

# State-Aid for School Capital Projects: Grant and Debt

## Department of Education & Early Development

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Senate Finance Committee  
February 22, 2021

**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.

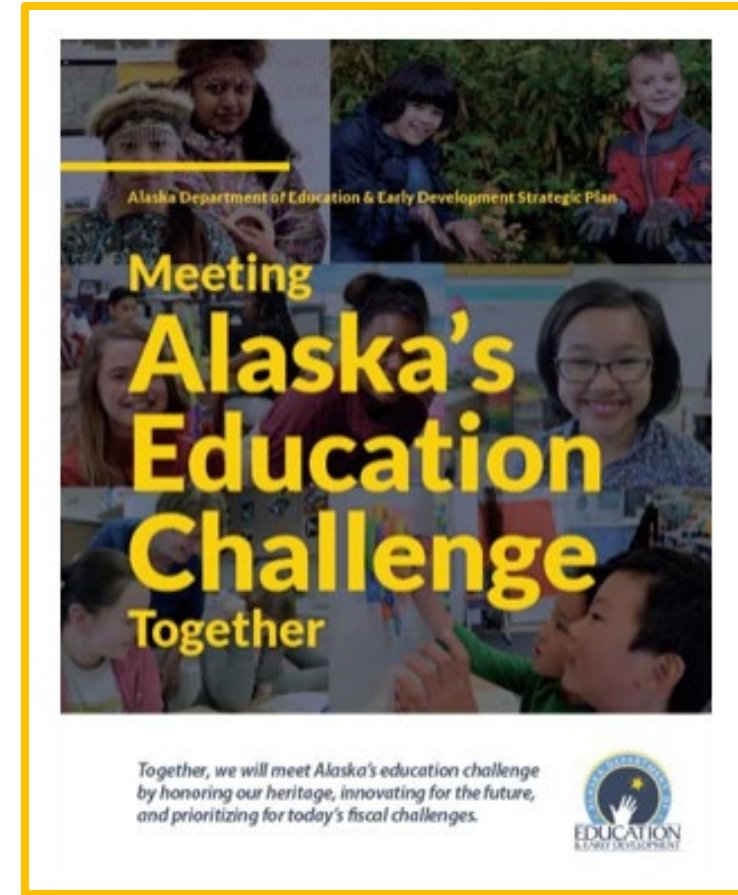




# Our Strategic Priorities: Alaska's Education Challenge

## Five Shared Priorities:

1. Support all students to read at grade level by the end of third grade
2. Increase career, technical, and culturally relevant education to meet student and workforce needs
3. Close the achievement gap by ensuring equitable educational rigor and resources
4. Prepare, attract, and retain effective education professionals
5. Improve the safety and well-being of students through school partnerships with families, communities, and tribes



[education.alaska.gov/akedchallenge](http://education.alaska.gov/akedchallenge)



# 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)

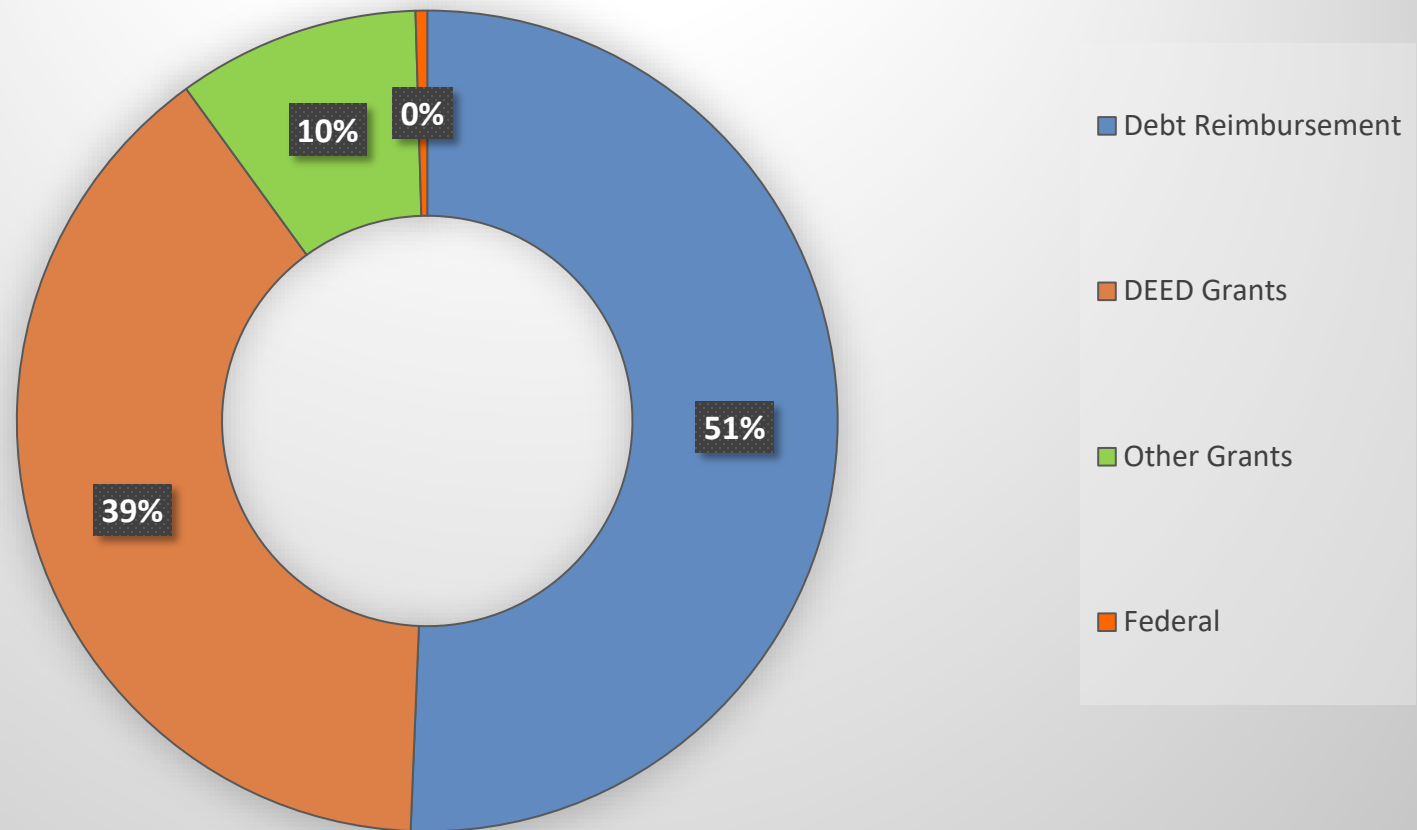
Capital Reserves

Municipal Debt



# Historic Funding – All Sources [c1975 – 2021]

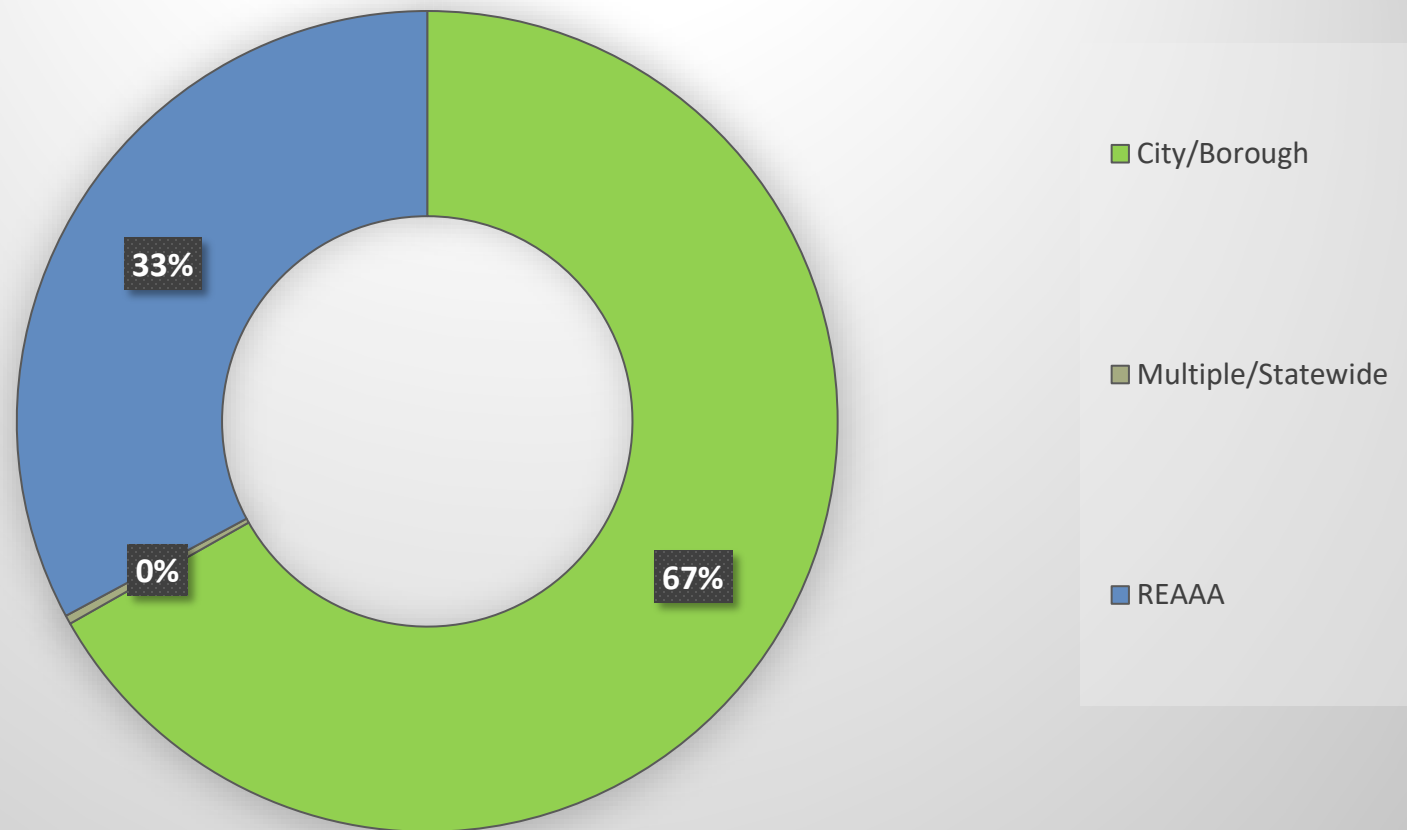
**\$6.2 Billion – By Fund Type**





# Historic Funding – All Sources [c1975 – 2021]

**\$6.2 Billion – By District Type**





# 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
- › \$1,432,830,000 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)

- (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



# Current Project Categories (AS 14.11.013)

## (School Construction)

- (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;
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- (G) meet an educational need not specified in (A) — (F) of this paragraph, identified by the department



# Current Project Categories (AS 14.11.013)

## (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.
<b>Project Type</b>			<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)	
<b>Entity Type</b>			
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

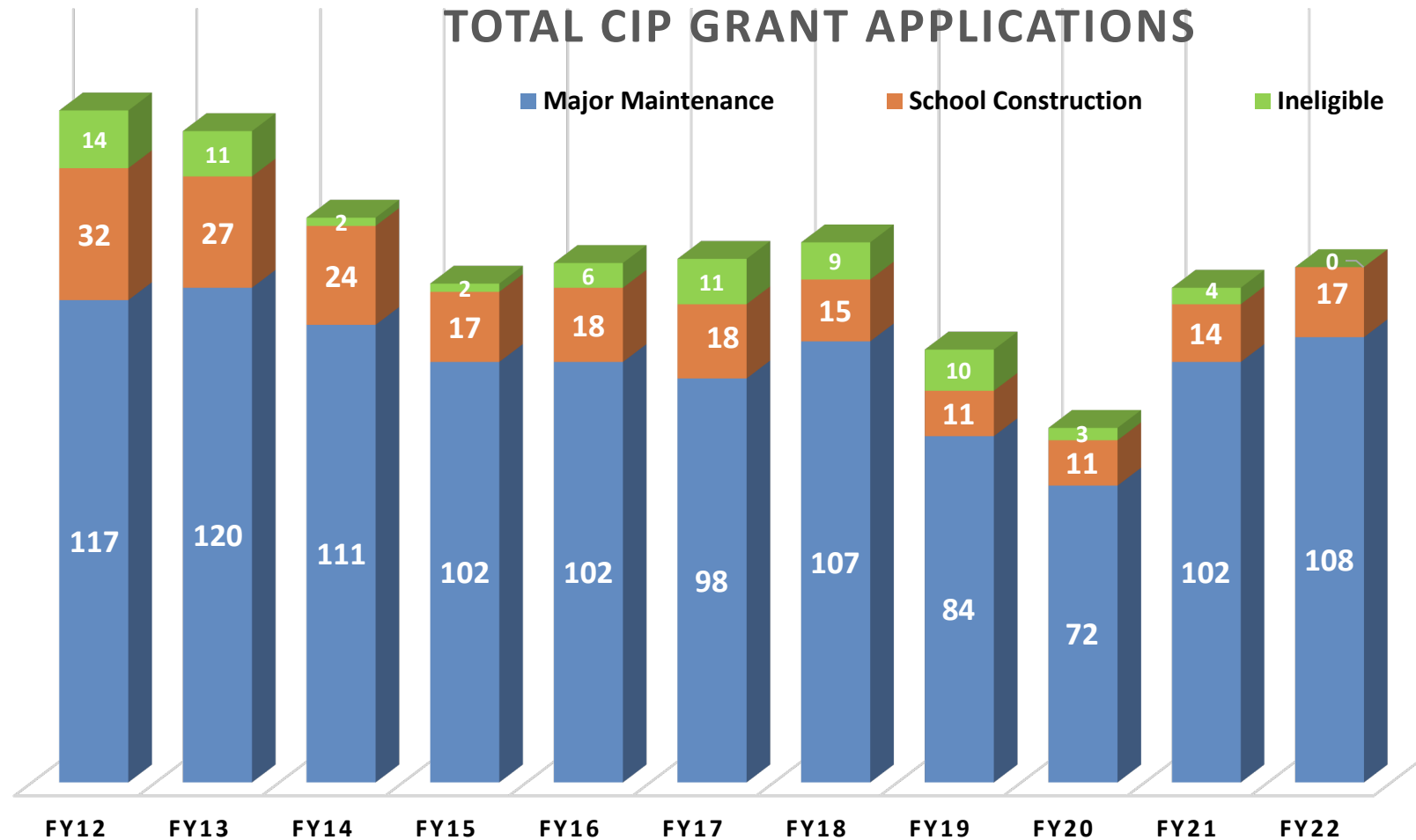
## 4. CIP Priority Lists

Initial lists are released on November 5

Final lists are released after any appeals for reconsideration are finalized

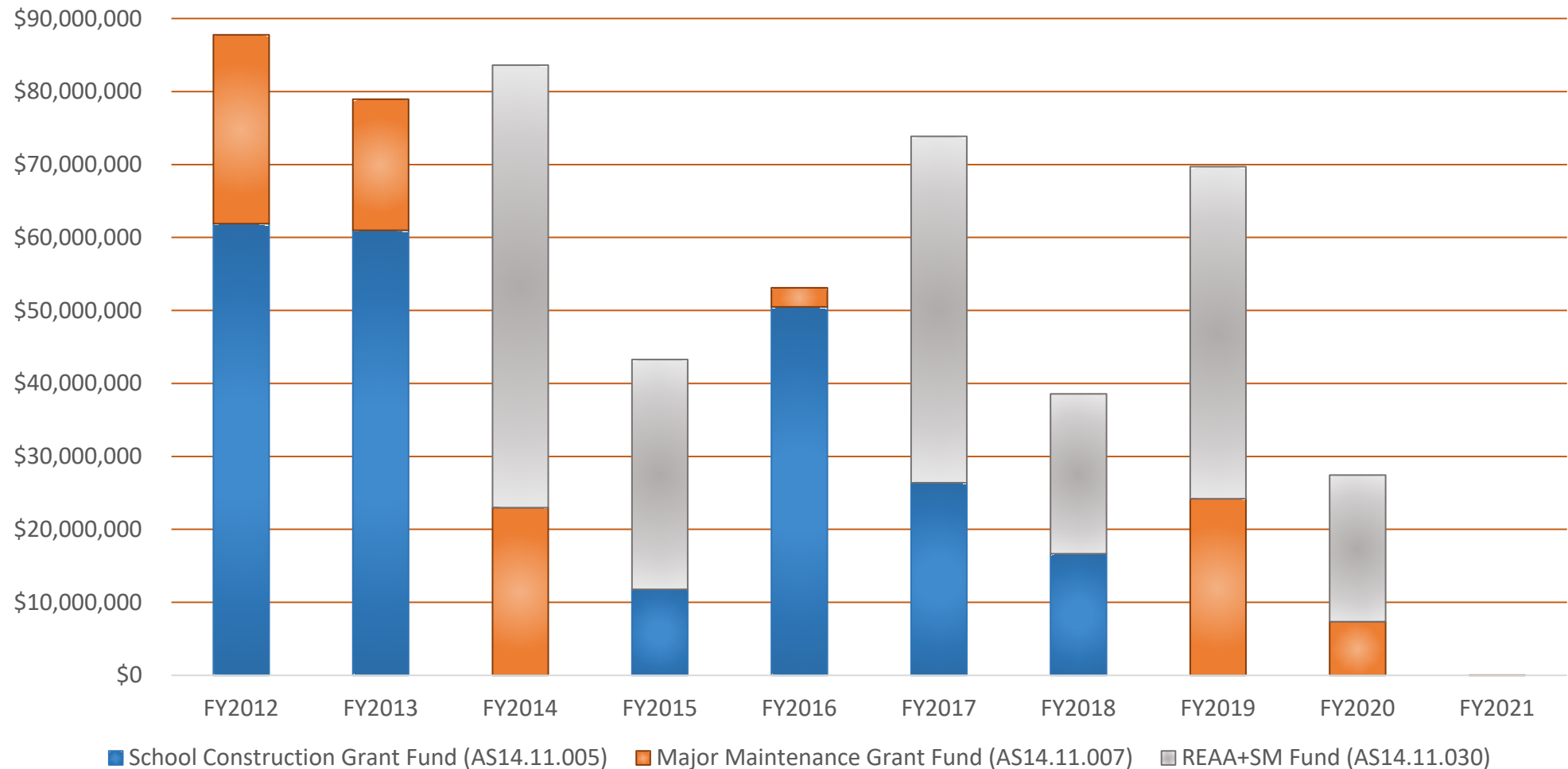


# Grant Participation and Eligibility FY2012 – FY2022





# Grant Awards FY2012 – FY2021







# 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 3<sup>rd</sup> 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% \*\*

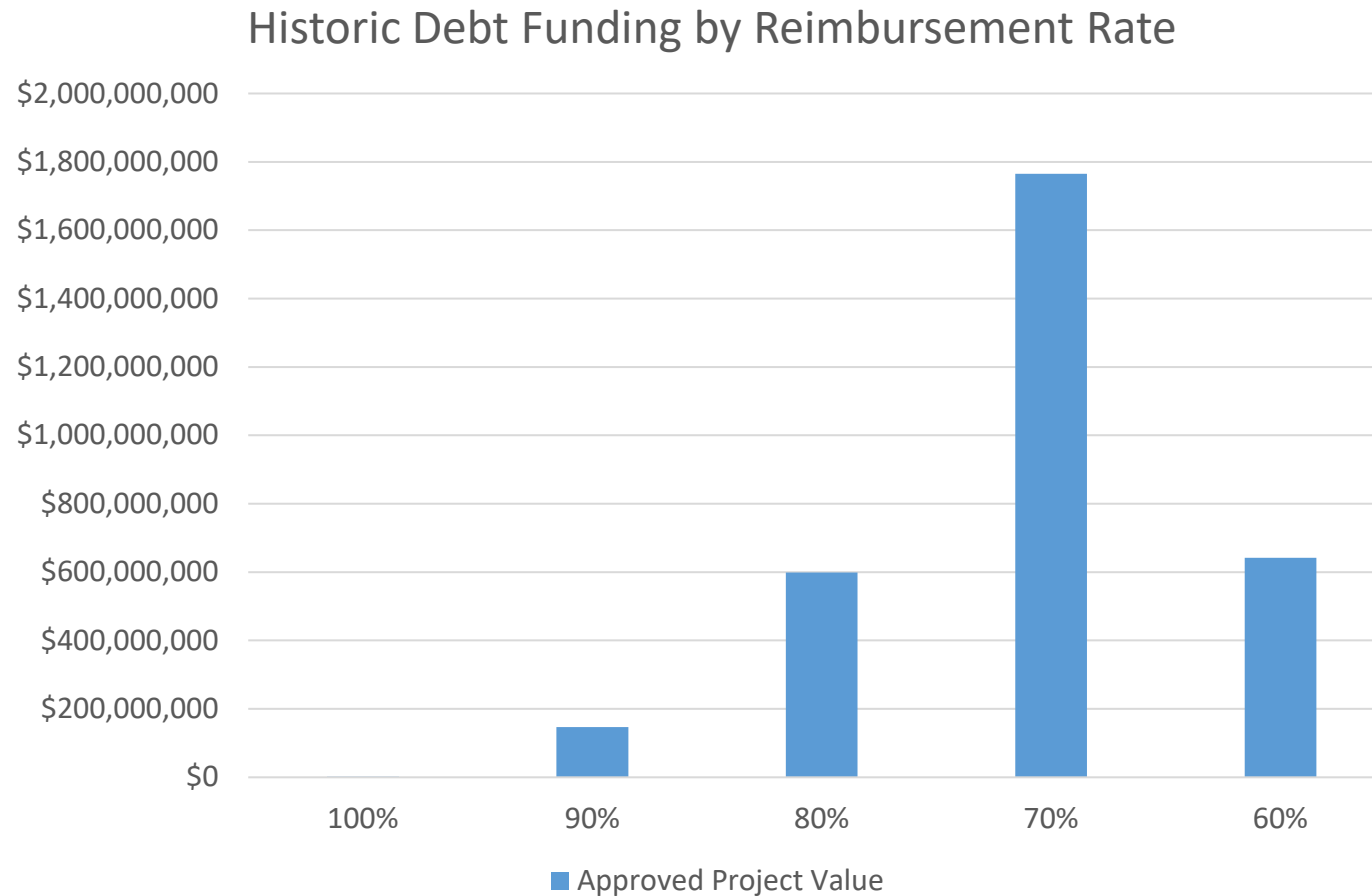
\*Northwest Arctic Borough at 90% for bonds between 1990-2006

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



# Debt Reimbursement Trends

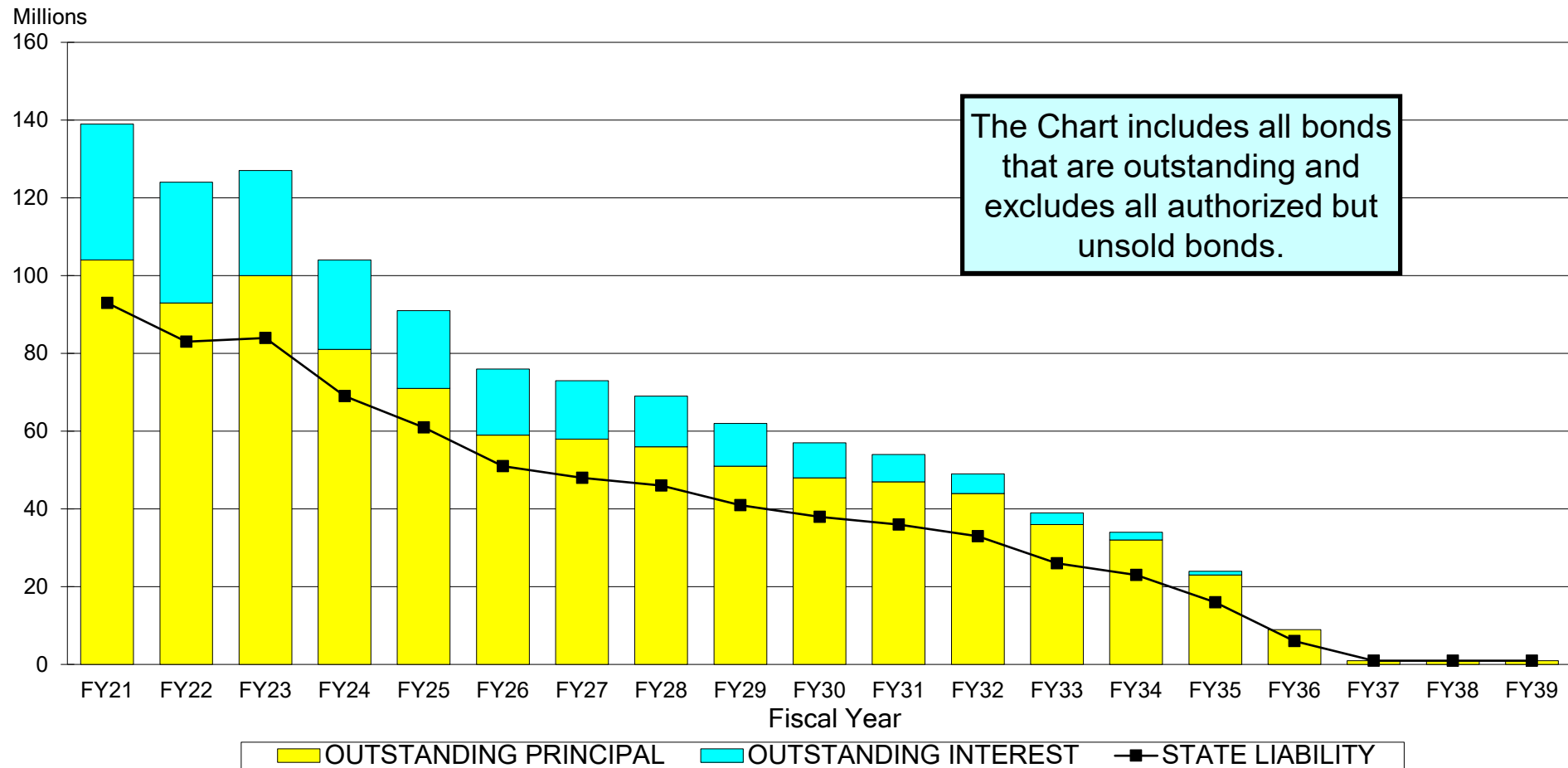
## › Project Values by Percent Reimbursement





# 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 Gov	83,543,959	41,772,000	50.00%



# 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
<b>Available to REAA and 4 small municipal districts</b>	<b>Available to all school districts</b>	<b>Available to any municipality that has the ability to bond</b>
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: 60% if not eligible for space 70% 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
  - FY2022 School Construction Grant Fund List
  - FY2022 School Construction Project Descriptions
  - FY2022 Major Maintenance Grant Fund List
  - FY2022 Major Maintenance Project Descriptions
- › DEED's Facilities website: <https://education.alaska.gov/facilities>
  - School Facility Database  
[https://education.alaska.gov/doe\\_roldex/schoolcalendar/facility](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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