

# Study says Alaska is underfunding maintenance of schools

By Sabine Poux, KDLL - Soldotna - April 5, 2021



Lockers at Kenai Central High School. (Sabine Poux/KDLL)

The state of Alaska should be spending more on building maintenance for its K-12 schools, according to **a recent study from the Institute of Social and Economic Research**.

Institute research professor Bob Loeffler authored the study. He said it's part of the institute's ongoing analysis of Alaska's revenue and fiscal issues.

"Right now, our level of funding is not sustainable," he said. "And our schools will degrade if we spend the money we're spending now. We need to spend more."

Loeffler looked at capital projects across Alaska districts between fiscal years 2000 and 2020. Whereas many district expenses fall under a district's operating budget, large capital projects are funded by a combination of bonds and state grants.

The National Council on School Facilities recommends spending 4% of a state's schools' current replacement value on capital projects.

Alaska's current replacement value for its almost 500 K-12 schools is \$9.4 billion. Under the National Council's guidelines, Alaska should invest \$374 million each year on school capital projects.

What Alaska actually spends, Loeffler found, is \$249 million — 2.6% of its current replacement value.

Spending was higher before the state's budget crisis. Since 2015, when the budget crisis first hit, capital spending has dropped from an average of \$300 million per year to \$124 million.

In 2015, the state stopped reimbursing school bond debt. Before, the state promised reimbursement between 60% and 70%.

The moratorium has raised the costs for school districts, which now have to fully fund bonds with their own tax revenue. Since 2015, only two districts approved school bonds — Anchorage and the North Slope. Capital spending from those districts currently accounts for almost two-thirds of the total spending for Alaska's municipal schools.

"The most poignant finding is really how much our school districts, most of our school districts, the municipal ones, have relied on the bond reimbursement program," Loeffler said. "And how much both the moratorium on new bonds, and some government vetoes of the reimbursement, have affected how much we spend on maintaining our schools. I didn't know that going into the study."

The Kenai Peninsula Borough is considering a **\$30 million bond** for a litany of district projects. The biggest is the construction of a new school for Kachemak Selo, since the current building has **fallen into disrepair**. The state has appropriated \$10 million toward the project if the district can come up with a 35% match, as part of a Department of Education grant.

Loeffler says the funding problem is even more stark for municipal school districts.

"Our boroughs and cities with taxing authority spend some of their own money, and yet they split how much money they spend on capital projects with the Legislature," he said. "But the rural areas don't have any taxing authority. And so they're wholly dependent on the Legislature."

The Legislature is mandated to spend a certain amount on funding in rural areas, so those schools are guaranteed a minimum amount of capital funding. Municipal schools aren't.

Loeffler does say the guidelines from the National Council are just guidelines and won't account perfectly for Alaska's situation. But, he said, the difference between what the National Council proposes and what Alaska is actually spending is startling.

He says a potential fix might be to rescind the moratorium on bond debt reimbursement. The moratorium is in place until 2025.



**Key Components**

**2-Year Bond**

Potential of  
**735**  
new Anchorage jobs  
(according to the AEDC)

More than  
**\$102.2 million**  
bond debt retired over  
the next two years

**Estimated  
Taxpayer Impact**  
(based on \$100K  
assessed property  
value)

Added tax potential  
from new bonds  
**\$24.73/\$100K**

Reduced tax potential  
from retired bond debt  
**(\$11.80)/\$100K**

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The 2022 ASD bond proposal is a 2-year proposition that benefits 25 schools across the District. It includes funds to replace the Inlet View Elementary building, and focuses heavily on security and safety improvements, roof replacements and restorations, and other deferred major maintenance needs. If passed by voters, the District will not pursue a bond in 2023.

**Roof Replacement and Improvement Projects . . . . . \$32,741,000**

- ◆ Campbell STEM Elementary
- ◆ Chinook Elementary
- ◆ Chugiak Elementary
- ◆ College Gate Elementary
- ◆ Facilities Support Center
- ◆ Kasuun Elementary
- ◆ Kincaid Elementary
- ◆ Lake Hood Elementary
- ◆ Muldoon Elementary
- ◆ Northern Lights ABC Elementary
- ◆ Russian Jack Elementary
- ◆ Trailside Elementary
- ◆ Tyson Elementary
- ◆ Ursa Minor Elementary

**Prioritized Security Vestibule & Security**

**Improvements . . . . . \$16,030,000**

- ◆ Birchwood Elementary
- ◆ Bowman Elementary
- ◆ College Gate Elementary
- ◆ Chugach Optional Elementary
- ◆ Fire Lake Elementary
- ◆ Government Hill Elementary
- ◆ Kincaid Elementary
- ◆ Northwood Elementary
- ◆ Ocean View Elementary
- ◆ Spring Hill Elementary
- ◆ Ursa Minor Elementary

**Deferred Requirements Project. . . . . \$9,557,000**

- ◆ Birchwood Elementary Boiler Replacement
- ◆ Kincaid Elementary Exterior Site Improvements

**Planning & Design Projects –**

**2024 Deferred Requirements Projects . . . . . \$2,780,000**

**Bettye Davis East Anchorage High School**

**Academic Area Safety Improvements . . . . . \$6,073,000**

Funding to install fire suppression in uncovered areas, improve structural and seismic resilience, install high-efficiency LED lighting, and ensure accessibility in all restrooms.

**Lake Otis Elementary Building Life Extension . . . . . \$12,942,000**

**Inlet View Elementary School**

**Replacement Construction . . . . . \$30,967,000**

Funding to replace the Inlet View Elementary School building on the same site. The project includes improved, overall traffic flow, site and playground improvements, and demolition of the existing building.

**Total Bond Amount . . . . . \$111,090,000**

# How will the bond affect your neighborhood?



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**2022 BOND**  
Anchorage School District

# #1 BUDGET PRIORITY: COVID-19 RECOVERY

Estimated Enrollment and Fiscal Impacts as of December 1, 2020

## \$22 MILLION

- Enrollment Loss: **1,962 Students** (14.8% Reduction)
- FY21 General Fund Revenue Loss: **\$4.5 million**
- FY21 Transportation Fund Revenue Loss: **\$2.3 million**
- FY21 Nutrition Services Fund Revenue Loss: **\$750,000**
- FY22 General Fund Revenue Loss: **\$8.50 million**

## CAPITAL PROJECTS & DEFERRED MAINTENANCE

**NEED:** Create a statewide deferred maintenance fund for healthy and safe facilities conducive to learning.

- \$265+ million deferred maintenance, expected to exceed \$300 million by 2023
- Funded by the school district: Ben Eielson Jr/Sr roof replacement \$4.6 million
- Fairbanks North Star Borough contributed \$3.9 million to finish Barnette Elementary in 2022
- Surplus bonds funds currently being repurposed OR

Extending existing bond funds to also cover:

- \$2.9 million exterior renovations at Tanana Middle School
- \$359,000 complete interior renovations at Two Rivers Elementary
- \$2.2 million exterior renovations at North Pole Middle School

## INTERNET CONNECTIVITY & DEVICES

**NEED:** Include eLearning and/or homeschool students fully in the Foundation Funding Formula

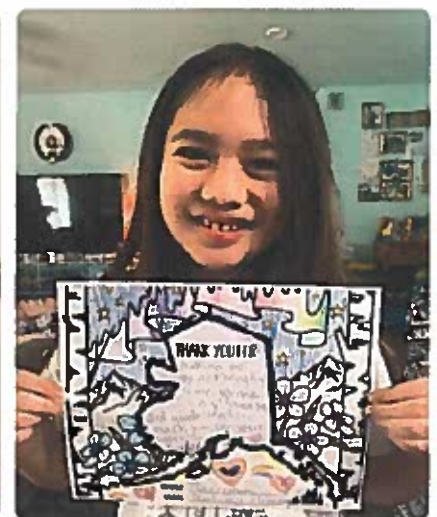
- 150+ (1.6%) of district families have no internet connectivity
- 27% of families say internet access is a challenge that makes learning at home difficult
- 6,500 district devices provided to students to support

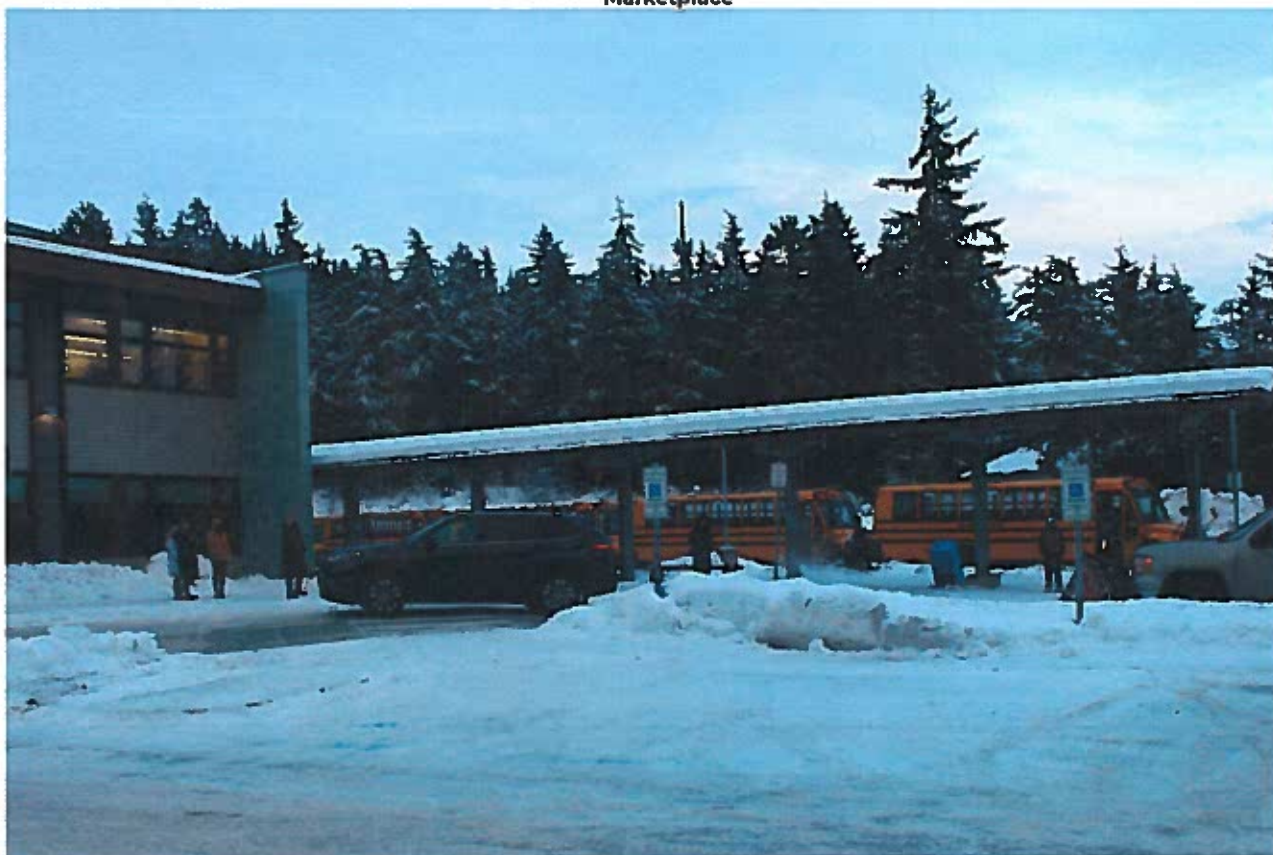
remote learning needs - as well as additional devices provided to support professionals to allow working from home

- Poor internet connectivity geographically impacts employee effectiveness and student learning

## CARES ACT FUNDS

- Smart Start Planning
- Student Devices
- Paraprofessional Devices
- Summer School
- Social Emotional Learning Assessment Tool
- Digital Content
- Online Textbooks and Licenses
- Occupational Health Nurse
- Personal Protective Equipment (PPE)
- Cleaning Supplies
- Professional Development





## Local officials react to governor's budget proposal

There's support for school measure, concern about lack of long-term revenue.

By Dana Zigmund

Friday, December 17, 2021 6:27pm | NEWS LOCAL NEWS SCHOOLS

*This article has been updated to reflect that the budget proposed for Fiscal Year 2023 is an increase over the budget proposed last year.*

City and Borough of Juneau and Juneau School District officials are busy digesting the proposed state budget Gov. Mike Dunleavy unveiled at a Wednesday afternoon [news conference](#).

The proposed budget totals \$4.6 billion in unrestricted general funds, \$912 million in designated general funds, \$792 million in other state funds, and \$4.6 billion in federal funding, according to figures released by the governor's office, with the total of all funds at \$10.9 billion.

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While the proposed budget is an increase from the governor's proposal last year and lacks new revenue sources—which city officials have called for—some of the budget's features could mean good [news](#) for Juneau.

At the top of that list is a measure for the state to fully fund school bond debt reimbursement for school construction bonds passed in 2014 and earlier.

City Manager Rorie Watt said he was “heartened that 100% school bond debt is included,” in a Thursday morning email.

Watt said he was “glad that the Administration is proposing to meet the state’s duty to provide for education.”

#### [Governor unveils budget]

School bond debt is a program that allows municipalities to renovate eligible schools by reimbursing about 70% of the project’s cost if it is approved by a referendum. This type of debt funding was used to renovate Sayéik: Gastineau Community School and Auke Bay and Harborview elementary schools in Juneau.

In 2019, a proposed budget cut millions of dollars from the program. Local officials have been keeping a close eye on developments because of the budget implications to the city and school district if the state fails to pay or reduces its portion, which has been the case the last few years.

“If the legislature funds 100% of SBDR in FY23, that is about \$3,369,000 to us,” said Sam Muse, CBJ’s controller. “If it is funded at 100% again in FY24 and FY25, that is \$1,646,000 and \$1,009,000, respectively.”

Muse said the state’s school debt obligations end after fiscal year 2025.

Carole Triem, chair of CBJ’s finance committee, said she was still digging through the document as of Thursday afternoon. But, she called out the school bond reimbursement level as a potential bright spot.

“I wish we could see the state fulfill its school bond debt reimbursement obligation more than once every four years,” Triem said. “Getting it in an election year is better than nothing, I guess!”

Watt said he also saw good news in the proposal to fund a statewide general obligation bond proposal.

“Glad the state is able to contemplate funding of capital projects,” Watt said. “I’m sure the legislature will have a spirited debate on that topic.”

#### No new long-term revenue

While local officials expressed optimism around the school bonds, the lack of additional long-term revenue sources could cause some concern.

In his proposal, Dunleavy does not call for new revenue. According to the governor’s office, the budget is balanced and does not require new revenue—primarily thanks to an influx of federal funds and rising oil revenues.

Locally, city leaders have been discussing the state’s long-term need for revenue and weighing the revenue options put on the table over the summer during special sessions, including a statewide sales tax or an income tax.

Earlier this year, city officials entertained a resolution to encourage the state to develop a long-term revenue plan but to avoid a statewide sales tax. City assembly members stopped short of passing the resolution last month.

The day before the governor announced his proposed budget, city Assembly members adopted an updated version of the resolution encouraging state leaders to adopt and implement a long-term fiscal plan that “fully funds essential government services” and acknowledges that new broad-based revenues are needed to make that happen.

[Dunleavy announces package of public safety measures]

“I am not surprised that a statewide sales tax was not included,” Watt said. “I assume this is because of the Administration’s oil revenue forecasts. That said, I do believe that the state still needs a long-term fiscal plan that allows it to fund necessary state services.”

According to the resolution the assembly passed, adopting a long-term plan without adding revenue sources “perpetuates Alaska’s over-reliance on oil revenue and makes future budgets highly subject to fluctuation in oil price and production.”

That could shift the burden to provide government services such as education to local municipalities, the resolution reads.

The resolution discourages the state from implementing a statewide sales tax and encourages the adoption of state income tax instead. It also urges using earnings from the permanent fund “responsibly and sustainably to fully fund essential government services.”

When the CBJ Assembly first considered the resolution in November, Watt said that sales tax is traditionally a municipal revenue source and that cities specifically tailor the tax rate to prevent harming local businesses. He said that adding a state layer of taxes could drive up costs for local businesses, force cities to raise property taxes to generate new revenue or cut municipal services.

In Monday’s resolution, city Assembly members formally embraced a state-wide income tax.

“An income tax would tax all income earned in Alaska allowing the state to collect from both resident and non-resident income earners that now benefit from government services without financially contributing toward those services,” the resolution reads.

• Contact reporter Dana Zigmund at [dana.zigmund@juneauempire.com](mailto:dana.zigmund@juneauempire.com) or 907-308-4891.

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# Board and borough reexamine \$30M bond

KDLL | By [Sabine Poux](#)

Published February 2, 2021 at 9:47 PM AKST



Renee Gross/KBBI /

Bonds are back on the table.

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The Kenai Peninsula Borough is again considering a \$29,940,000 bond to fund 19 maintenance projects in the school district, ranging from building a new school in Kachemak Selo to updating decades-old building automation systems.

The Kenai Peninsula Borough School District and borough planned on putting that proposal to a [vote this fall](#), but things were delayed because of COVID-19.

At a Tuesday work session between the borough assembly and school board, Kevin Lyon, director of planning and operations for the district, said the projects can't wait any longer.

"So, a question that comes up is, 'Why so much?' so we want to look at the situation so you can really understand the problem really is three-fold," he said.

First, construction costs continue to inflate. As time goes on, those projects become more expensive. KPBSD is also a big district, with 42 schools. The projects on the table will impact 38 of them.

Facilities are aging. Assistant Superintendent Dave Jones says that makes fast action more necessary.

"We have put ourselves in a position that we can no longer afford to say, 'This is a good time, this is not a good time,'" he said. "When we look at these \$30 million worth of projects that we're trying to bring forth and do, if we do not fix these, we're going to have system failures and that will cost us a lot more than deciding if it's a good time to take these bonds to market or not."

One of the more expensive projects that would be partially financed by the bond, for \$5.39 million, is the new school in Kachemak Selo. The current facilities were meant to be temporary and [have fallen into disrepair](#).

The state already approved a match of \$10 million for the Kachemak Selo project but the borough has to come up with a 35 percent match.

Borough Mayor Charlie Pierce wasn't sold. He thinks the district should spend less on a new building.

"We need to build a building in K-Selo. I believe that. My heart's there, I believe that," he said. "But we need to do it smarter, we need to do it the right way. And the board of education needs to get off their ed specs and lock us into a two-million-barrel-of-oil-a-day budget design plan and deal with where we are today in Alaska."

He said he is writing a letter to Soldotna Sen. Peter Micciche to request that the state free up the \$10 million its promised.

"Give us the \$10 million with no strings attached for educational repair purposes," Pierce said. "We'll go build the building in K-Selo, and then we'll take the balance of the money, the \$10 million, and we'll go build the roof in Homer. How's that."

Superintendent John O'Brien said he doesn't think that would work.

"And I believe if you can get the Legislature to change the statutes as they exist to do what you're asking to do, then kudos to you and we'll work with you on that," he said. "But until that point in time, we certainly do have many, many other projects that need to be advanced."

If approved by the borough assembly, the bond proposal would go before voters in October. The district estimates the cost of the bond in taxes to residents would be about \$27.80 cents per \$100,000 of assessed value of property.

**Tags**

- Local News
- Kenai Peninsula Borough
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**Sabine Poux**

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## NEWS

### Repair costs rise as school facilities deteriorate

About \$420 million worth of maintenance is needed at Kenai Peninsula Borough School District buildings.

By [Ashlyn O'Hara](#) • October 20, 2021 2:30 am

Tags: [Kenai Peninsula Borough School District](#), [Local News](#)



A large tarp hangs in the Homer High School gymnasium to catch water leaking through the roof at the school in Homer, Alaska. (Photo courtesy Doug Waclawski)

The amount of money needed to pay for maintenance projects in the Kenai Peninsula Borough School District is more than three times what it cost to run the district last school year. Excluding the amount of money the district spent on salaries and benefits for staff, it was about 12 times more. The cost of inaction is not insignificant.

#### A multimillion dollar problem

About \$420 million worth of maintenance is needed at Kenai Peninsula Borough School District buildings, but Director of Planning and Operations Kevin Lyon will settle for focusing people's attention on the roughly \$166 million worth of "critical" needs.

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To put that in perspective, the school district's entire operating budget for fiscal year 2022 was about \$134 million, more than \$100 million of which went to paying teacher salaries and benefits.

It's the projects reflected in that \$166 million figure, Lyon said Monday, that he loses sleep over, that causes his phone to ring at all hours of the night and that ultimately forces him to write a much bigger check to get the problem fixed.

A helpful way of quantifying the scale of a maintenance problem at a building is by looking at that building's facility cost index, or FCI. A building's FCI is calculated by dividing the estimated cost to complete deferred maintenance by the estimated replacement value of the building.

The State of Alaska considers a "good" range to be less than .05, a "fair" range to be between .05 and .1, a "poor" range to be between .1 and .3 and a "critical" range to be greater than .3. KPBSD's current FCI for all facilities is .59.

Lyon laid out the FCI for 34 district facilities in a color-coded spreadsheet presented to the KPBSD Board of Education during its Oct. 4 meeting. On the spreadsheet, green represents facilities in the "good" range, yellow represents those in the "fair" range, orange represents those in the "poor" range and red represents those in the "critical range."

Facilities at all but two schools are colored red for "critical," which Lyon told the board is a result of the district not keeping up with annual maintenance requirements.

"This problem started by us kicking the can down the road by not spending enough annually on our facilities," Lyon said.

He said Monday that where the district should be putting between \$6 million and \$7 million into building maintenance annually, it's been putting in about \$1 million. The scope of that discrepancy gets bigger every year as the problems become worse and the cost of fixing them goes up.

Looking ahead, he said it is no longer even his goal to get facilities to the "good" range.

"I don't think we can spend the taxpayer's dollars to keep them perfectly green, but I think we can get them to the yellow," Lyon said. "When we start getting the orange and red, that's not taking care of things the way we should."

The red cells in Lyon's spreadsheet show up in school buildings as empty trash cans used to collect water leaking from the ceiling, a sagging roof that can't support snow and students at the same time and cracks that span the height of the building. As the district begins to put attention toward the issue, Lyon said they need to take a "do no more harm" approach.

"That picture tells us where the hole we've dug ourselves into over the years (is)," Lyon said. "We need to do no more harm, move forward and start digging ourselves out of that hole."

#### Baby steps

But where do you start on \$166 million worth of decades of deferred maintenance?

Lyon said he always starts with the maintenance he knows will be recurring. Five years from now, he said he'd like to see the district no longer moving backwards in terms of accruing more debt and to start chipping away at the hole.

This isn't the first time he's been faced with a similar dilemma. While working for the City of Kenai, he worked to replace city lighting with LED bulbs that saved the city money in the long-run. That money was put toward implementing similar changes in other areas. He thinks that strategy — investing in efficiencies and using the resulting profit to put back into maintenance — could be helpful as the school district starts to tackle its list of projects.

This year, Lyon thinks the school district is starting in a better place than in previous years because the Kenai Peninsula Borough and KPBSD are at least in agreement that the district's deferred maintenance is a pressing problem.

"To solve the problem, you need to acknowledge you have a problem," he said.

New to the process this year is a tour of every district school to make sure the list of maintenance projects Lyon has is as accurate as possible. Of the six school sites visited already, all match Lyon's previous assessment of maintenance needs.

Contributing to the unique challenges of maintaining all of KPBSD's buildings is how spread out those buildings are. For KPBSD's approximate 8,200 students, there are 42 schools. Enrollment in those schools ranges from seven students at Marathon School in Kenai to about 675 students at Soldotna High School, according to a one-day September enrollment count.

The differences between district schools means KPBSD's maintenance strategy must be flexible. Nikiski North Star Elementary and Mountain View Elementary School, for example, are roughly the same size in terms of square footage and student population. Because of how Nikiski North Star is insulated, however, they spend about five times as much on

utilities.

Forty-two schools may seem like a lot for 8,200 students, but Lyon said in most cases it isn't possible to combine schools as a way of reducing the amount of facilities the district has to maintain. Alaska state statute also requires incorporated cities to have their own schools, meaning Kenai Central High School and Soldotna High School couldn't combine despite being less than 10 miles from each other. There are also geographic obstacles that would make it difficult and sometimes dangerous to shuttle kids elsewhere, such as at the head of the bay.

Schools that could be combined, Lyon said, include Nikiski and Kenai, since Nikiski is not an incorporated community. Combining the schools would reduce the financial burden as far as maintenance is concerned, but then the question arises of how far students should be forced to commute in order to get to school.

In Cooper Landing, Lyon said, facilities support about 13 students. It's not realistic for those students to commute to a neighboring community so the district doesn't pay maintenance at that school.

That puts the district back at the beginning of trying to catch up with and stay on top of maintenance at 42 schools.

Finding the funds

But where is the money to fix \$420 million worth of deferred school maintenance going to come from?

Like other agencies in Alaska, the state's financial troubles mean state grants aren't very likely. For one, the state doesn't have as much money as it used to for grant programs, meaning the process for getting that grant money is more competitive than ever.

Lyon said KPBSD is not as competitive as other school districts in the state. For example, in Anchorage, Lyon said, voters have supported bonds in the amount of hundreds of millions of dollars, with that money going directly to fund emergency school maintenance.

When the state comes into money, Lyon said those projects are more likely to be reimbursed because their emergency need was demonstrated by the speed with which Anchorage worked to address them. From the state's perspective, KPBSD's projects aren't that dire if there isn't local money being put into them.

During his presentation before the board of education, Lyon was asked whether money from the district's budget could be used to address maintenance. More than \$100 million of the school district's roughly \$134 million budget went to paying salaries and benefits for district staff during fiscal year 2021, which began on July 1, 2020 and ended on June 30, 2021.

To pull from the other chunk of the district's budget would be to take from the money that goes to educating students, Lyon said. When it comes to educating students and taking care of district facilities, Lyon said the district needs to do both.

That leaves an option popular throughout the state for funding school maintenance that KPBSD has tried before: bonding.

A bond that's "just right"

A previous effort to put out to bond one of the district's biggest projects — the construction of a new school in the remote community of Kachemak Selo — was defeated by peninsula voters. To sweeten the pot the next year, the district added to the bond. The package introduced in 2020 — then again in 2021 after being delayed by the COVID-19 pandemic — lists 19 projects that would impact 38 of the district's 42 schools, including Kachemak Selo.

This year, that bond package was put off again.

This time around, Lyon said the district needs to create a bond package that is "just right" to ensure that people vote for it. He expects it would be more expensive now because of maintenance delayed after the previous bond failed. The longer it takes to get the projects done, the more expensive they become.

Ultimately, Lyon said how the school district maintains its buildings sends an important message to the students that spend a lot of time in them.

"If you tell (students) you care about them and you don't take care of (their facilities), what does that really tell them?" Lyon said. "They can see our actions pretty well."