School Construction and Major Maintenance Funding

Task Force on Education Funding
March 9, 2026
Legislative Finance Division

Outline

- Overview of Current Programs
  - School Bond Debt Reimbursement Program
  - Regional Educational Attendance Area and Small Municipal School District Fund
  - School Construction and Major Maintenance Grant Funds
- Historical Funding Data

Current School Construction and Major Maintenance Programs

- Alaska has two pathways for school major construction and major maintenance funding:
  - Through the School Bond Debt Reimbursement program (open to municipal districts only)
  - Through the School Construction and Major Maintenance Grant programs (open to all districts)
- In addition, the Regional Educational Attendance Area and Small Municipal School District Fund is a fund source that can be used for eligible projects on the School Construction and Major Maintenance Grant lists.

School Bond Debt Reimbursement Program

- The School Bond Debt Reimbursement Program began in 1977 and reimburses municipalities for a portion of debt service payments made for eligible projects.
- There are two tiers of eligibility. Projects receive the higher reimbursement figure if they meet all of DEED’s space eligibility standards (4 AAC 31.020) and the lower if they do not.
- The program was closed to new projects from January 1, 2015, until July 1, 2025. Before the moratorium, projects were reimbursed at 60% or 70%. After the moratorium, they are eligible for reimbursement at 40% or 50%.
- Once municipal voters approve debt for the projects, the municipalities submit debt service payments to DEED, which reimburses based on the eligible percentage.
- This reimbursement is subject to appropriation. These payments were not fully funded in FY17, FY20, FY21, and FY22, but those shortfalls were made up with a lump sum payment in FY23. The payments were again partially funded in FY26.

REAA and Small Municipal School District Fund

- The REAA Fund was created in 2010 as a funding source for school construction projects. Small municipal districts (ADM of 300 or less and property value of $500,000 or less) were added in 2013.
- Before 2018, it was only for school construction projects. In 2018 it was expanded to major maintenance projects, but the primary function of the fund (per statute) is still school construction.
- DEED may use the fund without further appropriation for projects on the School Construction and Major Maintenance priority lists. The funding does not lapse, but the unobligated fund balance is capped in statute at $70 million.
- There is a formula for the annual appropriation based on the prior year's School Debt Reimbursement amounts multiplied by a factor based on the number of schools in the REAAs and small municipal districts compared to municipal districts.
- When school debt has been prorated, the same year's REAA Fund appropriation has been prorated as well.

School Construction and Major Maintenance Grant Funds

- The School Construction and Major Maintenance Grant Funds are open to all school districts. Districts apply to DEED, which ranks eligible projects in priority order each year.
- To be eligible, projects must not be for routine maintenance.
  - *School construction* projects are those that construct new facilities, add space to existing facilities, improve the instructional program, or correct unsafe conditions that threaten the physical welfare of the occupants.
  - *Major maintenance* projects are those that protect the structure of an existing school building, correct building code deficiencies of an existing school building, or result in operational cost savings for an existing school building.
- Projects are ranked using factors such as whether the project is necessary to provide for program requirements, potential cost savings, the condition of other facilities in the district, and whether alternatives exist.

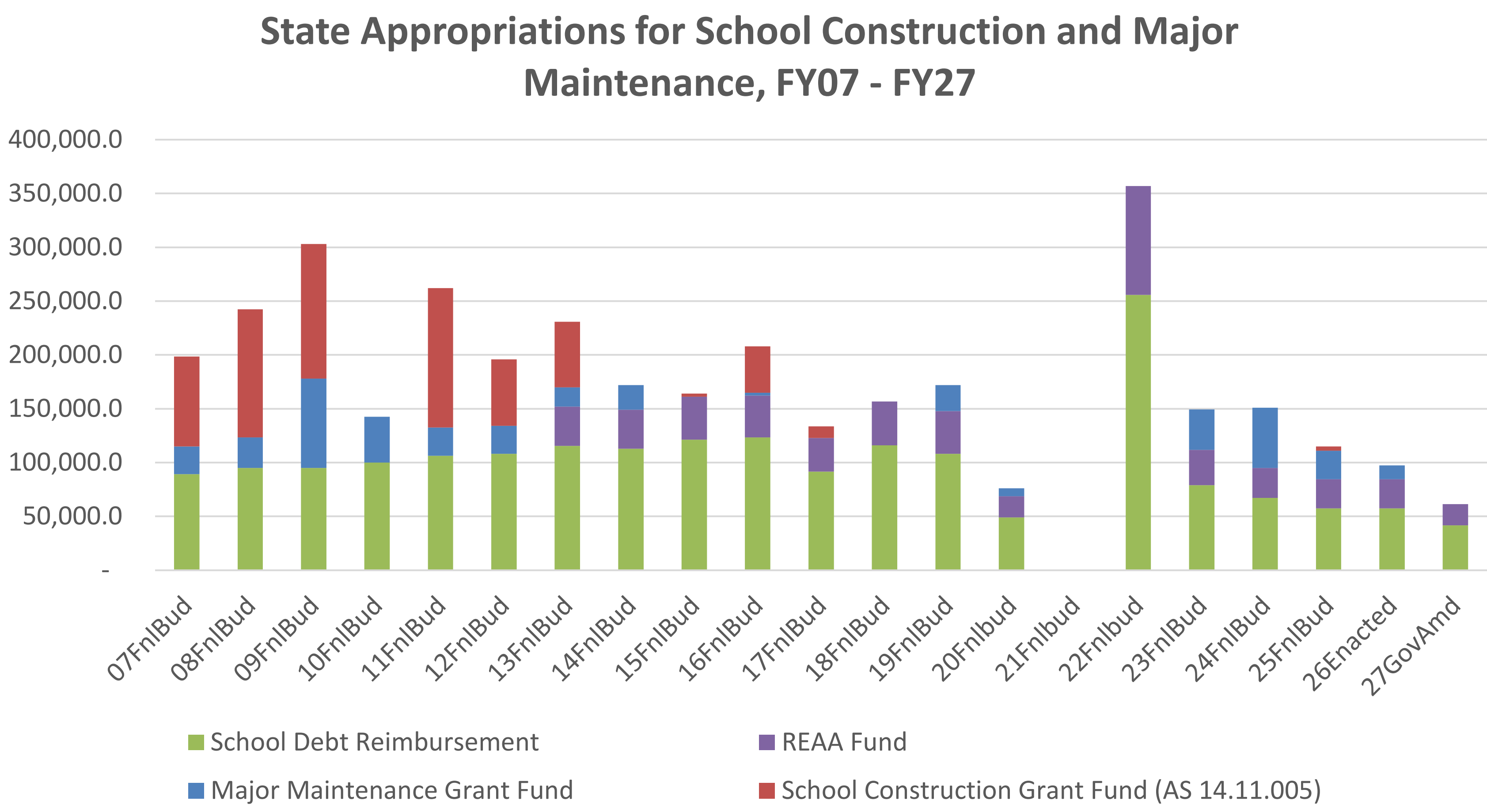
School Construction and Major Maintenance Grant Funds (cont.)

- Districts pay a cost share based on a sliding scale of the ratio of real property value to ADM, ranging from 5% to 35%. REAAs have a cost share of 2%.
- This cost share can come from any non-State source, including in-kind contributions like labor and materials.
- Both grant funds are subject to appropriation. There is no statutory formula for annual State appropriations to these programs.
- The legislature typically appropriates funding directly to the funds. Per statute, the department then applies the funding down the priority list. Sometimes this results in funding projects in phases.

Program Comparison

Program Name	School Bond Debt Reimbursement	School Construction Grant Fund	School Major Maintenance Grant Fund
State Cost Share	40% to 50%	65% to 98%	65% to 98%
Open to REAAs?	No	Yes	Yes
State Funding Model	Annual reimbursement of debt service	Up-front payment of State share	Up-front payment of State share
FY27 Full Funding Amount	$41,636.6	$442,916.7 for 14 projects	$400,975.6 for 103 projects

Funding History



Funding History (cont.)

Table 15 Recommended & Funded Capital Renewal by Fiscal Year

Fiscal Year	Insured Value Main School Facilities	Insured Value School-Related Facilities	Recommended 3% Capital Renewal	Total AS 14.11 Funding		Percent of Funded Capital Renewal
FY2011	$6,024,558,783	$611,992,436	$199,096,537	$244,938,510		123.00%
FY2012	$6,284,565,324	$672,832,563	$208,721,937	$487,746,214	*	233.70%
FY2013	$6,484,708,153	$702,083,591	$215,603,752	$158,734,700	*	73.60%
FY2014	$6,674,414,111	$731,668,516	$222,182,479	$222,622,004	*	100.20%
FY2015	$6,893,678,341	$737,283,808	$228,928,864	$56,633,185		24.70%
FY2016	$7,494,373,579	$767,501,801	$247,856,261	$45,861,089	*	18.50%
FY2017	$7,527,851,947	$843,273,351	$251,133,759	$74,562,588	*	29.70%
FY2018	$7,806,679,400	$884,635,956	$260,739,461	$45,815,477	*	17.60%
FY2019	$7,948,009,247	$928,767,221	$266,303,294	$69,690,759	*	26.20%
FY2020	$8,306,164,560	$959,092,600	$277,957,715	$27,448,190	*	9.90%
FY2021	$8,375,372,209	$968,531,369	$280,317,107	$34,277	*	0.00%
FY2022	$8,640,281,425	$971,902,844	$288,365,528	$12,608,008		4.40%
FY2023	$9,225,094,162	$1,041,287,466	$307,991,449	$139,129,382	*	45.20%
FY2024	$10,461,130,625	$1,242,840,821	$351,119,143	$70,416,930		20.10%
FY2025	$10,567,626,307	$1,208,208,842	$353,275,054	$93,726,228		26.50%
FY2026	$11,333,680,579	$1,216,719,429	$376,512,000	$28,896,993	*	7.70%
Totals			$4,336,104,340	$1,778,864,534		41.02%

From DEED's 2026 "School Capital Project Funding Under SB 237" Report to the Legislature. Includes municipal shares.

Questions?

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