

State-Aid for School Capital Projects: Grant and Debt

Department of Education & Early Development

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Senate Finance Committee
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AN EXCELLENT EDUCATION FOR EVERY STUDENT EVERY DAY



Our Mission, Vision, and Purpose

OUR MISSION

- › An excellent education for every student every day.

OUR VISION

- › All students will succeed in their education and work, shape worthwhile and satisfying lives for themselves, exemplify the best values of society, and be effective in improving the character and quality of the world about them.
 - Alaska Statute 14.03.015

OUR PURPOSE

- › DEED exists to provide **information, resources, and leadership** to support an excellent education for every student every day.





Historic School Capital Funding

1. Federal

2. State Funding Mechanisms (General Fund)

Grants (~1970)

General Obligation (G.O.) Bonds (2003, 2011)

AHFC Revenue Bonds (1999, 2001, 2002)

Debt Reimbursement (1971)

School Fund – AS 43.50.140 (FY1999-present)

Others (i.e.: Insurance Fund – AS 22.55.430)

3. Local Educational Agency (LEA)

Capital Reserves

Municipal Debt



Recent Funding (SB 237 Report)

- › SB 237 (Chapter 93 SLA 2010) – AS 14.11.035
 - Annual report on school construction and major maintenance funding
 - First report completed in February 2013
- › \$1,445,438,000 in funding
 - Total project value for Debt projects
 - State share value for Grant projects
- › Supplementary handout
 - February 2021 AS 14.11.035 (SB 237) Report
 - › Project Funding by District (report Appendix A)
 - › Project Listing by District (report Appendix B)



Current Funding Options

1. School Construction Grant Fund (1990) *AS 14.11.005*
2. Major Maintenance Grant Fund (1993) *AS 14.11.007*
3. Regional Educational Attendance Area (REAA) and Small Municipal School District School Fund (2010) *AS 14.11.030*
 - Indexed Fund
 - DR Funding / % of C/B schools *.244 *AS 14.11.025*
4. School Debt Reimbursement (DR) Funding *AS 14.11.102*



Current Project Categories (AS 14.11.013)

(School Construction and Major Maintenance)

- (A) avert imminent danger or correct life-threatening situations;
- (B) house students who would otherwise be unhoused; for purposes of this subparagraph, students are considered unhoused if the students attend school in temporary facilities;
- (C) protect the structure of existing school facilities;
- (D) correct building code deficiencies that require major repair or rehabilitation in order for the facility to continue to be used for the educational program;
- (E) achieve an operating cost savings;
- (F) modify or rehabilitate facilities for the purpose of improving the instructional program;
- (G) meet an educational need not specified in (A) — (F) of this paragraph, identified by the department



Fund – Category – Entity Relationships

	REAA Fund	SC/MM Fund	Debt Reimb.
Project Type			<u>Project Type is N/A</u> 70% - Like SC + MM that qualify for space 60% - AS 14.11. 100(j)(4) exemption
School Construction	Yes (primary)	Yes	
Major Maintenance	Yes (secondary)	Yes (no new space)	
Entity Type			
REAA Districts	Yes (19 districts)	Yes (19 districts)	No (19 districts)
City/Borough Small Municipal Districts	Yes (4 districts)	Yes (4 districts)	Yes (0 of 4 under SB 237)
City/Borough Districts	No (30 districts)	Yes (30 districts)	Yes (13 of 30 under SB 237)



Capital Improvement Project (CIP) Eligibility

1. Six-year capital improvement plan
2. Functioning fixed asset inventory system (FAIS)
3. Proof of required property insurance
4. Certified Preventive Maintenance and Facility Management Program
5. Capital project and not maintenance
6. Participating Share



Grant Participation and Eligibility

1. Capital Improvement Project (CIP) Grant Application

Due from school districts on or before September 1 (annually)

CIP Application materials are posted on our website

(<https://education.alaska.gov/facilities/facilitiescip>)

2. Project Ranking

Ranked in accordance with criteria in AS 14.11 and 4 AAC 31

3. Eligibility

Districts must have a six-year plan, a fixed asset inventory system, adequate property loss insurance, and a preventive maintenance and facility management program certified by the department

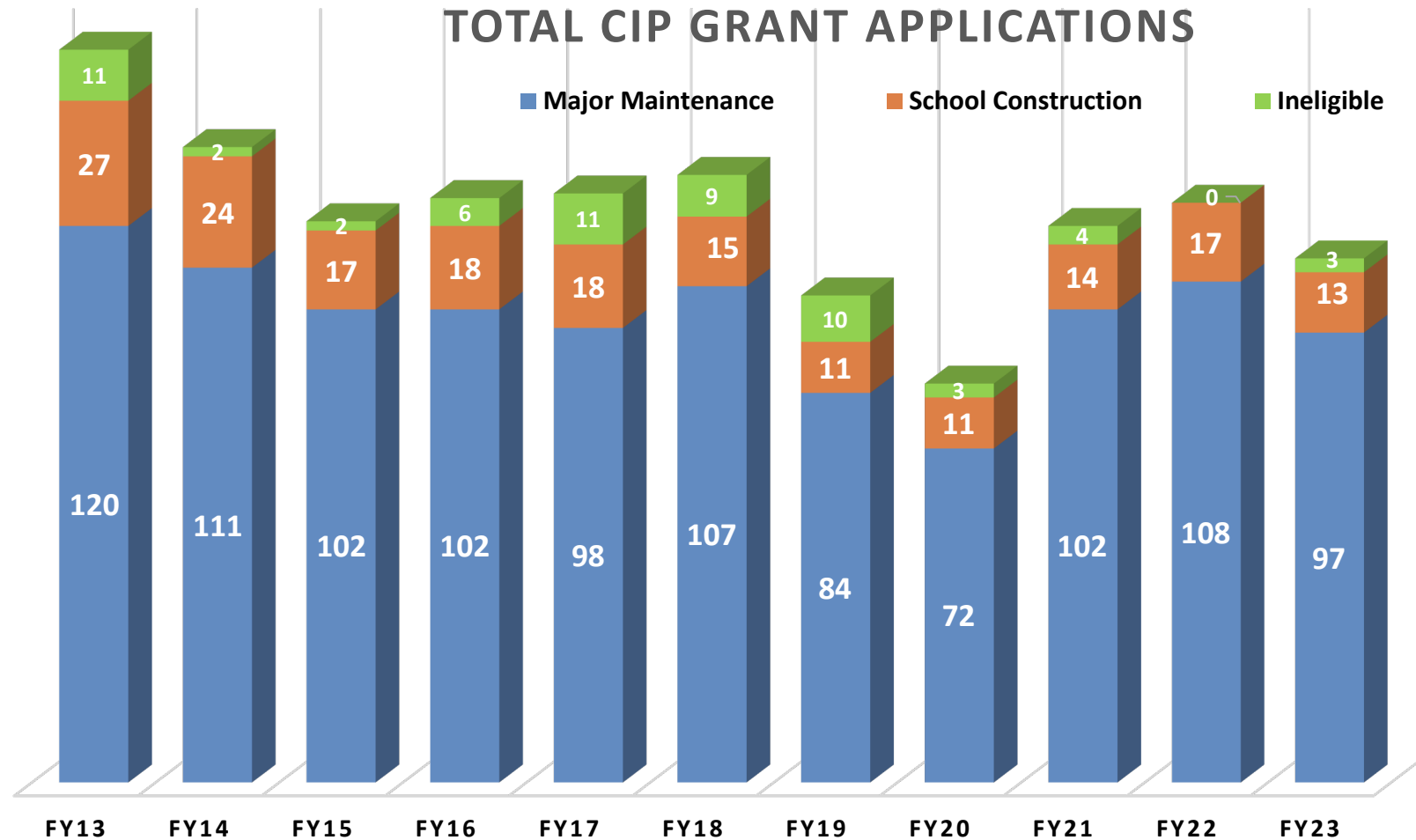
4. CIP Priority Lists

Initial lists are released on November 5

Final lists are released after any appeals for reconsideration are finalized



Grant Participation and Eligibility FY2013 – FY2023





Grant Awards FY2013 – FY2022

Fiscal Year	School Construction Grant Fund (AS 14.11.005)	Major Maintenance Grant Fund (AS 14.11.007)	REAA & Small Municipal School District School Fund (AS 14.11.030)
2013	\$60,973,515	\$17,979,185	\$0
2014	\$0	\$22,991,057	\$60,619,572
2015	\$11,762,891	\$0	\$31,516,900
2016	\$50,475,822	\$2,623,689	\$0
2017	\$26,384,787	\$0	\$47,473,181
2018	\$16,674,008	\$0	\$21,903,047
2019	\$0	\$24,203,372	\$45,487,387
2020	\$0	\$7,365,723	\$20,082,467
2021	\$0	\$34,277	\$0
2022	\$0	\$0	\$12,608,008
Total	\$166,271,023	\$75,197,303	\$239,690,562



Total Eligible Grant Projects and Actual Grant Funding by Fiscal Year

Fiscal Year/List	Number of Projects	Total Eligible State Share	Number of Projects Funded	Amount Funded
FY2011 Construction	35	\$411,643,149	3	\$128,500,000
FY2011 Maintenance	130	\$272,421,065	8	\$24,786,959
FY2012 Construction	32	\$313,999,772	3	\$61,910,901
FY2012 Maintenance	117	\$275,132,938	15	\$25,854,691
FY2013 Construction	27	\$276,691,304	3	\$62,230,515
FY2013 Maintenance	120	\$267,017,375	13	\$17,979,185
FY2014 Construction	24	\$284,133,432	3	\$60,619,572
FY2014 Maintenance	111	\$253,682,082	13	\$22,991,057
FY2015 Construction	17	\$274,150,436	2	\$43,279,791
FY2015 Maintenance	102	\$183,505,181	0	\$0
FY2016 Construction	18	\$230,920,120	1	\$43,237,400
FY2016 Maintenance	102	\$172,195,526	4	\$2,623,689
FY2017 Construction	17	\$206,267,345	4	\$73,735,471
FY2017 Maintenance	98	\$181,570,096	0	\$0
FY2018 Construction	15	\$123,294,419	3	\$46,305,477
FY2018 Maintenance	107	\$164,887,094	16	\$0
FY2019 Construction	11	\$179,214,343	7	\$42,527,459
FY2019 Maintenance	84	\$142,892,281	17	\$27,653,300
FY2020 Construction	11	\$190,353,374	2	\$20,082,467
FY2020 Maintenance	72	\$112,247,626	1	\$7,365,723
FY2021 Construction	14	\$142,797,809	0	\$0
FY2021 Maintenance	102	\$148,986,253	1	\$34,277
FY2022 Construction	17	\$162,305,916	2	\$12,608,008
FY2022 Maintenance	108	\$187,285,413	0	\$0



Appropriations into the REAA and Small Municipal School District Fund

Appropriation Fiscal Year	Appropriated Amount
FY2013	\$35,512,300
FY2014	\$35,200,000
FY2015	\$39,921,078
FY2016	\$38,789,000
FY2017	\$31,230,000
FY2018	\$40,640,000
FY2019	\$39,661,000
FY2020	\$19,694,500
FY2021	\$0
FY2022	\$17,119,000
<i>FY2023 (Proposed Transfer)</i>	<i>\$32,784,000</i>
Accumulated Interest to date	\$869,528
Total	\$331,420,406



Allocations from the REAA and Small Municipal School District Fund

Fiscal Year & Project Name	Allocation Amount
FY2014 Nightmute School Renovation/Addition	\$32,965,301
FY2014 Kuinerramiut Elitnaurviat K-12 Renovation/Addition, Quinhagak (additional funds to complete)	\$13,207,081
FY2014 Kwethluk K-12 Replacement (partial funding)	\$25,008,100
FY2015 Kwethluk K-12 Replacement (completes funding)	\$31,516,900
FY2015 Andreafski High School Gym, St. Mary's	\$8,958,100
FY2016 <i>No capital projects from the REAA fund</i>	\$0
FY2017 Bethel Regional High School Multipurpose Addition	\$7,129,765
FY2017 Lewis Angapak K-12 School Renovation/Addition, Tuntutuliak	\$40,343,416
FY2017 Jimmy Huntington K-12 School Renovation/Addition, Huslia	\$15,394,787
FY2018 Lewis Angapak K-12 School Renovation/Addition, Tuntutuliak	\$704,620
FY2018 Jimmy Huntington K-12 School Renovation/Addition, Huslia	\$980,000
FY2018 Shishmaref K-12 School Renovation/Addition	\$16,184,008
FY2018 J. Alexie Memorial K-12 School Replacement, Atmautluak (design only)	\$3,261,667
FY2018 Auntie Mary Nicoli Elementary School Replacement, Aniak	\$18,641,380
FY2019 Shishmaref K-12 School Renovation/Addition	\$490,000
FY2019 J. Alexie Memorial K-12 School Replacement, Atmautluak (construction)	\$39,556,086
FY2019 Eek K-12 School Renovation/Addition (design only)	\$2,481,373
FY2019 St. Mary's Campus Upgrades (major maintenance)	\$3,449,928
FY2020 Eek K-12 School Renovation/Addition (construction)	\$19,409,674
FY2020 Hollis K-12 School Replacement (design only)	\$672,793
FY2021 St. Paul K-12 School Roof Replacement & Structural Repairs	\$0
FY2022 Hollis K-12 School Replacement (construction)	\$9,476,008
Total	\$289,830,987



Debt Reimbursement and Eligibility

1. Debt Reimbursement program is established in AS 14.11.100
2. Capital Improvement Project (CIP) Debt Application
 - a. May be received at any time the Debt Reimbursement program is open.
 - b. CIP Application materials are posted on our website (<https://education.alaska.gov/facilities/facilitiescip>)
3. Project Ranking
 - a. Projects are not ranked or evaluated for prioritized need
4. Eligibility
 - a. All types of Cities, except 3rd Class
 - b. All types of Boroughs
 - c. Districts must have a six-year plan, a fixed asset inventory system, adequate property loss insurance, and a preventive maintenance and facility management program certified by the department



Debt Reimbursement Trends

› Percentage of Annual Debt Service

- FY1971 – FY1977 100%
- FY1978 – FY1983 90%
- FY1984 – FY1994 80%
- FY1995 – FY1999 70%
- FY2000 – FY2015 70% / 60% *
- › SB64 (Chapter 3 SLA 2015) implemented a moratorium on additional debt reimbursement through FY2020
- › HB106 (Chapter 6 SLA 2020) extended the moratorium on additional debt reimbursement through FY2025
- FY2026 – FY20xx 50% / 40% **

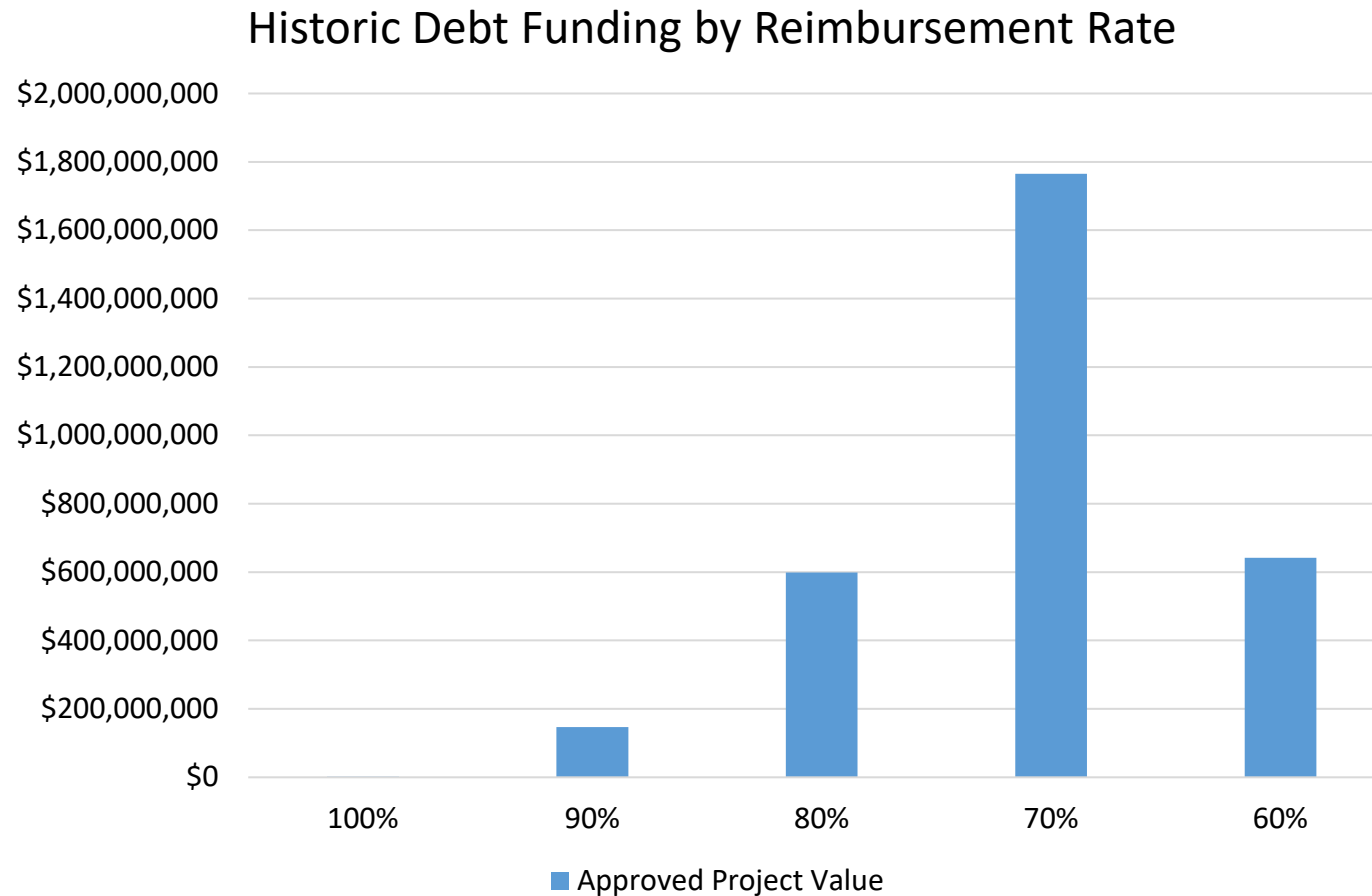
*Northwest Arctic Borough at 90% for bonds between 1990-2006

**Rates shown are reflective of current statute after the moratorium is lifted



Debt Reimbursement Trends

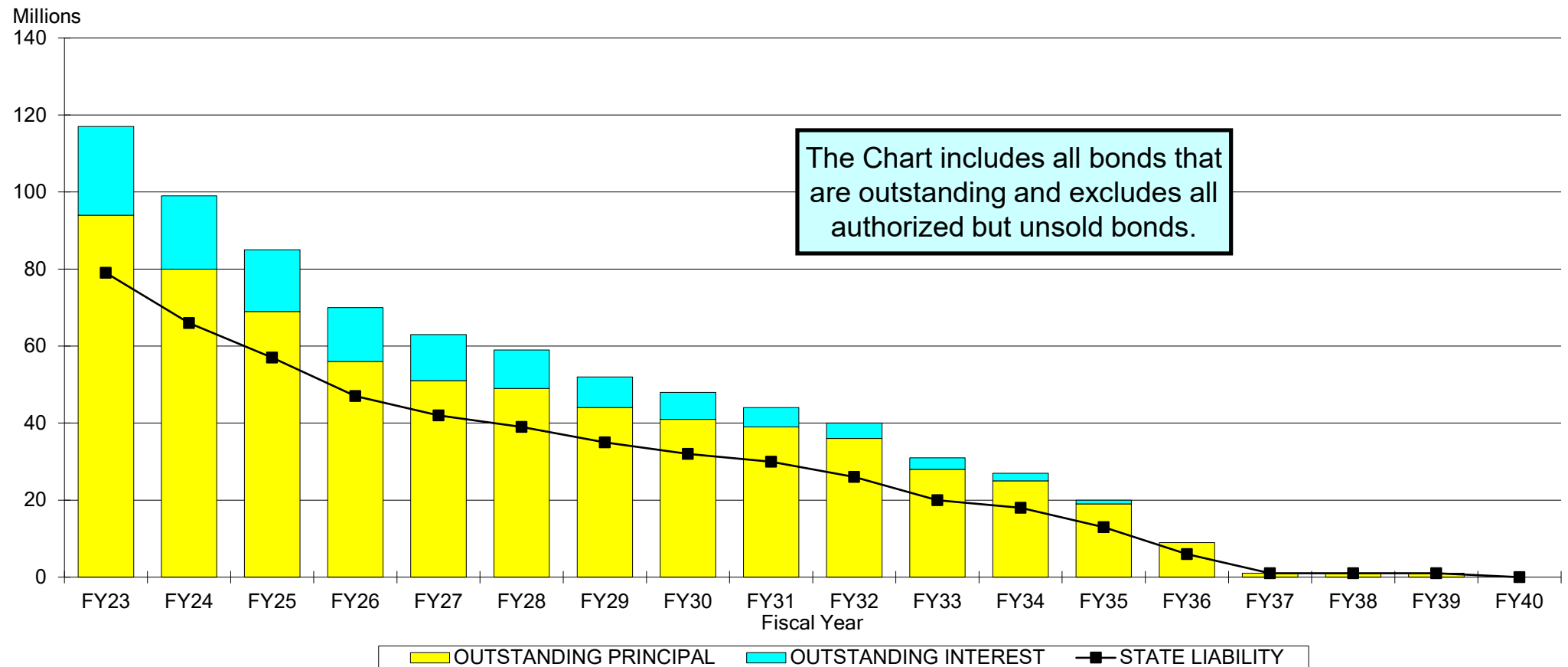
› Project Values by Percent Reimbursement





Debt Reimbursement Trends

› State Share of Outstanding Debt





Debt Reimbursement Trends

› Reimbursement Shortfalls

Fiscal Year	Eligible for Reimbursement	Actual State Aid	% State Aid Provided
1976	\$ 9,242,312	\$ 8,810,500	95.33%
1977	10,107,336	9,051,600	89.55%
1978	11,408,304	11,408,304	100.00%
1979	27,868,182	22,273,300	79.92%
1980	30,823,133	24,081,000	78.13%
1981	38,380,174	38,380,174	100.00%
1982	38,262,156	38,262,156	100.00%
1983	60,772,910	56,169,700	92.43%
1984	90,600,074	90,600,074	100.00%
1985	93,161,981	93,161,981	100.00%
1986	109,707,936	106,315,600	96.91%
1987	125,272,615	115,845,000	92.47%
1988	118,701,313	109,472,700	92.23%
1989	118,469,048	110,193,451	93.01%
1990	113,923,479	107,374,886	94.25%
1991	123,959,155	116,276,078	93.80%

Fiscal Year	Eligible for Reimbursement	Actual State Aid	% State Aid Provided
1992	\$ 127,245,080	\$ 127,245,080	100.00%
1993	124,948,218	124,948,218	100.00%
1994	98,648,541	98,648,541	100.00%
1995	93,742,116	93,742,116	100.00%
1996	79,212,669	79,212,669	100.00%
1997	62,476,074	62,476,074	100.00%
1998	61,639,666	61,639,666	100.00%
1999	61,990,844	61,990,844	100.00%
2000	64,349,790	64,349,790	100.00%
2001	52,098,690	52,098,690	100.00%
2002	54,057,200	54,057,200	100.00%
2003	51,969,968	51,969,968	100.00%
2004	60,592,525	60,592,525	100.00%
2005	70,674,983	70,674,983	100.00%
2006	81,095,195	81,095,195	100.00%
2007	86,924,109	86,924,109	100.00%

Fiscal Year	Eligible for Reimbursement	Actual State Aid	% State Aid Provided
2008	\$ 91,103,263	\$ 91,103,263	100.00%
2009	93,319,490	93,319,490	100.00%
2010	95,788,692	95,788,692	100.00%
2011	99,594,456	99,594,456	100.00%
2012	100,907,833	100,907,833	100.00%
2013	112,299,606	112,299,606	100.00%
2014	109,800,821	109,800,821	100.00%
2015	118,025,593	118,025,593	100.00%
2016	116,739,477	116,739,477	100.00%
2017	114,641,988	90,676,900	79.10%
2018	112,824,287	112,824,287	100.00%
2019	105,022,612	105,022,612	100.00%
2020	97,565,251	47,296,763	48.48%
2021	99,225,845	-	0.00%
2022	83,543,959	34,949,500	41.83%
2023 Gov	78,975,676		0.00%



Debt Proceed and Refundings

› Initial Bond Sales

- After bonds are sold, the department identifies how much of approved projects are funded by the new bond.
- Establish any proration's for bonds based on approved project reimbursement rate. (AS 14.11.100(a))

› Refunding of Bonds

- Refunding of current bonds must follow the requirements in AS 14.11.100(j)(2).
- Department evaluates refundings by comparing the annual debt service of the refunding package to the original annual debt service of the bond(s) that are refunded. The refunding must show an annual savings.



Funding Comparison

REAA/Small Muni	SC/MM Grant Funds	Debt Reimbursement
Available to REAA and 4 small municipal districts	Available to all school districts	Available to any municipality that has the ability to bond
Funds state share of actual project costs	Funds state share of actual project costs	Funds portion of annual municipal debt payments
Projects are funded by priority from DEED lists	Projects are funded by priority from DEED lists	Local government sets own priorities
Specific eligibility requirements: 1. No new space for MM 2. Only eligible space for SC 3. Priority to school construction	Specific eligibility requirements: 1. No new space for MM 2. Only eligible space for SC	Could fund projects that are not eligible for grants – those not eligible for space
Participating share: REAA – 2% Small Muni – 10% - 20%	Participating share required between 2% and 35%	Participating share currently at: 40% if not eligible for space 30% all others
State funding is tied to annual appropriation for debt reimbursement	State funding is by legislative appropriation to the funds	State funding is based on when the bond was passed and subject to appropriation



Additional Handouts and Resources

- › Supplementary handouts
 - FY2023 School Construction Grant Fund List
 - FY2023 School Construction Project Descriptions
 - FY2023 Major Maintenance Grant Fund List
 - FY2023 Major Maintenance Project Descriptions
- › DEED's Facilities website: <https://education.alaska.gov/facilities>
 - School Facility Database
https://education.alaska.gov/doe_roldex/schoolcalendar/facility
 - Preventive Maintenance & Facility Management Program
<https://education.alaska.gov/facilities/PM>
 - CIP Application and Support <https://education.alaska.gov/facilities/facilitiescip>
 - CIP Grant Priority Lists <https://education.alaska.gov/facilities/facilitiespl>



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