

Alaska Statute 14.11.100 State aid for costs of school Construction Debt

70/30 or 60/40 Criteria

Alaska municipal school districts can participate in the school construction debt program for major maintenance projects and/or construction projects under Alaska Statute 14.11.100. The department administers the debt program in accordance with statute through a debt application; project review checklist; review of bonds sold and voter approval; and annual reimbursement of and interest payments. The debt is voter approved and sold and held by the municipality. The reimbursement rate is set in statute and currently 70% or 60% depending on criteria. Other statute, regulations and procedures apply to the debt program.

The major differences between the reimbursement rates are that the 60% rate provides funding for projects that build square footage in excess of the maximum allowable square footage for schools as defined in regulation. The 70% reimbursement is available for projects that build within the maximum square footage. As written, the current statute limits the department to review of 60% projects but provides the department with authority to approve 70% projects. The current statute also releases the 60% projects from demonstrating a need for the project under item (j) (4).

It is also noted that there while the projects must be voter approved, there is no longer specific required voter language for either 60% or 70%. While most voter language remains detailed, some voter language is broad and only indicates school construction and major maintenance without providing the specific project. Currently, without specific voter language identifying projects and considering the 60% reimbursement does not require the district to demonstrate need, there is considerable flexibility in the 60% program. The statutory language for the 70% and 60% debt programs is as follows:

(16) subject to (h), (i), and (j)(2) - (5) of this section, and after projects funded by the tax exempt bonds, notes, or other indebtedness have been approved by the commissioner, 70 percent of payments made by a municipality during the fiscal year for the retirement of principal and interest on outstanding tax exempt bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after October 1, 2006, to pay costs of school construction, additions to schools, and major rehabilitation projects and education-related facilities that exceed \$200,000, are approved under AS 14.07.020 (a)(11), and are not reimbursed under (o) of this section;

(17) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent of payments made by a municipality during the fiscal year for the retirement of principal and interest on outstanding tax exempt bonds, notes, or other indebtedness authorized by the qualified voters of the municipality on or after October 1, 2006, to pay costs of school construction, additions to schools, and major rehabilitation projects and education-related facilities that exceed \$200,000, are reviewed under AS 14.07.020 (a)(11), and are not reimbursed under (o) of this section.

- Both the 60% and 70% reimbursement rates require (j) (2), (3), (5) as follows:
 - (2) specifies bonds may not be refunded unless annual debt service is less than original issue.
 - (3) specifies that bonds must be repaid in approximately equal annual payments over a period of at least 10 years.
 - (5) evidence acceptable to the department that that district has and is following a preventative maintenance program.
- The 70% reimbursement rate requires (j) (4) as follows:
 - (4) the municipality to demonstrate need for the project by establishing that the school district has
 - (A) projected long-term student enrollment that indicates the district has inadequate facilities to meet present or projected enrollment;
 - (B) facilities that require repair or replacement in order to meet health and safety laws or regulations or building codes;
 - (C) demonstrated that the project will result in a reduction in annual operating costs that economically justifies the cost of the project; or
 - (D) facilities that require modification or rehabilitation for the purpose of improving the instructional program;

Further statutory definitions related to the citation above include:

(1) "approved school construction project" means the plan for a new school or an addition to or major rehabilitation of an existing school to the extent that the plan has been approved by the commissioner under AS 14.07.020 (a)(11);

70/30 or 60/40 Examples

The schedule of projects presented on the next two pages shows debt projects that are voter approved, department reviewed and approved and bonds issued for the time period of July 1, 2010 through December 31, 2013. This schedule includes among other data, the reimbursement rate and the project name. The rate and name provide information on the types of projects that are funded at 60% and the types of projects that are funded at 70%.

Reviewed, Approved, Funded Debt Projects for the Period 7/1/10 through 12/31/13

District	Project Number	Reimbursement Rate	Project Type	Project Name	Funding Amount
Anchorage					
	DR-11-108	70%	Maintenance	Career and Vocational Education Upgrades	\$17,000,000
	DR-12-128	70%	Maintenance	Building Life Extension Projects	\$22,730,000
	DR-12-129	70%	Maintenance	Career Technology Education Upgrades	\$8,425,000
	DR-12-130	60%	Construction	Career Technology Education Additions and Chugiak HS Control Room Replacement	\$15,390,000
	DR-12-131	60%	Construction	Design Projects; Girdwood K-8, Airport Hts Elem	\$2,900,000
	DR-13-106	70%	Maintenance	Districtwide Building Life Extension Projects	\$10,650,000
	DR-13-107	70%	Construction	Bartlett HS Cafeteria/Kitchen Renovations	\$4,700,000
	DR-13-108	60%	Construction	Districtwide Planning & Design Projects – 9 Schools	\$10,725,000
	DR-13-109	60%	Construction	Aurora Elementary School Gym Addition	\$5,750,000
	DR-13-110	60%	Construction	Girdwood K-8 School Construction	\$23,000,000
Cordova					
	DR-11-107	60%	Construction	Cordova Jr/Sr High School ILP Building	\$500,000
Fairbanks					
	DR-12-102	70%	Maintenance	North Pole Middle School Roof Replacement	\$3,890,000
	DR-12-103	70%	Maintenance	North Pole Vocational Wing Renovation	\$3,740,000
	DR-12-104	70%	Maintenance	Ryan Renovation Phase II	\$9,900,000
	DR-12-105	70%	Maintenance	Salcha Roof and Envelope Upgrade	\$1,140,000
	DR-12-106	70%	Maintenance	Wood River Gym Upgrades	\$1,620,000
	DR-14-102	60%	Maintenance	Ryan Middle School Replacement	\$37,150,000
	DR-14-103	70%	Maintenance	Tanana MS Roof Replacement and Exterior Upgrades	\$4,751,747
	DR-14-104	70%	Maintenance	University Park Elementary Roof Replacement and Exterior Upgrades	\$3,912,133
	DR-14-105	70%	Maintenance	Ticasuk Brown Elementary Roof Replacement And Exterior Upgrades	\$3,905,346
	DR-14-106	70%	Maintenance	North Pole MS Mechanical and Energy Efficiency Upgrades	\$6,033,410
	DR-14-107	70%	Construction	Two Rivers Elementary Classroom Upgrades	\$797,464
Juneau City Borough					
	DR-11-101	70%	Maintenance	Auke Bay Elementary School Renovation	\$20,100,000
	DR-12-101	70%	Construction	Adair-Kennedy Synthetic Turf Replacement	\$1,191,000
Kenai Peninsula					
	DR-11-100	70%	Maintenance	District Wide Roofing Projects	\$16,866,500
	DR-14-100	70%	Construction	Homer High School Turf Upgrade	\$1,991,718
	DR-14-101	70%	Maintenance	Roof Replacement – 10 Schools	\$20,995,282
Ketchikan					
	DR-11-106	70%	Maintenance	Ketchikan High School Roof Replacement	\$3,400,000
	DR-13-100	70%	Construction	District Wide Major Maintenance	\$2,506,323
	DR-13-101	70%	Construction	Schoenbar Middle School Field Upgrades	\$232,000
	DR-13-102	60%	Construction	Fawn Mountain Elementary Upgrades	\$1,169,696
	DR-13-103	70%	Construction	District Wide Site Upgrades	\$228,728
	DR-13-104	70%	Construction	Smithers Pool Demolition	\$1,363,253

District	Project Number	Reimbursement Rate	Project Type	Project Name	Funding Amount
Kodiak Island					
	DR-12-100	70%	Construction	Kodiak High School Renovation/Addition	\$68,679,814
Lake and Peninsula					
	DR-13-111	70%	Construction	Tanalian School Addition and Renovation	\$15,000,000
	DR-13-112	60%	Construction	Newhalen Kitchen and Gym Remodel and Expansion	\$3,200,000
Mat-Su Borough					
	DR-11-102	70%	Maintenance	Fire Alarm System Replacement, 10 Schools	\$3,410,038
	DR-11-103	70%	Maintenance	Roof Replacement, 7 Schools & Admin Building	\$26,956,050
	DR-11-104	70%	Maintenance	Flooring Replacement, 8 Schools	\$3,118,963
	DR-11-105	70%	Maintenance	ADA Parking & Access, 3 Schools	\$300,000
	DR-12-107	70%	Maintenance	Big Lake Elementary School Renovation	\$3,000,000
	DR-12-108	70%	Maintenance	Palmer High School Renovation	\$5,500,000
	DR-12-109	70%	Construction	Palmer & Colony High School Athletic Field Improvements	\$6,000,000
	DR-12-110	70%	Construction	Wasilla & Houston High School Athletic Field Improvements	\$6,000,000
	DR-12-111	70%	Maintenance	Fire Alarm Replacement, 3 Schools	\$600,000
	DR-12-112	70%	Maintenance	Restroom Renovation, 6 Schools	\$863,000
	DR-12-113	70%	Maintenance	Flooring Replacement, 6 Schools	\$685,000
	DR-12-114	70%	Construction	New Knik Area Middle/High School	\$65,455,000
	DR-12-115	70%	Construction	Valley Pathways School	\$22,515,000
	DR-12-116	70%	Construction	Mat-Su Day School	\$12,426,000
	DR-12-117	70%	Construction	Mat-Su Career & Tech High School Replacement	\$16,150,000
	DR-12-118	70%	Construction	Iditarod Elementary School Replacement	\$25,214,000
	DR-12-119	70%	Construction	New Knik Area Elementary School	\$26,529,000
	DR-12-120	70%	Maintenance	District Wide Energy Upgrades	\$3,162,000
	DR-12-121	70%	Construction	District Wide Physical Education Improvements	\$1,350,000
	DR-12-122	70%	Maintenance	District Wide HVAC Upgrades	\$7,100,000
	DR-12-123	70%	Maintenance	Emergency Power Generators & Switch Gear, 9 Schools	\$2,600,000
	DR-12-124	70%	Maintenance	Houston High School Exterior Envelope Upgrades	\$600,000
	DR-12-125	70%	Maintenance	Houston Middle School & Palmer High School Locker Replacement	\$335,000
	DR-12-126	70%	Maintenance	District Wide ADA Upgrades	\$1,500,000
	DR-12-127	70%	Construction	Athletic Field Improvements	\$6,461,000
North Slope Borough					
	DR-12-132	70%	Maintenance	Nuiqsut Trapper School Renovation Project	\$5,815,000
	DR-12-133	70%	Construction	Tikigaq School Gym & Locker Room Renovation	\$1,100,000
Valdez City					
	DR-12-134	60%	Construction	George H. Gilson Junior High School Replacement	\$39,804,183
Total:					\$650,083,548

The Projects listed on pages three and four by district are summarized below to show totals for 60% and 70% reimbursement. The data is for the past three and one-half years under SB237. Since this data was readily available it is used here to demonstrate the ratio of 60% debt versus 70% debt.

EED Approved District Project Amounts

District	Number of Projects	
	at 70%	Approved Amount
Anchorage*	5	\$63,505,000
Fairbanks	10	\$39,690,000
Juneau City Borough	2	\$21,291,000
Kenai Peninsula	3	\$39,853,500
Ketchikan	5	\$7,730,304
Kodiak Island	1	\$68,679,814
Lake and Peninsula	1	\$15,000,000
Mat-Su Borough	25	\$247,830,051
North Slope Borough**	2	\$6,915,000
Totals:	54	\$510,494,669

District	Number of Projects	
	at 60%	Approved Amount
Anchorage*	5	\$57,765,000
Cordova	1	\$500,000
Fairbanks	1	\$37,150,000
Ketchikan	1	\$1,169,696
Valdez City	1	\$39,804,183
Lake and Peninsula	1	\$3,200,000
Totals:	10	\$139,588,879

*Does not include FY14 Debt project applications as they are not voter approved, but they are EED approved.

**Does not include FY14 Debt project applications as they have not been EED approved.

Current Fiscal Status

- The table on page seven titled State Share of School Debt Reimbursement Outstanding presents the state share for reimbursing approved outstanding debt payments for projects that are approved and sold through January 30, 2014 under AS14.11.100. There are some new projects recently approved that will be added to this schedule. The total debt, including the district share is approximately \$1.3 billion principal plus \$400 million interest for a total of approximately \$1.7 billion payable over the next approximately 20 years.
- The table on page eight titled School Debt Reimbursement FY2005 – FY2014 shows the annual cost of the debt program over the past 10 years.
- The table on page nine shows the break out of the annual state cost for FY2014 by district.

Terms of Debt- Statue requires debt term to be at least 10 years and of approximately equal annual debt service. Currently districts typically sell debt for a term 10 or 20 years; over one-half of the current debt is for a 20 year term. Occasionally there has been a 25 year and a thirty year issue.

Conclusion

This document is intended to provide a brief snapshot of the school debt program. In addition to new construction or major renovation the debt program is an important avenue for maintaining the major maintenance elements of our schools. Many of the projects in the debt program are undertaken to repair roofing systems, upgrade outdated code conditions and otherwise keep our schools safe and preserve the investment the state and communities have made in these buildings.

The debt program is a partnership between our communities and the state of Alaska. The state has provided for reimbursement of a major portion of the principal and interest for our schools. The municipalities must receive voter approval and sell and hold the debt as part of the municipality.

Costs for routine maintenance and annual repairs are covered in the school district's annual operating budget and are not part of the debt program.

SCHOOL CONSTRUCTION DEBT RETIREMENT AS 14.11.100

State Share of School Debt Reimbursement Outstanding

\$ Thousands

Fiscal Yr	State Share
FY2014	112,099,766
FY2015	109,309,743
FY2016	104,859,307
FY2017	98,499,160
FY2018	94,544,189
FY2019	87,619,987
FY2020	81,222,820
FY2021	78,248,984
FY2022	66,370,475
FY2023	62,431,340
FY2024	51,010,668
FY2025	42,419,349
FY2026	31,172,591
FY2027	26,978,642
FY2028	24,063,004
FY2029	18,754,229
FY2030	15,551,729
FY2031	13,078,640
FY2032	9,728,283
FY2033	2,745,315
TOTALS	1,130,708,221

Notes:

1. This spreadsheet includes the state share on school bonds that are currently sold and outstanding.
2. This is the State of Alaska's share for reimbursement at current statutory rates if no new bonds are sold.
3. This data current as of 1/30/14

SCHOOL CONSTRUCTION DEBT RETIREMENT AS 14.11.100

School Debt Reimbursement FY2005 - FY2014

\$ Thousands

Fiscal Year	State Share Actual Debt Reimbursement
FY2005	70,675.0
FY2006	81,095.2
FY2007	86,924.1
FY2008	91,103.3
FY2009	93,319.5
FY2010	95,788.7
FY2011	99,594.5
FY2012	100,907.8
FY2013	112,613.4
FY2014	112,099.8

Notes:

1. The actual debt reimbursement is the amount that was paid to districts on eligible principal and interest.

SCHOOL CONSTRUCTION DEBT RETIREMENT AS 14.11.100

FY2014 Debt Retirement Entitlement by District

\$ Thousands

School Dist.	Actual Entitlement by District for FY2014
Aleutians East	656,795
Anchorage	44,172,360
Cordova	967,801
Dillingham	823,058
Fairbanks	10,468,572
Haines	908,728
Hoonah	69,284
Juneau	13,556,832
Kenai	1,750,310
Ketchikan	2,753,027
Kodiak	3,336,494
Lake & Pen	901,080
Mat-Su	19,679,679
Nome	227,457
North Slope	1,638,389
Northwest Arctic	4,446,116
Petersburg	496,743
Sitka	2,523,860
Unalaska	823,672
Valdez	1,687,059
Wrangell	212,450
TOTALS	112,099,766

Notes:

1. The amounts listed by district are expected to be paid to the district for school debt retirement in FY2014.