence if the purpose of the refin-
8 ancing is to provide money for the improvement or rehabilitation of the
9 residence; (3) to purchase multi-family residences of more than four
10 units which are individually owned; or (4) for financing after completion
11 of construction, or refinancing after completion of improvement or rehabili-
12 tation, of multi-family residences of more than four units which are not
13 individually or cooperatively owned when the requirements of (g) of this
14 section are met; (5) for the purchase, financing after completion of
15 construction, or refinancing after completion of improvement or rehabili-
16 tation of residences of more than four units which are cooperatively
17 owned.

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12 tation, of multi-family residences of more than four units which are not
13 individually or cooperatively owned when the requirements of (g) of this
14 section are met; (5) for the purchase, financing after completion of
15 construction, or refinancing after completion of improvement or rehabili-
16 tation of residences of more than four units which are cooperatively
17 owned.

CSHB 487 Amendments

1 * Sec. 3. AS 18.56.098(d) is repealed and reenacted to read:

2 (d) The limitations on the loan amount and the interest rate
3 charged on a mortgage loan purchased by the corporation under (a) of
4 this section are as follows:

5 (1)

6 (2)

7 (3)

8 (4) the interest rate for a loan for construction or rehabi-
9 litation of a residence having more than four dwelling units in which
10 the units are not individually or cooperatively owned may not exceed
11 11 percent on the part of the loan which does not exceed \$50,000 per
12 unit multiplied by the number of units multiplied by the percentage
13 of the loan purchased by the corporation;

14 (5)

15 (6)

16 (7)

17 (8)
18
19
20

CSHB 487 Amendments

1 * Sec. 3. AS 18.56.098(d) is repealed and reenacted to read:

2 (d) The limitations on the loan amount and the interest rate
3 charged on a mortgage loan purchased by the corporation under (a) of
4 this section are as follows:

5 (1)

6 (2)

7 (3)

8 (4) the interest rate for a loan for construction or rehabi-
9 litation of a residence having more than four dwelling units in which
10 the units are not individually or cooperatively owned may not exceed
11 11 percent on the part of the loan which does not exceed \$50,000 per
12 unit multiplied by the number of units multiplied by the percentage
13 of the loan purchased by the corporation;

14 (5)

15 (6)

16 (7)

17 (8)
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HOUSE FINANCE COMMITTEE

May 22, 1981

9:05 a.m.

(Tape HFC 81-93, side 2 #181)

PRESENT

All members of the Committee were present except Representatives Malone, Adams and Moss. (Representative Meekins arrived later in the meeting.) Present to testify were Senator Fahrenkamp and Steve Hole, Department of Education.

SB 18

Chairman Cotten called the meeting to order and brought CSSB 18 (fin) am up for consideration.

CSSB 18 (fin) am -- "An Act establishing a special aid program for providing special education programs during the summer of 1981; and providing for an effective date."

SENATOR FAHRENKAMP explained the purpose of the bill is to provide a special education program for this summer. She said the bill has a sunset date, and they did that so this program wouldn't interfere with the recommendations of the task force for special education. She said for the past three years this program has gotten lost in larger bills, and has never passed. She said the bill offers a summer session for handicapped children. She advised each school district is eligible to apply for the funds.

Senator Fahrenkamp said the Senate bill does not include children with learning disabilities, and she recommended that this Committee add (D) on line 13 of the bill, so that children with dyslexia and other learning disabilities could benefit from the summer program.

Senator Fahrenkamp said she doubted adding (D) would effect the fiscal note by much, since the other 4 areas of exceptional children are already considered in the note.

Senator Fahrenkamp said these are children who regress a great deal during the summer months.

Representative Rogers asked if they would also have to add "(D)" on line 21 of the bill. Senator Fahrenkamp said yes.

Representative Rogers said the fiscal note would not take effect until July 1, and he asked if that would create problems. Senator Fahrenkamp said no, first payments would not come about

until after the first of July anyway; so it would not slow down the program.

Representative Rogers said he would like to include all the exceptional children, including gifted children; however, he did not want to bog down the bill. He said it is important to handle the needs of all the gifted children. Senator Fahrenkamp said there is a bill (SB 365 and HB 449) she hopes to get through both bodies this coming year to take care of all the exceptional children. There was discussion.

Representative Rogers MOVED on page 1, line 13 and line 21 of CSSB 18 (fin) am, after "(C)" to add "(D)". There being NO OBJECTION, it was so ordered.

MR. STEVE HOLE, Department of Education, said the Department has no objection to adding those students in (D) of the Statute. He advised this will increase the fiscal note substantially. He explained the fiscal note was put together based on an amount of money based on a formula. Chairman Cotten asked how many students they were talking about. Mr. Hole said about about 25% of the special education children, or 3,000. He said the majority of the children are in the section (D) the Committee just added.

Chairman Cotten asked how much more they are adding to the fiscal note by adding (D). Mr. Hole said he would guess between \$5000.0 and \$7000.0. He said the only children being excluded would be the gifted/talented.

(Representative Meekins arrived at this time.)

Mr. Hole explained the fiscal note he submitted for the bill in its original form was \$7.2 million for all the youngsters for all summer. He explained he can only prepare a fiscal note that says everyone will participate, and the formula is wired to FY 81.

Chairman Cotten asked if he knew how many school districts would participate. Mr. Hole said his best guess is every school district with 300/400 ADM will probably want to offer a program. He said all the large school districts would offer a program. There was further discussion on the program and the fiscal note.

(Representative Freeman left at this time.)

Chairman Cotten asked if there was any way they could get a better estimate of the cost. Mr. Hole said his best guess is that a program including all but the gifted children would cost around \$4 million maximum. He said the fiscal note, based on the formula, is going to have to be higher than that. He said the fiscal note is probably going to be about \$7 million. There was discussion.

Representative Carney asked why they couldn't approve a \$4 million fiscal note and let the Department come back in with a

request for a supplemental appropriation if they need additional funding. Chairman Cotten said they wouldn't be able to get a supplemental appropriation because the program ends at the end of the summer. There was further discussion. Representative Rogers said it would be proper to short fund the formula. He said he doesn't believe they could draw down on other funds, so if they are funded at \$4 million, the Department would have to make it fit. Chairman Cotten said he thinks the responsible thing to do would be to take their best guess. He said they would probably know at an early date what the demand is going to be, and if it appears they are going to run out of money, they could prorate the dollars.

There was brief discussion on which school districts might participate in the program.

Chairman Cotten said the \$7 million fiscal note is based on 33% of the entitlement, based on a certain number of children. He said the number of children who will participate is an estimate.

Representative Carney MOVED to accept a \$4 million fiscal note. There being NO OBJECTION, it was so ordered.

Representative Meekins MOVED to report out a House Finance CS incorporating the amendment made earlier (adding (D)), with the \$4 million fiscal note. There being NO OBJECTION, it was so ordered. HCS CSSB 18 (fin) was reported out with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 9:50 a.m.

Tape HFC 81-93, side 2 #181 to #706

HOUSE FINANCE COMMITTEE

May 22, 1981

1:45 a.m.

(Tape HFC 81-94, side 1 #001.)

PRESENT

All Members of the Committee were present except Representatives Adams, Cotten, Rogers, Malone and Haugen. (Representatives Meekins, Montgomery and Buchholdt arrived later in the meeting.)

HB 517

Vice Chairman Freeman called the meeting to order. He said the purpose of the meeting was to hold a public hearing/teleconference on HB 517.

HB 517 -- "An Act making special appropriations to the Department of Administration, division of telecommunications sytems, for satellite television facilities; and providing for an effective date."

Tape #

Description

HFC 81-94, Side 1
#020

An audio/visual recording of ROBERT WOLD, Robert Wold & Associates, was shown. Via teleconference, Mr. Wold answered questions from ELSIE O'BRIAN, Mat-Su Borough on whether or not this proposal would include instructional television (ITV).

HFC 81-94, side 1
#372

COMMISSIONER BILL HUDSON, Department of Administration testified. (Rep. Meekins arrived at this time.) Mr. Hudson said he didn't want to see the Dept. of Admin. put in the same position as DOT/PF, where they are over-extended beyond what they are able to deliver, and find themselves in trouble with the legislature. He suggested this legislation has come too fast for them to even know if they can deliver. He requested opportunity to develop a plan and survey existing facilities. Rep. Meekins asked if they were for or against the bill. Hudson said he can't speak for Administration; but he has his personal biases on what state government should and should not provide.

HFC 81-94, side 1
#470

JOHN McCaw, McCaw Communications, testified they would like to see impact of this bill kept to a minimum for their customers. (Rep. Buchholdt arrived at this time.)

HFC 81-94, side 1
#512

TOM SAXTON, Barrow, suggested looking for companies in each regional area in Alaska to install, maintain, and operate the system. Agreed input needs to come from cable operations in the various communities describing for the legislature what is available.

HFC 81-94, side 1
#550

BOB HERRON, General Manager, Bethel Cable, agreed impact must be addressed. He pointed out funding under the bill begins July 1, 1981, and the telecommunications task force begins the same day. He said that is putting the "cart before the horse." He wondered why the state wanted to get into the entertainment business.

HFC 81-94, side 1
#577

CAROL SCHOTZ, KYUK TV and radio, advised Bethel Broadcasting is not taking a position on the bill in itself. She explained what is available through Bethel Broadcasting and said if the State provides that in competition with them, it would place them in a situation of losing local support. She suggested the time frame of the bill is too quick since the Division of Telecommunications is not in place.

HFC 81-94, side 1
#600

LARRY CLOCKIN, Haines Cable, agreed with the negative feelings being expressed. He is 100% against the State competing against private individuals.

HFC 81-94, side 1
#629

ELSIE O'BRIAN, Mat-Su Borough, speaking on behalf of DOROTHY JONES, Borough Assembly, said they are interested in having teleconferencing capabilities and ITV. Also speaking for MAYOR CHRISTIANSEN, Huston, who favors the bill if teleconferencing is provided.

HFC 81-94, side 1
#633

DONNA SEALS, Anchorage, said she is opposed to the bill.

HFC 81-94, side 1
#638

JOHN DURKIN, Anchorage, recommended including a code of ethics in

HFC 81-94, side 1
#657

the bill.

REP. FREEMAN commented on reason why state is getting involved -- some things are not economically feasible to private industry. (Rep. Montgomery arrived at this time.)

HFC 81-94, side 1
#700

DUANE L. TRIPLET, KIMO, Alaska TV Network, Anchorage, testified they are not against multiple channel services around the state; they are against bill in its present form. He said the bill would cause tape delay centers to be built at each individual station in Anchorage. He recommended the bill be sent back for extensive study, and that it not become effective until Exec. Order #50 is coordinated. (Reps. Meekins & Moss left at this time.)

HFC 81-94, Side 2
#270

SAM EVANS, Owner/Treasurer, Alaska Cable Vision said they support increased telecommunications in the state, and they support EO #50. He said HB 517 is premature in that respect. There was discussion between Rep. Freeman and Evans. (Rep. Buchholdt left at this time.)

ADJOURNMENT

Vice Chairman Freeman invited written testimony. The meeting adjourned at 2:45 p.m. for a Call of the House.

Tape HFC 81-94, side 1 #001 to end
side 2 #001 to #111

HOUSE FINANCE COMMITTEE

May 23, 1981

11:30 a.m.

{Tape HFC 81-94, Side 2, #411}

PRESENT

Chairman Cotten called the meeting to order at 11:30 a.m. All members of the Committee were present, except Representatives Carney and Moss. Also in attendance: Representatives Joe Hayes, Mike Miller and Ray Metcalfe; Commissioner Tom Williams, Department of Revenue; Mark Cameron, Alaska Housing Finance Corporation; Mike Doogan, Administrative Aide to Vice Chairman Freeman; Milt Barker, Fiscal Analyst, Division of Legislative Finance.

CSHB 487 (FIN)

Chairman Cotten announced the Committee would continue deliberations on CSHB 487 (Fin):

CSHB 487 (Fin) - "An Act relating to the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority."

Representative Rogers moved an amendment that, at the time the difference between the cost of money to AHFC reaches a 4% differential, from that point on, the interest rate to the borrower will be 3% below to non-veterans and 4% to veterans. There was discussion on 6-8% loans and if it drops to below 9-10%. Representative Rogers WITHDREW his amendment. He stated he would redraft it and present it to the Committee in written form.

There was discussion on the difference between federal and state interest rates.

Representative Malone moved to rescind previous Committee action on the adoption of the seven-year restriction on page 1, lines 19-21. Prior to that, he said, there was a three-year limit. Representatives Rogers, Freeman and Adams objected. Discussion followed, with Representative Montgomery suggesting a compromise that it be left at three years and that a person may not apply again within a seven-year period. Representative Rogers moved to amend the motion to three years, with the provisor that the applicant must have moved at least 100 miles from the site of the previous mortgage loan or to another community. Representative Montgomery objected. Representative Rogers WITHDREW his amendment to the amendment.

Representative Malone cited as the reason for his motion the argument previously made by Representative Carney that some people have to move because of job transfers.

There was further discussion on limiting the number of times a person may apply for a loan through AHFC. Representative Freeman maintained it should be a once-in-a-lifetime opportunity, because "...you are taking money that belongs to all the people to use for subsidizing buying a house...the original justification is being subverted."

(Representative Rogers left the meeting.)

Representative Meekins suggested Representative Freeman's comments are "right on target". Representative Buchholdt echoed these sentiments, adding "...until we have a better grasp of the situation...we should move forward very slowly...(we) want this to go first to those who are purchasing their first house."

Responding to questions, Mark Cameron indicated AHFC would prefer nothing, but if specified, then at least three or seven years. What they do prefer, he continued, is the due-on-sale clause necessary for tax-exempt financing, the reason being it limits pre-payments.

CSHB 487 (FIN) HELD

ADJOURNMENT

Chairman Cotten called a lunch break at 12 noon. He announced the Committee would meet again at 1:30 p.m. for further consideration of CSHB 487 (Fin).

Tape HFC 81-94, Side 2, #411 - End

HOUSE FINANCE COMMITTEE

May 23, 1981

1:40 p.m.

(Tape HFC 81-95, side 1 #001.)

PRESENT

All Members of the Committee were present except Representatives Carney and Moss. (Representatives Rogers, Buchholdt and Meekins arrived later in the meeting.) Also present: Bob Greene, Association of Alaska School Boards; and Alison Elgee, Fiscal Analyst, Legislative Finance Division.

HB 279

Chairman Cotten called the meeting to order and brought HB 279 up for consideration.

HB 279 -- "An Act relating to state aid for school construction."

Representative Montgomery advised that he, Representative Carney and Representative Moss met with Bob Greene on the proposed finance CS for HB 279. He requested that Mr. Greene give an overview of the bill.

MR. BOB GREENE, Association of Alaska School Boards explained the bill. He said there is language in the first section that will delete DDT/PF. He said his understanding is this is an agreement between DDT/PF and DOE. He explained that currently they have a joint arrangement where DOE approves the "specs" and DDT/PF does the construction.

(Representative Rogers arrived at this time.)

Chairman Cotten said right now the Department of Education determines the extent of eligibility for state aid. Mr. Greene agreed. Representative Adams asked if there was a time frame on that. Mr. Greene explained this particular section only deals with REAA's, and only has to do with projects constructed through the governor's capital budget. He said under existing statute they have two situations: the REAA's who have to apply to DOE for a new facility, to be included in the governor's capital budget, and if they are successful they are screened by DOE, the money is appropriated to DDT/PF, and DDT/PF administers construction of the building. Mr. Greene explained all a school district has to do is take construction of the facility over via a grant process. Mr. Greene said the language in this bill means DOE will assume all those responsibilities. He said the administrative costs of a construction project would be significantly reduced by eliminating DDT/PF.

Representative Adams asked what happens if there is a situation like the one between the Lower Kuskokwim School District and Modern Construction (discussed in testimony on HB 478). Mr. Greene said the buffer could be in the discretion the commissioner has to approve the grant. He explained the commissioner has the authority to make decisions based on the best interest of the state; he could refuse to allow the grant process to be implemented. Representative Montgomery commented DOE could stipulate that construction changes cannot be made without the approval of the Department.

Representative Montgomery asked if the change is to put REAA's and school districts in generally the same position. Mr. Greene said this was correct. He said that comes under the last section. He said the first section establishes a new power for the Department of Education which allows councils of municipalities to submit a request in the same manner that REAA's currently do. He explained they could apply under the governor's capital improvement budget. He said the section also establishes criteria for doing it. There was discussion.

Representative Rogers referred to the language on page 1, line 20, and asked what happens to projects where bonds have been authorized, but work has not begun. Mr. Greene said this particular situation would not apply to the projects in Fairbanks. He said those are both projects where the municipality has direct control over them.

Mr. Greene said page 3 is essentially putting into form the approach for a school district to assume the grant process and the commissioner to establish the regulations for that process. There was discussion. Representative Rogers recommended deleting the language on page 3, lines 23-26: "Before the commissioner adopts, amends, or repeals a regulation under this section, he shall consult with the Alaska Association of School Boards and the Alaska Association of School Administrators."

Mr. Greene continued his explanation of the bill. Representative Adams asked if DOT/PF did the planning and design, and took a percentage of the construction costs of a project. Mr. Greene said that was correct. He commented further. Representative Adams asked if the municipalities or REAA's will take a percentage. Mr. Greene said no, that is not the way it works out. He explained the project has to be designed in such a manner that design and fees all have to be a part of it. He commented a school district can probably administer a grant for significantly less than others would charge. There was discussion.

(Representative Buchholdt arrived at this time.)

Mr. Greene explained section 7 of the bill moves up repayment by the state to cities and boroughs for bonds, from two years to the prior fiscal year. He said page 6, line 15 makes it for past debts and lines 16-19 are in the future and adds a \$50,000 limit.

There was brief discussion on the reason for the current two year delay in repayment.

Representative Rogers commented that section 10 explains the payment schedule. He said in FY 82 the state will pay the debt payments for FY 80, in FY 83 they will pay the debts for FY 81, 82 and 83, in FY 84 they will pay the debt for FY 84, in FY 85 for FY 85, and so on.

Chairman Cotten asked what the catch up cost would be. MS. ALISON ELGEE, Fiscal Analyst, Legislative Finance Division, said the fiscal note on the original bill shows it would be \$103.8 above what is in the budget.

(Representative Meekins arrived at this time.)

Mr. Greene commented the payments would go to the cities/boroughs and not to the school districts. There was discussion on the cost of going to 100%. Ms. Elgee said the Department prepared a fiscal note projecting future costs, and for FY 83 they are projecting \$63 million.

(Tape change, HFC 81-95, side 2.)

There was further discussion on the cost.

Representative Malone asked what happens to cash payments for construction of schools by municipalities between the 80% allotment and going to 100% after June 30, 1981. Representative Rogers said the cash payments remain on a two year repayment basis. There was further discussion.

Ms. Elgee advised that section 10 was not part of the old bill. She said it picks up payments until 1983. Mr. Greene said the intent of that section is only to pick up the two year difference, and make it effective in 1983.

Chairman Cotten said he didn't see why there was a need to go back. There was discussion.

Chairman Cotten said he would like to see no retroactive payments to the municipalities. He said they would continue to get what they thought they were going to get, and starting now they will get the full 100%.

Representative Malone said the real question is for what fiscal year do they want to begin picking up 100% of the debt service cost. He suggested starting in FY 83.

Chairman Cotten said he thinks this can be done without the bonus payment of \$103 million. Committee members agreed. Mr. Greene said he understands the Committee's concern about a bonus payment. He said he thinks there could be a way to figure out a process where all existing bonds would still be paid at the two year arrears approach and all new bonds would be paid up in the

current year. He said the only difference in this approach would be the difference between 80% and 100% in FY 79 and FY 80.

Representative Meekins suggested picking a date at which time the communities no longer would pay any debt service. He said eliminating section 10 would do that.

Chairman Cotten asked staff to prepare a bill. Representative Rogers said section 10 should be taken out. Representative Montgomery said he would like section 11 to be taken out. He said that section repeals the tobacco tax and it shouldn't be in this bill.

HB 279 was held.

RECESS

A recess was called at 3:05 p.m.

Tape HFC 81-95, side 1 #001 to end
side 2 #001 to #618

HOUSE FINANCE COMMITTEE

May 26, 1981

1:55 p.m.

(Tape HFC 81-95, Side 2 #618.)

PRESENT

All Members of the Committee were present except Representatives Cotten and Montgomery. (Representatives Malone and Rogers arrived later in the meeting.) Present to testify were: Tom Freeman, Business Manager, Anchorage School Board; Bob Greene, Association of Alaska School Boards; Ginny Chitwood, Alaska Municipal League; Alison Elgee, Fiscal Analyst, Legislative Finance Division; and Mike Doogan, Aide to Representative Freeman.

HB 279

Vice Chairman Freeman called the meeting to order and brought HB 279 up for consideration.

HB 279 -- "An Act relating to state aid for school construction."

ALISON ELGEE, Fiscal Analyst, Legislative Finance Division presented proposed amendments to CS HB 279 (fin). (See attachment #1.) She said at the end of the last Committee meeting, her understanding of the Committee's intent was to begin paying 100% of debt service beginning in FY 82, and not going back to pick up FY 80 or FY 81.

Representative Carney asked when the two years will be picked up. Ms. Elgee said it will not be. Representative Carney asked if this meant they would always be behind two years. There was brief discussion. Representative Carney said he didn't have any problem with waiting until next year to fund prior debt service, but he thinks they should make up the two year difference. There was discussion. Representative Meekins asked if it was correct that the Mat-Su Borough didn't pay debt service, they bonded for school construction. Representative Carney said that was right.

Representative Carney said he thinks it is important to pick up these two years at some point in time. He said he would prefer to put it in next year's budget.

Representative Meekins asked what Anchorage's situation is. TOM FREEMAN, Business Manager, Anchorage School District, said at the present time there is a two year lag. He said if they begin paying 100% now, Anchorage will lose the preceeding two years -- \$25 million. Representative Meekins said it seems that for any

payments that have already been made, to reimburse the municipalities gives them a windfall.

(Tape change, HFC 81-96, side 1.)

(Representative Malone arrived at this time.)

Representative Carney suggested continuing with the past policy of picking up debt service until the two years are caught up, and pay 100% this year. He said he thinks it is right for the State to pick up debt service. There was brief discussion.

Representative Haugen said he is inclined to go along with what Representative Meekins said -- what they are really asking for is retroactive funding.

There was further discussion on Anchorage's situation. Mr. Freeman commented it is difficult for school districts when the funding is pro rated and there is not enough money available to pay the bonds. Representative Haugen asked if the Governor short funded debt service at 80% as far as their entitlement. Mr. Freeman said that was correct.

Representative Meekins commented this is a different approach than what the committee agreed to at the last meeting. He said no one was concerned with retroactive payments at that meeting. He commented further. Representative Meekins said if they pick up three years in one year, even if they only pick up 80% for the first two years, it triples the cost of the program -- \$120 million versus the \$40 million they are picking up now.

Vice Chairman Freeman asked what the difference was between picking up the retroactive payment and not picking it up. Ms. Elgee said the difference is \$23 million if they don't pick up anyone retroactively, and if they did pick it up, an additional \$106 million to pick up everything up to FY 82.

Representative Carney said his proposal would be to not pick it up this year, but to make it part of the bill to pick it up next year and the year after.

Ms. Elgee commented that by moving FY 82 current there is a \$23 million cost regardless of what they do with the retroactive amount.

Representative Meekins asked if FY 79 has been paid. Ms. Elgee said this was correct. Representative Meekins asked what the FY 80 total debt service was. Ms. Elgee said 80% is \$40 million, so 100% would be about \$50 million. Representative Meekins asked what the figures were for FY 81. Ms. Elgee said \$43 million at 80% and \$51.5 million at 100%. Mr. Bob Greene, Association of Alaska School Boards commented that in any one of those years their bonds prior to 1977 are figured at 100%, so the figure would be less than just adding 20% to the 80% figure. Representative Meekins asked how she got the figure of \$106

million. Ms. Elgee explained there is \$40 million in the budget already. There was further discussion on the figures.

Representative Haugen commented that if the State is going to formula fund at 100%, they are probably going to have some kind of stipulations on the type of construction one can have. Representative Carney said the bill does provide the criteria used to determine what debt service can qualify, i.e., swimming pools are not included.

There was further discussion on picking up the two years. Representative Carney said his proposal will not impact this year's budget at all. He said his proposal is to only pay 80% of FY 80 debt service this year. He said the effective date on repaying of 100% would begin next year.

Representative Carney MOVED that this year they pay what is in the budget, next year pay the 80% normally funded plus 100% of last year, and then the following year pick up 100%. There was discussion. Representative Meekins said he would like to hear from Bob Greene.

Mr. Bob Greene, Association of Alaska School Boards, said in order to accommodate the Committee's concerns as indicated at their last meeting, and still take care of the concerns of municipalities and school districts, he and Ginny Chitwood (Alaska Municipal League) came up with a proposal that is more conservative but deals with their immediate needs. (See attachment #2.) Mr. Greene said the proposal doesn't provide for a catch up, but it does provide for immediate 100% payment of all existing bond issues. He explained the municipality would be receiving 100% of bonds, interest and principal paid two years earlier than it is now. He further explained their proposal.

Representative Meekins said his proposal would fund 100% of the debt, but they would have to wait two years. He said anything borrowed in the future would be paid at 100%, so there would be no debt service in addition to what they are paying.

There was further discussion on the various proposals.

Vice Chairman Freeman said he would like to hold this bill and come back to it at tomorrow's meeting.

Ms. Elgee explained a portion of the amendment she presented hasn't been brought up yet (new sections 11-13). There was brief discussion on the amendment.

HB 279 was HELD.

RECESS

Vice Chairman Freeman called for a recess at 3:20 p.m. and recalled the meeting to order at 3:40 p.m. (Attendance was the

same as earlier in the meeting except Representative Buchholdt was absent and Representative Rogers was present.)

HB 12

Vice Chairman Freeman brought HB 12 up for consideration.

HB 12 -- "An Act creating the Alaska Railroad Authority."

Representative Rogers explained this bill was on the floor, where he and others proposed an amendment to the bill, and it was re-referred to Finance. He said one of the reasons for pulling back from an Authority was because of how it could be perceived by the Federal Government.

(Representative Malone arrived at this time.)

Representative Rogers explained the proposed amendment creates an "Alaska Railroad Negotiating Commission". (See attachment #3.) There was discussion on the amendment.

(Representative Buchholdt arrived at this time.)

There was discussion on the language in section (c) of the amendment. Representative Malone recommended deleting "to the state or to private enterprise" and inserting "from federal ownership".

Representative Carney asked why the governor and commissioners couldn't negotiate without a special commission. Representative Rogers said he thinks it is important that there be some visual and expressed legislative support for the negotiations.

Representative Haugen suggested "initiate discussions" was not the correct language. Representative Rogers agreed and said "conduct discussions" might be better.

(Tape change, HFC 81-97, side 1.)

Representative Rogers MOVED in subsection (c) to change "initiate" to "conduct". There being NO OBJECTION, it was so ordered.

Representative Moss MOVED in subsection (c) of the amendment to delete "or to private enterprise" on the fourth line, and after "additional" to add "rail". Representative Rogers MOVED TO AMEND the motion to delete "to the state" and insert "from federal ownership" on the third line. There was further discussion.

Representative Rogers suggested a subcommittee be appointed to prepare a draft CS. There was discussion. Vice Chairman Freeman APPOINTED A SUBCOMMITTEE of Representatives Buchholdt, Moss and Haugen to come up with a proposed Finance CS for HB 12.

Representative Moss pointed out there is a new fiscal note for the bill which is about half the original cost. There was brief discussion on the fiscal note.

HB 12 was HELD.

SB 120

The next bill to be considered was SB 120.

CSSB 120 (HESS) -- "An Act amending the undergraduate and graduate scholarship loan program; and providing for an effective date."

Representative Buchholdt advised the Finance Committee has already reported out a Finance CS for HB 32 ("An Act relating to undergraduate and graduate scholarship loans; and providing for an effective date.") dealing with the same subject. She briefly explained the difference between the House and Senate bills.

Representative Buchholdt MOVED to adopt CS SSHB 32 (fin) as a substitute for CSSB 120 (HESS). There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED to report out HCS CSSB 120 (Fin) with the same fiscal note the Committee adopted for HB 32 (\$4,658.6). There being NO OBJECTION, it was so ordered. HCS CSSB 120 (Fin) was reported out with a "Do Pass" recommendation.

ADJOURNMENT

The meeting adjourned at 4:20 p.m.

Tape HFC 81-95, side 2 #618 to end
HFC 81-96, side 1 #001 to end
side 2 #001 to end
HFC 81-97, side 1 #001 to #461

AMENDMENT

OFFERED IN THE HOUSE:

By: _____

To: ^{CS} _____ HOUSE BILL No. 279 (fin)
SENATE BILL No. _____

PAGE: _____

LINE: _____

Title Change: "An. Act relating to school construction and state aid to school districts under the public school foundation program, transferring the administration of the school construction grant program from the Department of Transportation and Public Facilities to the Department of Education; and providing for an effective date."

Amendments

Page 3, lines 23-26. Delete "Before the commissioner adopts, amends, or repeals a regulation under this section, he shall consult with the Alaska Association of School Boards and the Alaska Association of School Administrators."

page 6, line 20. Change June 30, 1981 to June 30, 1979.

page 8. Delete Sec. 10, lines 1-6.

page 8, line 7. Delete "AS 43.50.140". Renumber sec. 10 [11].

page 8, add sec. 11, 12, 13 (see attachment)

Page 8, line 8. Renumber Sec. 14 [12].

CSHB 279 (fin):

* Sec. 11. AS 14.17.023 (b) is amended to read:

(b) The amount of supplemental equalization aid for a district is calculated by multiplying the ADM of the district as reported for the prior fiscal year under AS 14.17.180 by the amount per ADM calculated in (c) of this section. This amount shall be reduced by the [AMOUNT OF THE] average locally-generated [LOCAL] appropriation [TAX CONTRIBUTIONS] per pupil in average daily membership appropriated by the city or borough to the school district for school operating costs in that district in the prior fiscal year or in the fiscal year ending June 30, 1979, whichever is higher.

* Sec. 12. AS 14.17.023 (c) is amended to read:

(c) the amount per ADM of supplemental equalization aid is calculated as the amount equal to the average locally-generated [LOCAL] appropriation [TAX CONTRIBUTIONS] per pupil in average daily membership appropriated by the city or borough to the school districts for school operating costs in the city and borough school districts in the prior fiscal year.

* Sec. 13. AS 14.17.250 is amended to read:

(20) "locally-generated appropriation" means an appropriation made from revenue sources originating within the municipality and does not include funds acquired by transfer from federal, state or other governmental units.

Original sponsors: Carney, Buchholdt,
Zharoff, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 279 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to school construction and transfer-
7 ring the administration of the school construction
8 grant program from the Department of Transportation
9 and Public Facilities to the Department of Education;
10 and providing for an effective date."

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

12 * Section 1. AS 14.07.020(11) is amended to read:

13 (11) review plans for construction of [AND] new public elemen-
14 tary and secondary schools and for additions to and major rehabilitation
15 of existing public elementary and secondary schools and, in accordance
16 with regulations adopted by the department, determine the extent of
17 eligibility for state aid of a school construction project begun after
18 July 1, 1978, and administer and direct the planning, designing, and
19

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16 with regulations adopted by the department, determine the extent of
17 eligibility for state aid of a school construction project begun after
18 July 1, 1978, and administer and direct the planning, designing, and
19 construction of schools and public works projects related to education
20 begun after July 1, 1981; for the purposes of this paragraph, a "plan"
21 includes educational specifications, schematic designs, and final
22 contract documents;

23 Sec. 2. AS 14.07 is amended by adding new sections to read:

24 ARTICLE 3. CONSTRUCTION, REHABILITATION, AND IMPROVEMENT
25 OF SCHOOLS AND RELATED FACILITIES.

26 Sec. 14.07.180. RECOMMENDATIONS AND EVALUATIONS OF PROJECTS. (a)
27 The assembly or council of a municipality which is a school district or
28 a regional school board may submit a request to the department for a
29 school or education-related facility construction, rehabilitation, or

1 improvement project together with a report evaluating the condition of
2 school or education-related facilities and a determination of the need
3 for the project.

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

6 (1) rank each project in the order of priority which serves
7 the best interests of the state;

8 (2) prepare an estimate of the amount of money needed to
9 finance each project approved by the department and recommend to the
10 governor appropriations for projects to be included in the budget sub-
11 mitted to the legislature;

12 (3) provide the governor with a copy of the report of the
13 assembly, council, or regional school board which requested each project
14 approved by the department;

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

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

1 improvement project together with a report evaluating the condition of
2 school or education-related facilities and a determination of the need
3 for the project.

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

6 (1) rank each project in the order of priority which serves
7 the best interests of the state;

8 (2) prepare an estimate of the amount of money needed to
9 finance each project approved by the department and recommend to the
10 governor appropriations for projects to be included in the budget sub-
11 mitted to the legislature;

12 (3) provide the governor with a copy of the report of the
13 assembly, council, or regional school board which requested each project
14 approved by the department;

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

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

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

22 (2) emergency requirements;

23 (3) number of students without classroom space;

24 (4) new local elementary or secondary programs;

25 (5) existing regional, community, and school facilities and
26 the condition of the facilities;

27 (6) economic and social stability of the municipality or
28 region.

29 Sec. 14.07.190. ASSUMPTION OF RESPONSIBILITIES. (a) A school

1 district or regional educational attendance area may, by resolution of
2 the school board, request the assumption or joint exercise with the
3 department of all or part of the department's responsibilities under
4 AS 14.07.020(11) relating to the planning, design, and construction of
5 a school or an education-related facility located within the boundaries
6 or operating area of the school district or regional educational atten-
7 dance area. After receipt of a request, the department shall provide
8 for the assumption or joint exercise by the school district or regional
9 educational attendance area of those responsibilities requested.

10 (b) If a school district or regional educational attendance area
11 assumes the department's responsibilities under this section, the
12 department shall transfer appropriations made for the school or educa-
13 tion-related facility to a special construction account in the state
14 treasury. Under the fiscal control of the department, a school district
15 or regional educational attendance area administering the project as
16 provided in this section may draw on the account for costs of the
17 project.

18 (c) The commissioner shall adopt necessary regulations implement-
19 ing this section, and setting out the requirements for agreements

1 district or regional educational attendance area may, by resolution of
2 the school board, request the assumption or joint exercise with the
3 department of all or part of the department's responsibilities under
4 AS 14.07.020(11) relating to the planning, design, and construction of
5 a school or an education-related facility located within the boundaries
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7 dance area. After receipt of a request, the department shall provide
8 for the assumption or joint exercise by the school district or regional
9 educational attendance area of those responsibilities requested.

10 (b) If a school district or regional educational attendance area
11 assumes the department's responsibilities under this section, the
12 department shall transfer appropriations made for the school or educa-
13 tion-related facility to a special construction account in the state
14 treasury. Under the fiscal control of the department, a school district
15 or regional educational attendance area administering the project as
16 provided in this section may draw on the account for costs of the
17 project.

18 (c) The commissioner shall adopt necessary regulations implement-
19 ing this section, and setting out the requirements for agreements
20 between the department and a school district or regional educational
21 attendance area relating to the assumption or joint exercise by the
22 school district or regional educational attendance area of the depart-
23 ment's responsibilities under AS 14.07.020(11).

24
25
26
27 * Sec. 3. AS 14.08.101(7) is repealed and reenacted to read:

28 (7) recommend to the department projects for construction,
29 rehabilitation, and improvement of schools and education-related facilities

1 ties as specified in AS 14.07.180(a), and carry out the project when
2 the responsibility for it is transferred under AS 14.07.190;

3 * Sec. 4. AS 35.15.080(a) is amended to read:

4 (a) A municipality [OR, IF THE PUBLIC WORK IS AN EDUCATIONAL
5 FACILITY, A REGIONAL EDUCATIONAL ATTENDANCE AREA ESTABLISHED UNDER
6 AS 14.08] may, by resolution of its governing body, request the assump-
7 tion of all or part of the department's responsibilities relating to
8 the planning, design, and construction of a public works project of the
9 state which is to be located within the boundaries [OR OPERATING AREA]
10 of the municipality [OR REGIONAL EDUCATIONAL ATTENDANCE AREA] and which
11 would otherwise be constructed in the manner provided in AS 35.15.010.
12 After receipt of the request, the department

13 [(1) SHALL PROVIDE FOR THE ASSUMPTION BY THE MUNICIPALITY OR
14 REGIONAL EDUCATIONAL ATTENDANCE AREA OF ALL OF THE DEPARTMENT'S RESPON-
15 SIBILITIES RELATING TO THE PLANNING, DESIGN AND CONSTRUCTION OF AN
16 EDUCATIONAL FACILITY;

17 (2)] may provide by agreement for transfer to and assumption
18 by the municipality of the department's responsibilities relating to
19 the [PLANNING, DESIGN, AND CONSTRUCTION OF A PUBLIC WORKS] project.

1 ties as specified in AS 14.07.180(a), and carry out the project when
2 the responsibility for it is transferred under AS 14.07.190;

3 * Sec. 4. AS 35.15.080(a) is amended to read:

4 (a) A municipality [OR, IF THE PUBLIC WORK IS AN EDUCATIONAL
5 FACILITY, A REGIONAL EDUCATIONAL ATTENDANCE AREA ESTABLISHED UNDER
6 AS 14.08] may, by resolution of its governing body, request the assump-
7 tion of all or part of the department's responsibilities relating to
8 the planning, design, and construction of a public works project of the
9 state which is to be located within the boundaries [OR OPERATING AREA]
10 of the municipality [OR REGIONAL EDUCATIONAL ATTENDANCE AREA] and which
11 would otherwise be constructed in the manner provided in AS 35.15.010.
12 After receipt of the request, the department

13 [(1) SHALL PROVIDE FOR THE ASSUMPTION BY THE MUNICIPALITY OR
14 REGIONAL EDUCATIONAL ATTENDANCE AREA OF ALL OF THE DEPARTMENT'S RESPON-
15 SIBILITIES RELATING TO THE PLANNING, DESIGN AND CONSTRUCTION OF AN
16 EDUCATIONAL FACILITY;

17 (2)] may provide by agreement for transfer to and assumption
18 by the municipality of the department's responsibilities relating to
19 the [PLANNING, DESIGN, AND CONSTRUCTION OF A PUBLIC WORKS] project,
20 unless the commissioner determines that assumption of responsibilities
21 by the municipality is not practicable or not in the best interests of
22 the state.

23 * Sec. 5. AS 35.15.080(c) is amended to read:

24 (c) A municipality may request joint assumption of responsibili-
25 ties with the department relating to the planning, design, and construc-
26 tion of a public works project. [A REGIONAL EDUCATIONAL ATTENDANCE
27 AREA MAY REQUEST JOINT ASSUMPTION OF RESPONSIBILITIES WITH THE DEPART-
28 MENT RELATING TO THE PLANNING, DESIGN AND CONSTRUCTION OF AN EDUCATIONAL
29 FACILITY.] Two or more municipalities [OR REGIONAL EDUCATIONAL ATTEN-

1 DANCE AREAS] may by [MUTUAL] agreement provide for cooperative assump-
2 tion of responsibilities relating to the planning, design, and construc-
3 tion of a public works project. If two or more municipalities [OR
4 REGIONAL EDUCATIONAL ATTENDANCE AREAS] request assumption of responsi-
5 bilities for a project and meet the standard of practicability set out
6 in (a) [(a)(2)] of this section, the commissioner shall determine which
7 municipality [OR REGIONAL EDUCATIONAL ATTENDANCE AREA] is best able to
8 direct planning, design, and construction of the project and enter into
9 an agreement with that municipality [OR REGIONAL EDUCATIONAL ATTENDANCE
10 AREA,] or provide for joint or cooperative administration, as the
11 parties may agree or the commissioner may determine. Decisions of the
12 commissioner under this subsection are final.

13 * Sec. 6. AS 35.15.090 is amended to read:

14 Sec. 35.15.090. USE OF APPROPRIATED FUNDS. Upon [ASSUMPTION BY A
15 MUNICIPALITY OR REGIONAL EDUCATIONAL ATTENDANCE AREA OF THE DEPARTMENT'S
16 RESPONSIBILITIES UNDER AS 35.15.080(a)(1), OR UPON] execution of an
17 agreement under AS 35.15.080(a) [AS 35.15.080(a)(2)], state funds
18 appropriated for a public works project which is the subject of the
19 [ASSUMPTION OR THE] agreement shall be transferred to a special account

1 DANCE AREAS] may by [MUTUAL] agreement provide for cooperative assump-
2 tion of responsibilities relating to the planning, design, and construc-
3 tion of a public works project. If two or more municipalities [OR
4 REGIONAL EDUCATIONAL ATTENDANCE AREAS] request assumption of responsi-
5 bilities for a project and meet the standard of practicability set out
6 in (a) [(a)(2)] of this section, the commissioner shall determine which
7 municipality [OR REGIONAL EDUCATIONAL ATTENDANCE AREA] is best able to
8 direct planning, design, and construction of the project and enter into
9 an agreement with that municipality [OR REGIONAL EDUCATIONAL ATTENDANCE
10 AREA,] or provide for joint or cooperative administration, as the
11 parties may agree or the commissioner may determine. Decisions of the
12 commissioner under this subsection are final.

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16 RESPONSIBILITIES UNDER AS 35.15.080(a)(1), OR UPON] execution of an
17 agreement under AS 35.15.080(a) [AS 35.15.080(a)(2)], state funds
18 appropriated for a public works project which is the subject of the
19 [ASSUMPTION OR THE] agreement shall be transferred to a special account
20 in the state treasury. A municipality [OR REGIONAL EDUCATIONAL ATTEN-
21 DANCE AREA] administering the project under the [ASSUMPTION OR] agree-
22 ment may draw on the account for costs of the project, under fiscal
23 control of the department. If an agreement provides for joint or
24 cooperative administration of the project, payment of costs shall be
25 made to the party incurring the costs.

26 * Sec. 7. AS 43.18.100(a) is amended to read:

27 (a) During each fiscal year, the state shall allocate to an
28 organized borough or a city which is a school district, the following
29 sums:

(1) payments made by the borough or city during the fiscal year two years earlier for the retirement of principal and interest on outstanding bonds, notes or other indebtedness incurred before July 1, 1981 to pay costs of school construction and major rehabilitation; and

[(2) 80 PERCENT OF

(A) PAYMENTS MADE BY THE BOROUGH OR CITY DURING THE FISCAL YEAR TWO YEARS EARLIER FOR THE RETIREMENT OF PRINCIPAL AND INTEREST ON OUTSTANDING BONDS, NOTES OR OTHER INDEBTEDNESS INCURRED AFTER JUNE 30, 1977 AND BEFORE JULY 1, 1978 TO PAY COSTS OF SCHOOL CONSTRUCTION;

(B) CASH PAYMENTS MADE AFTER JUNE 30, 1976 AND BEFORE JULY 1, 1978 BY THE BOROUGH OR CITY DURING THE FISCAL YEAR TWO YEARS EARLIER TO PAY COSTS OF SCHOOL CONSTRUCTION;]

(3) ^{43,18,100} subject to (h) and (i) of this section, [80 PERCENT OF]

(i) payments made by the borough or city during the fiscal year for the retirement of principal and interest on outstanding bonds, notes or other indebtedness incurred after June 30, 1981 to pay costs of school construction and major rehabilitation.

1 (1) payments made by the borough or city during the fiscal
2 year two years earlier for the retirement of principal
3 and interest on outstanding bonds, notes or other indebted-
4 ness incurred before July 1, 1981 to pay costs of school
5 construction and major rehabilitation; and

6 [(2) 80 PERCENT OF

7 (A) PAYMENTS MADE BY THE BOROUGH OR CITY DURING THE
8 FISCAL YEAR TWO YEARS EARLIER FOR THE RETIREMENT OF PRINCIPAL AND
9 INTEREST ON OUTSTANDING BONDS, NOTES OR OTHER INDEBTEDNESS INCURRED
0 AFTER JUNE 30, 1977 AND BEFORE JULY 1, 1978 TO PAY COSTS OF SCHOOL
1 CONSTRUCTION;

2 (B) CASH PAYMENTS MADE AFTER JUNE 30, 1976 AND BEFORE
3 JULY 1, 1978 BY THE BOROUGH OR CITY DURING THE FISCAL YEAR TWO
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5 (3) ^{43.18.100} subject to (h) and (i) of this section, [80 PERCENT OF]

6 (i) payments made by the borough or city during the fiscal
7 year for the retirement of principal and interest on
8 outstanding bonds, notes or other indebtedness incurred
9 after June 30, 1981 to pay costs of school construction and
10 major rehabilitation.

11 (B) Cash payments made after June 30, 1978 by the City or
12 Borough and by rural education attendance areas after
13 June 30, 1981 during the fiscal year two years earlier
14 to pay costs of school construction or rehabilitation
15 projects approved under AS 14.07.020(11) that exceed
16 \$10,000.

17 * Sec. 8. AS 43.18.100(b) is amended to read:

18 (b) The commissioner shall administer the program of reimbursement
19 authorized under this section and shall provide by regulation for the
20 filing of applications for reimbursement, the form of proof of costs
21 for which application for reimbursement is made, and other regulations
22 necessary to administer the program. Based on debt retirement sche-

The commissioner shall exclude from the total school construction cost of the school [LOCAL] district all state and federal funds included in these costs except funds provided under this section ~~and AS 43.50.140~~. In approving applications for reimbursement, the commissioner shall

[(1) OFFSET AGAINST THE AMOUNT OF REIMBURSEMENT AUTHORIZED THE AMOUNT OF ANY FUNDS DISTRIBUTED TO THE BOROUGH OR CITY IN THE SECOND PRECEDING FISCAL YEAR FROM THE SCHOOL FUND PROVIDED FOR IN AS 43.50.140;

(2)] require the borough or city to provide, with its application, a certified copy of the notice to taxpayers required under AS 43.18.030.

* Sec. 9. AS 43.18.100 is amended by adding new subsections to read:

(h) An allocation under (a)(3) of this section shall be reduced