

Senate Bill 113

Regional Education Attendance Areas



Senate Finance Committee
April 25, 2023

What Does SB113 Do?

Currently, the Department of Education uses the “Regional Educational Attendance Area and Small Municipal School District Fund” for grants to school districts within REAAs, or to small municipal school districts

- “Small” is defined as districts with Average Daily Membership < 300 and full assessed property value per ADM < \$500,000

SB113 Expands the eligible uses of the fund:

1. Construction and major maintenance projects at Mt. Edgecumbe High School
2. Major maintenance on teacher housing in eligible areas that is owned by the district or by the state
3. Also removes the “cap” on the size of the fund, which is currently \$70 million

Background: the REAA Fund (code 1222)

REAA Grant Fund was created in response to Kasayulie v. State (1999)

SB237 (2010) Section 1: LEGISLATIVE FINDINGS. *The legislature finds that*

(1) the Alaska Superior Court, Third Judicial District, in Kasayulie v. State of Alaska, Case No. 3AN-97-3782 (1999), determined that

(A) the method of funding capital projects for school construction and major maintenance does not provide rural schools with adequate or equitable funding opportunities; and

(B) while urban schools are adequately funded through existing mechanisms including bond debt, taxes, and appropriations, a comparable mechanism for funding rural schools does not exist;

(2) the mechanisms that currently exist in statute to provide construction funding to regional educational attendance areas have not resulted in sufficient funding for projects approved for those districts.

Background: the REAA Fund (code 1222)

Annual appropriation to the fund is set by statute (AS 14.11.025(b))

- Take the school bond debt service reimbursement payable per the formula in AS 43.11.100(a);
- divided by the percentage of schools in a city or borough school district that are not in small municipal districts;
- multiplied by 24.4%

In the "Fund Capitalization" section, Sec. 45(i), of the current SCS to the budget:

(i) The sum of \$27,897,000 is appropriated from the general fund to the regional educational attendance area and small municipal school district school fund (AS 14.11.030(a))

This money can be disbursed by DEED without further appropriation

Why is this change needed?

- Mt. Edgecumbe, located in Sitka, is a boarding school owned and operated by the Department of Education, but it is not legally a school “district”
 - They do not have bond debt, and do not have an established process to apply to be on the “major maintenance” list
 - When the school has needed a capital project, they’ve typically worked directly through the governor’s office and applied to the state through the capital budget process
- In many parts of rural Alaska, teacher housing is an essential component of the school system.
 - Much of it is older and in need of capital improvement, but currently these costs are not eligible for the primary state funding mechanism, the REAA fund

Fiscal Impact?

DEED is requesting \$278,600 for two new staff to implement the bill

- One of these people would be tasked with figuring out Mt. Edgecumbe's needs and applying for grants.
 - The person doing the applications has to be separate from the existing DEED staff that review and score the applications, so as to avoid conflicts of interest
- The other person would have expertise in housing, to better judge the teacher housing applications

Sectional Analysis

- Sec. 1.** Amends language in AS 14.11.025(a) that authorizes the Department of Education and Early Development to make grants from the REAA fund to REAA districts and small municipal school districts.
- 1) Adds Mt. Edgecumbe to the eligibility list for school construction and major maintenance grants.
 - 2) Adds eligibility for major maintenance projects for teacher housing in eligible areas that is owned by the district or by the state
- Sec. 2:** Amends language in AS 14.11.030(a) that adds Mt. Edgecumbe High School and major maintenance for teacher housing to the description of the purpose of the REAA fund.
- Sec. 3:** Deletes language in AS 14.11.030(b) that the unobligated and unexpended cash balance of the fund may not exceed \$70,000,000.

THANK YOU



Feel Free to Call or Email with Any Questions

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