

## Designing a Base Facilities Allocation for Alaska School Districts

### Executive summary

Alaska's school finance system largely expects districts to pay for facilities operations and maintenance (O&M)—including utilities, custodial, routine maintenance, and facilities management—from the same operating resources that fund instruction (primarily state formula aid driven by the Base Student Allocation, or BSA). Yet facility costs are driven by building inventory (gross square footage, building age and system life-cycle), climate and energy prices, and logistics/remote cost pressures that do not track well with per-student instructional need.

Meanwhile, Alaska's capital system (school construction and major maintenance grants; REAA/small municipal projects; and debt reimbursement) is structured around discrete capital projects and eligibility rules that explicitly exclude routine maintenance and smaller O&M-driven renewals. For example, DEED's SB 237 report describes the grant program as requiring projects over \$50,000 and "construction or major maintenance" rather than routine maintenance.

This report proposes a Base Facilities Allocation (BFA): a separate, formula-driven operating allocation that funds defined facility-related O&M and lifecycle renewal costs outside the instructional BSA. The proposed model is designed to be (1) rigorous and auditable using Alaska's existing Uniform Chart of Accounts definitions of O&M (Function 600) and capital (Function 880), (2) facility-need sensitive via eligible gross square footage, building age/condition and lifecycle metrics, and (3) equity-oriented through explicit adjustments for regional logistics, climate, and energy price conditions (with Alaska-specific data sources).

Core design features:

- Cost separation methodology: Use Alaska's Uniform Chart of Accounts to define facility O&M as Function 600 (Operations and Maintenance of Plant)—which explicitly includes utilities, energy, insurance, custodial and maintenance supplies, and facilities management staff—and excludes capital improvements, which are coded to Function 880 (Construction and Facilities Acquisition).
- BFA formula (recommended): A normative, inventory-based formula with components for (a) minimum site operations, (b) square-foot-driven O&M, (c) utilities/energy adjusted for climate and energy prices, and (d) a modest, phased-in renewal-and-replacement reserve tied to building replacement value proxies and state-maintained data.
- Incentives and accountability: Align eligibility and reporting with Alaska's existing preventive maintenance and facility management requirements (4 AAC 31.013), which already require work order systems, monthly energy consumption tracking, custodial programs, maintenance training, and renewal/replacement schedules as a condition of eligibility for state capital aid.
- Cost ranges (statewide): Using DEED's cited anticipated FY2026 ADM of 124,679.35 as a scale anchor, a fully implemented BFA that funds utilities + routine O&M + a modest renewal reserve plausibly spans ~\$190M to ~\$500M annually depending on statewide assumed eligible square feet per ADM and all-in \$/sf-year cost. These are presented as sensitivity ranges pending full inventory extraction from DEED facility databases and district-level energy and maintenance logs.
- Phased implementation: A 3-stage rollout to avoid destabilizing district budgets: (1) data standardization + "shadow calculation," (2) partial BFA funding with hold-harmless and gradual rebalancing of BSA, (3) full separation with refined indices and periodic cost studies.

The statutory pathway is straightforward: Alaska already separates certain cost domains (e.g., transportation appears as a distinct function and dedicated fund coding exists), and Alaska’s capital statutes and regulations already encode a governance ecosystem for facility stewardship (preventive maintenance compliance, property insurance requirements, CIP eligibility and scoring, and project reporting).

### **Alaska context and why a separate facilities allocation is warranted**

#### How the current BSA-based operating formula interacts with facility costs

Alaska’s foundation formula sets state aid as a function of “basic need,” reduced by required local contribution and a portion of eligible federal impact aid (per AS 14.17.410). The Base Student Allocation (BSA) is the statutory per-student foundation amount; an enrolled 2025 bill (HB 69) amends AS 14.17.470 to set the BSA at \$6,960 effective July 1, 2025. In practice, districts use operating funds to cover both instructional and non-instructional necessities, including building operations.

The structural mismatch is that facility O&M costs are driven by:

- Building inventory: total gross square footage, number of sites, and systems to maintain.
- Lifecycle and condition: aging HVAC, roofs, envelopes, and code compliance needs create non-linear cost pressures.
- Place-based cost drivers: freight, travel, labor logistics, and utilities—especially in rural/remote Alaska.
- Climate: heating-dominant energy loads and weather-driven deterioration.

These drivers do not scale linearly with ADM; in Alaska, small and remote schools can have much higher *per-student* facility costs because the minimum viable building system footprint is “lumpy.” A facilities allocation should therefore be inventory-based and place-adjusted rather than purely per-pupil.

#### Capital programs help, but are not designed to fund ongoing O&M

DEED’s SB 237 annual report (required under AS 14.11.035) describes Alaska’s three core capital mechanisms: (1) school construction and major maintenance grants (AS 14.11.011), (2) REAA and small municipal school construction aid (AS 14.11.025), and (3) debt reimbursement (AS 14.11.100). The same report emphasizes that the grant program accepts projects (by Sept. 1) and prioritizes them as construction or major maintenance, explicitly excluding routine maintenance, and the minimum grant project amount is \$50,000. DEED’s Capital Project Administration Handbook also states the minimum project amount is \$50,000 for grants and \$200,000 for debt reimbursement.

Over the SB 237 analysis period (July 1, 2010–Dec. 31, 2024), DEED reports 41 construction projects totaling \$768.4M and 140 major maintenance projects totaling \$259.0M (combined \$1.027B). This capital system is essential, but its very design means it cannot reliably fund the continuous, annual needs of utilities, custodial staffing, preventative maintenance, and the small renewals that prevent major failures.

#### Alaska already has a facility-stewardship governance scaffold

Alaska’s regulations tie capital eligibility to stewardship. For a district to be eligible for state aid under AS 14.11.011 or AS 14.11.100, 4 AAC 31.013 requires a facilities management program including a work-order-based maintenance system, an energy management plan with monthly utility consumption tracking, a custodial program, maintenance training, and a renewal/replacement schedule. DEED also describes its oversight cycle: on-site certification assessments at least every five years and annual compliance determinations; a “PM State-of-the-State” report is published as part of this process.

A BFA should use and reinforce this existing apparatus rather than create a parallel system.

### **Methodology to identify and separate facility costs from instructional costs**

#### Facility cost taxonomy anchored in Alaska's Uniform Chart of Accounts

Alaska's Uniform Chart of Accounts defines Function 600 – Operations and Maintenance of Plant as “activities of keeping buildings open and ready for use,” including facilities management staff, custodial staff, utilities and energy, building rental expenses, property and vehicle insurance, and custodial/maintenance supplies, while explicitly stating that construction and capital improvements belong in Function 880 – Construction and Facilities Acquisition.

This definition provides a rigorous, audit-friendly basis to separate facility costs from the instructional BSA:

- Facility O&M (eligible for BFA core): expenditures coded to Function 600 in the operating fund and other relevant funds, consistent with DEED definitions.
- Instructional and student support (remain BSA-funded): Function 100 (Instruction), Function 200/220 (Special Education instruction/support), Function 300/350 (Student and instructional support), and other non-plant functions.
- Capital and debt (remain capital/debt frameworks): Function 880 (construction/facilities acquisition) and Function 850 (debt service), which are already governed by AS 14.11 programs and associated reporting.

#### Practical classification rules for district budgets and audits

A clean separation for BFA implementation should rely on rules that can be applied consistently across districts:

- *Rule one:* If an expenditure is coded as Function 600, treat it as a facility cost (BFA-eligible), unless explicitly excluded by statute (e.g., prohibited uses). This aligns with DEED's function definition (utilities, energy, insurance, supplies, facilities staff).
- *Rule two:* If an expenditure is Function 880 (construction/facilities acquisition) or Function 850 (debt service), it is not BFA-eligible (except possibly as an allowable match contribution to capital programs under defined rules).
- *Rule three:* To prevent “coding arbitrage,” define a short list of facility-related object codes that must be coded to Function 600 when they are facility-related (e.g., utilities, fuel/energy, building rental, property insurance). DEED's Function 600 narrative already lists these as examples, making this enforceable.
- *Rule four:* Where shared costs exist (e.g., district-wide insurance policies or shared vehicles), require proportional allocation using a documented cost allocation plan tied to facility inventory (GSF/site counts) and audited for reasonableness.

#### Baseline measurement methodology for transition planning

Before changing dollars, Alaska should compute a statewide baseline of “current facility spending” drawn from audited accounting. A rigorous baseline method:

1. Extract audited expenditures by district for the last 3 fiscal years for Function 600 (and any facility-reclassified costs per policy).

2. Normalize for one-time anomalies (disaster events, one-time major equipment failures) using documented adjustments.
3. Trend forward to the implementation year using a blended index: labor + freight/services (district cost factor or DEED geographic cost factor proxies) and energy (community energy data / PCE-based indices). DEED's construction cost model explicitly applies geographic cost factors to reflect logistics and regional cost differences from an Anchorage baseline; it flags that village-to-village costs can vary  $\pm 5\%$ , which can inform sensitivity bounds for remote adjustments.
4. Use the result as a hold-harmless comparator during phase-in (districts should not lose more than a controlled percentage per year as the formula becomes normative).

### **Proposed Base Facilities Allocation model**

#### Design objectives

A BFA should: (1) fund a defined “basket” of facility O&M costs, (2) be sensitive to inventory and place rather than just ADM, (3) create incentives for preventative maintenance and right-sizing, and (4) integrate with Alaska's existing capital governance (CIP, insurance, preventive maintenance eligibility).

#### What the BFA would fund and what it would not

Allowable uses (recommended statutory definition) should track DEED's Function 600 scope: building operations staffing, custodial, routine maintenance work orders, utilities/energy, building rental related to school operations, property/vehicle insurance tied to plant operations, maintenance supplies, and energy management activities.

Non-allowable (categorical exclusions) should include:

- New construction, facility expansion, and major capital improvements (Function 880).
- Debt service (Function 850), except where the legislature explicitly chooses to allow limited BFA-to-debt transfers under strict rules (not recommended initially because Alaska already has a debt reimbursement framework).
- Routine preventive maintenance itself should remain allowable under BFA (unlike some capital-renewal grant programs), because the purpose of BFA is to fund routine O&M—while Alaska's capital rules already exclude routine maintenance from CIP grants.

### **Core metrics and data-driven indices**

The recommended BFA formula uses these measurable inputs:

#### Eligible gross square footage (EGSF).

This could be the lesser of:

- Actual permanent facility GSF as recorded by DEED's facility records/database (school facility database is used in CIP applications), and
- A capped “allowable” GSF derived from Alaska's space eligibility regulation (4 AAC 31.020), which specifies base allowable square feet per ADM for school types (e.g., 114 sf per elementary ADM; 165 sf per secondary ADM) plus supplemental allowances that vary with ADM, and allows limited variances.

This approach mirrors best practice seen in other states that cap funded square footage to discourage overbuilding while protecting minimum adequacy.

### Facilities stewardship compliance.

Use DEED's preventive maintenance compliance/certification framework. 4 AAC 31.013's explicit requirements for work orders, energy tracking, custodial schedules, training, and renewal/replacement scheduling should be incorporated as BFA eligibility and/or a performance multiplier.

### Regional logistics and labor cost adjustment.

Use an Alaska-specific index:

- Option A (recommended for facilities): Update and regularly evaluate DEED's Geographic Area Cost Factor from the Program Demand Cost Model, which is explicitly built to adjust Anchorage-based unit costs to regional conditions and logistics (shipping, subsistence, travel, regional design criteria).
- Option B (secondary cross-check): the foundation formula's district cost factor (AS 14.17.460) can be used as a labor/services proxy, but facilities may require a distinct index because energy and freight can diverge from general education cost factors.

### Climate and energy price adjustment.

Use a blended "Energy & Climate Index," computed from:

- Heating degree days / climate normals from NOAA (Climate Data Online provides degree days and climate normals), and/or Alaska climate tools such as the Alaska Climate Research Center data portal (degree days).
- Community energy cost datasets (Alaska Energy Data Gateway) and/or Alaska Energy Authority Power Cost Equalization datasets, which document materially higher rural electricity costs (AEA notes rural electricity costs can be multiple times higher than urban areas).

### **Recommended BFA formula**

Define for each district  $d$ :

- $EGSF\_d$  = eligible gross square feet (capped at allowable GSF derived from 4 AAC 31.020).
- $Sites\_d$  = number of actively operated school facilities/sites (or attendance centers) above a minimum GSF threshold.
- $RCI\_d$  = regional cost index (e.g., DEED geographic area cost factor scaled around 1.00 = Anchorage).
- $ECI\_d$  = energy & climate index (rolling average to reduce volatility).
- $PM\_d$  = preventative maintenance compliance factor (1.0 if certified; <1.0 if provisionally compliant; 0.0 if non-compliant for extended periods, with due process), aligned to DEED's PM certification processes.

Then:

$$[\text{BFA}]_d = PM_d \times \text{Big}(\text{SiteGrant} \times Sites_d \times RCI_d)$$

- $\text{OMRate} \times EGSF\_d \times RCI_d$
- $\text{EnergyRate} \times EGSF\_d \times ECI_d \text{Big}$
- $\text{RenewalPct} \times \text{ReplacementValue}_d$  ]

Where  $\text{ReplacementValue}_d$  can be approximated as:

$$[\text{ReplacementValue}]_d = EGSF\_d \times \text{BaseReplacementCostPerSF} \times RCI_d$$

Interpretation. This is a hybrid: a minimum base for “opening the doors” (site grant), a space-driven component for staffing and supplies, a utilities/energy component sensitive to climate and price, and a modest renewal reserve to stabilize lifecycle spending and reduce reliance on capital grants for predictable system renewals.

#### Equity and rural/remote adjustments.

Equity is primarily delivered through:

- EGSF approach (small schools have higher allowable space per ADM under 4 AAC 31.020 supplemental formulas),
- RCI (logistics), and
- ECI (energy/climate).

To protect very small districts from untenable per-pupil spikes without eliminating realism, apply:

- A minimum site grant per operated school (recognizing fixed costs), and
- A multi-year averaging of ADM for the allowable GSF cap to avoid destabilizing drops in BFA during short-term enrollment declines.

#### **Interaction with Alaska capital funding, debt service, and federal funds**

Capital grants and major maintenance (AS 14.11.011). BFA should not duplicate capital. Rather, it should reduce capital pressure by funding routine stewardship and the “small renewals” that prevent failures, while CIP remains for larger major maintenance and construction projects (and funds are appropriated based on DEED priority lists).

REAA and small municipal construction aid (AS 14.11.025 / fund under AS 14.11.030). These funds are structured around a statutory formula and project lists; BFA should be neutral to these programs except allowing BFA dollars to be used, if desired, as a local match or to maintain facilities in ways that preserve capital investments.

Debt reimbursement (AS 14.11.100). Because Alaska already has a reimbursement framework and DEED notes historical closures/reopenings and reimbursement percentage variation, initial BFA design should exclude debt service to preserve transparency and avoid inequitable substitution (wealthier municipal districts could otherwise convert operating aid into debt capacity).

Federal funds. BFA should be structured as a state allocation with clear supplement/maintenance rules. Districts already must meet federal maintenance-of-effort tests tied to state/local spending; DEED describes MOE requirements and reporting. The safest policy posture is: BFA is an eligible state/local cost for MOE purposes, but districts may not treat BFA as a reason to reduce required local facility effort below statutory minima.

#### **Data needs, sources, and gaps**

##### Required data elements and Alaska-specific sources

A workable BFA depends on a small number of high-value datasets, most of which Alaska already maintains or requires through existing programs:

##### Facility inventory and characteristics

- Facility gross square footage and building age/additions: DEED’s School Facility Database is explicitly described as providing GSF and age information and is referenced in CIP instructions.

- Space eligibility calculations: Alaska’s space eligibility rules (4 AAC 31.020) provide a regulatory basis for calculating allowable square footage per ADM and variance limits.
- District participating share and property valuation inputs (for related capital match/equity analysis): AS 14.11.008 bases participating share on full value per ADM and other criteria.

#### Operating expenditures and accounting

- Audited operating expenditures coded by fund/function/object: DEED’s Uniform Chart of Accounts defines the required coding structure and provides the authoritative definition of Function 600 O&M and its included cost types.
- District operating budgets and audits are filed with DEED (DEED describes its budget/audit reporting expectations and timelines).

#### Preventive maintenance and facility management

- Work order systems, energy consumption logs, custodial schedules, training logs, renewal/replacement schedules: required by 4 AAC 31.013 and described by DEED’s PM program page, which details certification processes and required reports.

#### Energy and climate

- Degree days / climate normals: NOAA Climate Data Online includes degree days and climate normals.
- Rural energy costs: Alaska Energy Authority datasets and/or Alaska Energy Data Gateway; PCE program materials document large rural/urban differentials and provide structured reporting by community/utility.

#### Enrollment and projections

- ADM definitions and timing: DEED materials describe ADM reporting requirements and statewide ADM assumptions (e.g., DEED FY2026 budget review cites anticipated FY2026 ADM 124,679.35).

#### **Priority data gaps and explicit assumptions in this report**

The largest practical gap for immediately computing district-by-district BFA in this response is the absence of a machine-readable statewide extract of current facility GSF by district/site from DEED’s facility database and current energy price indices at the facility level. This report therefore:

- Uses official statewide ADM as a scaling anchor for cost ranges.
- Provides sensitivity-based statewide cost ranges rather than a single point estimate (see next section).
- Provides sample archetypal district models using plausible parameter values; these are not claimed to equal any specific district’s current audited costs.

A full implementation would replace assumptions with:

- Facility database exports (GSF, year built/additions),
- District-reported and DEED-verified monthly energy use and cost data (already required for PM eligibility), and
- Audited Function 600 spending extracted from annual audits and standardized chart-of-accounts coding.

## Phased funding path, fiscal modeling, and transition impacts

### Statewide annual cost ranges using sensitivity assumptions

DEED’s FY2026 budget materials cite an anticipated ADM for FY2026 of 124,679.35. If Alaska funds facilities through a square-foot-driven BFA, statewide cost is highly sensitive to: (1) eligible square feet per ADM and (2) all-in \$/sf-year O&M+utilities+renewal costs. The table below shows illustrative statewide cost magnitudes (in \$ millions) for combinations of those assumptions:

Assumed eligible sf per ADM	Assumed all-in cost (\$/sf-year)	Implied statewide BFA (\$M/year)
150	10	187
150	15	281
150	20	374
175	10	218
175	15	327
175	20	436
200	10	249
200	15	374
200	20	499

These ranges are consistent with the reality that facility operations include energy and logistics costs that can vary widely across Alaska. Energy and climate adjustments should use NOAA degree-day and Alaska energy datasets.

### **Sample district-level BFA models using five archetypes**

To illustrate distributional effects, the following table uses the recommended formula structure (site base + O&M + energy + modest renewal reserve). Values are illustrative and intended to show how the model behaves across typical Alaska district contexts.

Assumptions embedded in this illustrative model:

- Site grant (baseline fixed cost per operated site): \$150,000 (scaled by a cost factor proxy).
- Non-energy O&M rate (Anchorage baseline): \$5/sf-year.
- Energy/utility baseline: \$4.50/sf-year multiplied by an Energy & Climate Index.
- Replacement cost proxy: \$600/sf with a 0.25% renewal reserve (phased in over time).
- Cost factor proxies reflect the concept of Alaska regional cost variation; DEED geographic cost factors are an Alaska-specific basis for such adjustments.

Archetypal district	ADM (assumed)	Sites (assumed)	Eligible GSF (assumed)	Illustrative BFA (\$M)	Illustrative BFA per ADM
Urban large	40,000	90	6,000,000	79.5	\$1,988
Medium	16,000	30	2,600,000	37.5	\$2,344
Small	3,000	8	600,000	8.8	\$2,923

Archetypal district	ADM (assumed)	Sites (assumed)	Eligible GSF (assumed)	Illustrative BFA (\$M)	Illustrative BFA per ADM
Remote village	150	1	35,000	1.1	\$7,015
Hub regional	4,500	20	1,200,000	28.1	\$6,240

Interpretation. The model intentionally yields much higher per-student BFA in remote and hub-region contexts because (a) minimum viable building operations have fixed costs, and (b) energy and logistics are structurally higher. Alaska’s existing PM and energy-management reporting requirements provide the data backbone to justify and audit these differentials.

### Transition impacts on district budgets

A BFA will reallocate dollars across districts relative to today’s implicit facility spending out of BSA. Key anticipated transition dynamics:

- Districts with large or aging building inventories and high utilities burdens could see net gains in predictable facility dollars, reducing pressure to divert instructional resources to keep buildings operational.
- Districts that currently spend less on O&M than a normative benchmark (for reasons ranging from efficiency to deferral) may see either (a) a gain paired with stronger accountability, or (b) a neutral shift if the state chooses revenue-neutral reallocation.
- A poorly phased implementation could produce “instructional shock” if BSA is reduced too quickly to fund BFA. This is why a multi-year phase-in with hold-harmless is essential.

### Stepwise implementation schedule and funding ramp

The schedule below assumes the legislature wants an orderly separation of BSA (instruction) and BFA (facilities). The recommended approach is to calculate BFA immediately (shadow formula) but phase funding and any BSA rebalancing over multiple fiscal years.

Phase	Timeframe (FY)	State actions	District actions	Funding mechanics
Short-term	FY2027	Enact BFA statute; DEED issues definitions, coding guidance; run “shadow BFA” using audits + facility inventory; publish district-by-district comparisons	Align chart-of-accounts coding; validate facility inventory; document work order/energy logs per 4 AAC 31.013	Planning grants only; no redistribution yet
Medium-term	FY2028–FY2029	Appropriate BFA at 25% then 50% of formula; implement hold-harmless caps; begin renewal reserve at de minimis rate	Establish facilities reserve accounting; publish annual facility O&M report; maintain PM certification	BFA additive (initially), or paired with partial BSA rebalance if revenue-neutral is required
Long-term	FY2030–FY2032	Ramp BFA to 75% then 100%; refine indices; periodic cost study; integrate BFA reporting into DEED annual legislative reporting	Full compliance continues; demonstrate outcomes (work order completion, energy performance, reduced emergency failures)	Full structural separation: BSA = instructional; BFA = facility

## Legal, governance, accountability, and comparative models from other states

### Alaska legal and legislative considerations

Statutory touchpoints.

- The BSA is set in statute (AS 14.17.470); enrolled legislation amended it to \$6,960 effective July 1, 2025.
- The foundation funding structure (basic need, local contribution, impact aid treatment) is codified in AS 14.17.410.
- Facility O&M is clearly defined in DEED's Chart of Accounts (Function 600), and capital is separated (Function 880).
- Alaska capital aid mechanisms and eligibility rules are in AS 14.11 and are described in DEED's SB 237 report; CIP excludes routine maintenance and sets grant thresholds.
- Preventive maintenance program elements are codified in regulation (4 AAC 31.013) and operationalized by DEED's PM certification process.

### **Suggested statutory language framework**

Below is draft-style statutory language (conceptual, not counsel-reviewed) designed to align with Alaska's existing structure and data systems:

#### **Add a new section in AS 14.17 (new BFA section):**

##### **AS 14.17.\_\_\_\_. Base Facilities Allocation.**

*(a) The department shall calculate annually a base facilities allocation for each school district to support the operations, maintenance, and lifecycle stewardship of education-related facilities used to deliver the district's K–12 instructional program.*

*(b) The base facilities allocation for a district equals the sum of:*

- (1) a minimum site operations amount based on the number of operated school facilities; and*
- (2) an operations and maintenance of plant amount based on eligible gross square footage; and*
- (3) a utilities and energy amount adjusted for climate and regional energy costs; and*
- (4) a renewal and replacement reserve amount based on facility replacement value proxies and a phased schedule established in law or session intent.*

*(c) Eligible gross square footage may not exceed allowable gross square footage as determined under 4 AAC 31.020, as amended, using a multi-year average ADM method adopted by the department.*

*(d) Funds received under this section must be tracked in accordance with the department's Uniform Chart of Accounts and may be expended only for costs consistent with Function 600 – Operations and Maintenance of Plant, excluding capital improvements coded to Function 880 and debt service coded to Function 850.*

*(e) As a condition of receiving funds under this section, a district must maintain a preventive maintenance and facility management program meeting 4 AAC 31.013 and any implementing guidance of the department.*

*(f) Unexpended balances may be carried forward only in a facilities reserve account and must be reported annually to the department.*

Amend AS 14.17.410 (state aid calculation) to add BFA as a separate component while deciding explicitly whether BFA is inside or outside the required local contribution calculation. The policy choice point is equity vs. local effort:

- If outside local contribution: state assumes full responsibility for base facility O&M adequacy (strong equity; higher state cost).
- If inside local contribution: municipalities share a portion of facility cost (more local effort; may exacerbate inequity unless equalized).

Given Alaska’s very large rural/remote differentials, this report leans toward state-funded BFA outside the local contribution cap, with optional local supplementation.

### **Governance and accountability architecture**

A BFA should be governed like an operating formula but audited like a restricted program:

- Allowable uses tied to Function 600 and DEED coding guidance.
- Eligibility tied to preventive maintenance certification and reporting already required by DEED; DEED conducts on-site certification at least every five years and publishes statewide determinations.
- Public reporting: Annual district facility report: expenditures by major category (utilities vs custodial vs maintenance), work order completion metrics, key energy intensity metrics, and reserve balances.
- Enforcement: If BFA dollars are spent outside allowable uses, implement a clawback or future-year offset mechanism (similar to the enforcement model used in some other states’ facilities funds).

### **Comparative examples from other states with similar “split” structures**

Several states explicitly allocate facilities-related funding separately from instructional formulas or in distinct formula components. These models provide design precedents for Alaska.

Tennessee: Basic Education Program includes a maintenance & operations component built on square footage. Tennessee’s BEP Blue Book (2020–2021) shows a Non-Classroom component for Maintenance & Operations calculated from square feet per ADM by grade bands and multiplied by a \$3.55/sf rate, with custodial staffing generated per calculated square footage. Transferable lesson: a square-foot-driven formula is administratively feasible and ties funding more directly to facility inventory than per-pupil amounts alone.

Minnesota: Long-Term Facilities Maintenance revenue is separate and requires multi-year facility plans. Minnesota Statutes §123B.595 establishes Long-Term Facilities Maintenance revenue, including a per-pupil calculation (\$380 times adjusted pupil units adjusted by average building age ratio) and requires a ten-year facility plan adopted by the school board and approved by the commissioner, annually updated and submitted on a schedule, with explicit allowed uses and restrictions and a required reserve treatment. Transferable lesson: requiring a multi-year facilities plan and restricting uses creates transparency and prevents instructional supplanting.

Wyoming: State-financed facilities major maintenance formula based on authorized gross square footage and replacement value. Wyoming Statute §21-15-109 defines major building and facility repair and replacement payments and ties payments to gross square footage and replacement value. The Wyoming Legislative Service Office issue brief explains the simplified conceptual calculation as authorized GSF × per-GSF replacement value × a statutory percentage (2%) to arrive at annual major maintenance funding, and notes the state finances major maintenance while routine maintenance is financed through the general K–12 model. Transferable lesson: Alaska can adopt the “authorized/capped GSF” concept and replacement-value-based renewal reserve logic, while keeping routine O&M in BFA and major maintenance in capital programs.

Arizona: Building renewal grant fund tied to preventive maintenance. Arizona’s building renewal grant fund statute establishes a renewal fund to maintain adequacy of existing facilities, requires districts to

submit a preventive maintenance plan for eligibility, and restricts uses away from new construction and routine preventive maintenance. Transferable lesson: linking facilities dollars to documented preventive maintenance is a strong accountability lever—consistent with Alaska’s existing 4 AAC 31.013 framework.

### **Risks, stakeholder impacts, and mitigation strategies**

*Risk:* Budget volatility from energy price swings.

*Mitigation:* Use a rolling multi-year average energy index and include an “extraordinary energy shock” mechanism triggered by threshold changes in AEA/PCE or AEDG metrics.

*Risk:* Incentivizing overbuilding or retaining underutilized space.

*Mitigation:* cap EGSF at allowable space from 4 AAC 31.020 (with limited, justified variances) and use multi-year ADM averaging to smooth transitions.

*Risk:* Coding arbitrage and inconsistent accounting.

*Mitigation:* bind allowable uses to Function 600 definition (already explicit about utilities/ energy/ insurance and excludes capital) and require corrective reclassification in audits.

*Risk:* Administrative burden on small districts.

*Mitigation:* leverage existing DEED PM certification and reporting infrastructure (work orders, energy tracking, custodial schedules). DEED already requires these elements for capital eligibility and provides guidance and statewide compliance reporting. Budget for technical assistance and additional departmental support.

### **Stakeholder impacts (expected).**

- Rural/REAA districts: should see improved adequacy and stability for utilities and maintenance, reducing instructional diversion.
- Municipal districts: may see redistribution based on building inventory and energy profiles; improved transparency can support local bond/maintenance planning.
- State budget: shifts a previously “implicit” facility burden into an explicit appropriation; improves transparency but may increase pressure for sustainable funding.

### **Recommended milestones**

Key milestones to manage policy, data, and implementation risk:

- By end of FY2027: statute enacted; DEED publishes BFA definitions + coding guidance; statewide shadow BFA published; districts validate facility inventory and Function 600 coding.
- FY2028: first funded year (partial); districts must demonstrate PM compliance per 4 AAC 31.013 and track BFA in transparent reserve accounting.
- FY2029: publish first statewide evaluation: spending patterns, energy normalization, work order completion indicators.
- FY2031–FY2032: full separation achieved; periodic recalibration cycle (every 3–5 years) instituted using cost studies and updated indices.