

HOUSE FINANCE COMMITTEE
March 17, 2023
1:32 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Bryce Edgmon, Co-Chair

ALSO PRESENT

Heidi Teshner, Acting Commissioner, Department of Education and Early Development; Joe Willhoite, Facilities Manager, Department of Education and Early Development; Elwin Blackwell, School Finance Manager, Department of Education and Early Development; Lori Weed, School Finance Specialist, Department of Education and Early Development.

SUMMARY

PRESENTATION: SCHOOL BOND DEBT REIMBURSEMENT AND REGIONAL EDUCATIONAL ATTENDANCE AREA

Co-Chair Johnson reviewed the meeting agenda.

^PRESENTATION: SCHOOL BOND DEBT REIMBURSEMENT AND REGIONAL EDUCATIONAL ATTENDANCE AREA

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HEIDI TESHNER, ACTING COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced the PowerPoint presentation "State-Aid for School Capital Projects: Grant and Debt," dated March 17, 2023 (copy on file). She began on slide 2 and briefly detailed the mission of Department of Education and Early Development (DEED). She quickly advanced to slide 3 and summarized the department's five main priorities for education in Alaska, referred to as Alaska's Education Challenge. She explained that the majority of the work done by the department was rooted in one or more of the five priorities. The presentation would focus specifically on priority five, which was to improve the safety and well-being of students through school partnerships with families, communities, and tribes.

Co-Chair Johnson asked Ms. Teshner to slow down.

Ms. Teshner continued on slide 3 and reiterated that the priorities guided the work done by the department. She advanced to slide 4 which was a historic look at the capital funding for schools. The funding types included federal funding, state funding mechanisms for bonds, grants, and debt reimbursement, and the Local Education Agency (LEA). She stated added that LEA sourced funding through capital reserves to help fund deferred maintenance needs on school facilities. She turned the presentation over to her colleague.

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JOE WILLHOITE, FACILITIES MANAGER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, continued the presentation on slide 5. He explained that the annual report, referred to as SB 237 (copy on file), detailing school construction and major maintenance funding was released in February of each year. The report from February of 2023 revealed \$1.5 billion in funding, which included the total project value for debt projects and state grant projects.

Mr. Willhoite advanced to slide 6. The current funding options were as follows: the School Construction Grant Fund (SCGF), the Major Maintenance Grant Fund (MMGF), the Regional Education Attendance Area (REAA), the Small Municipal School District Fund (SMSDF), and school debt

reimbursement (DR) funding. The first three options fell under his purview.

Co-Chair Johnson asked if Mr. Willhoite could explain the terms in more detail, particularly REAA.

Mr. Willhoite responded that REAA applied to all school districts in unorganized boroughs that were not able to fund projects through the municipal government. For example, unorganized boroughs were not able to use bonding as a funding strategy. The only means through which unorganized boroughs could receive funding was REAA.

Co-Chair Johnson commented that she had heard that unorganized boroughs were governed directly by the state legislature. She asked if Mr. Willhoite could explain the relationship between unorganized boroughs, REAA, and the legislature.

Mr. Willhoite deferred the question to his colleague.

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ELWIN BLACKWELL, SCHOOL FINANCE MANAGER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, responded that prior to 1975, the unorganized areas of the state were all considered to be under one unorganized borough. The legislature had authority over the unorganized borough and it was referred to as a state operated school system. The school system was considered to be one large school and was administered as such. In 1975, a bill was passed that authorized DEED and the Department of Commerce, Community, and Economic Development (DCCED) to coordinate the division of the unorganized borough into smaller regional areas. The regulations behind the change were found in AS 14.08. There were two more REAAs that were formed after 1985 that combined five smaller communities: three communities formed one REAA, one community formed another REAA, and the final community decided to join an existing REAA.

Co-Chair Johnson asked if there was one school board for multiple REAAs.

Mr. Blackwell responded that the REAAs had their own school boards and members were elected to the boards every few years. Every ten years, after the release of new census data, the department was responsible for working with DCCED

to do any necessary reapportioning of REAA school board seats.

Co-Chair Johnson explained that she asked the question in order to highlight the topic.

Representative Hannan asked if the data that the department was providing in the presentation and the information in SB 237 was based on projects that had already been funded. She assumed that the report was based on a particular fiscal window but that it did not include any major maintenance projects.

Ms. Teshner responded that the SB 237 report (copy on file) encompassed what was included on a district's capital improvement plan (CIP) and not all of the projects were not funded by the legislature. It encompassed what had already been funded in addition to the requests that had been made ever since the development of the report. For instance, the table on page 6 of the SB 237 report showed that for FY 11, the total eligible state share across 35 projects was \$411 million.

Representative Hannan thought there was a printing error as she did not have the relevant page of the report.

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RECONVENED

Co-Chair Johnson commented that the committee would return to the question when it received the corrected version of the report.

Mr. Willhoite reviewed slide 6 and quickly advanced to slide 7. The slide listed some measures used by the department to determine the CIP eligibility and showed how school construction and major maintenance project fit within each eligibility category. He explained that school construction referred to projects that would be adding square footage and major maintenance referred to projects that renovated or repaired an existing structure. He emphasized that major maintenance was not preventative maintenance.

Co-Chair Johnson commented that the corrected version of the report was now available and asked Ms. Teshner to respond to Representative Hannan's earlier question.

Ms. Teshner noted that table 4 on page 6 of the report displayed 35 construction projects in 2011 for a total of \$411 million. Three of the projects were funded for a total of \$128.5 million. The table showed both the funding request and the actual appropriation approved by the legislature.

Representative Hannan asked for more information on the total number of projects listed for each school district on table 3 on page 5. She asked if the number of projects was a cumulative figure.

Ms. Teshner responded that it was a cumulative report. It showed the latest data on how many projects had been funded from 2011 through 2023. The report illustrated the number of projects requested by each district and how much funding each district actually received.

Representative Ortiz asked whether all of the projects [in table 3] fell under the category of major maintenance.

Ms. Teshner responded in the affirmative.

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Representative Hannan asked for confirmation that the Alaska Gateway district had only ever asked for funding for one project and had received zero dollars in funding.

Ms. Teshner responded that not all districts applied to be on the CIP list. The table only included districts that had actually applied to be on the list and received funding. She explained that Alaska Gateway had one major maintenance project that was funded, but there was an endnote that she would find to offer more information.

Representative Hannan commented that the \$0 figure was throwing her off.

Ms. Teshner responded that according to the endnote the funding was showing as \$0 because the funding was reappropriated.

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Mr. Blackwell moved to slide 8, which was a matrix that showed the way in which the funding applied to the different project types and different entity types. He noted that the CIP applications fell under the first two columns: REAA fund and school construction/major maintenance fund.

Mr. Blackwell continued on slide 9 and detailed the CIP eligibility. He explained that the requirements were intended to act as filters to ensure that districts had the appropriate documentation prior to filling out a CIP application. The requirements were as follows: a six-year capital improvement plan, a functioning fixed asset inventory system (FAIS), proof of required property insurance, a certified preventive maintenance and facility management program, identified capital projects, and participating shares. If a school or district was not performing well, it could be placed on a provisional list which would still allow it to present its CIP application in the hope that it would be able to come off the provisional list.

Mr. Blackwell advanced to slide 10 and detailed grant participation and eligibility. The CIP application was due annually on September 1 and the application materials were posted on the department's website. The department would review the applications after it had filtered the applications through the requirements on slide 9. The department would then craft a project ranking, which was in accordance with criteria in AS 14.11 and 4 AAC [Alaska Admin Code] 31. The projects were eventually passed along to the legislature for approval. The initial CIP priority lists were released annually on November 5 and final lists were released after appeals for reconsideration were finalized. There were nine different divisions in the CIP ranking and 54 different questions in the application process. The list would be reviewed by three separate rankers and then consolidated.

2:02:04 PM

Representative Galvin asked to return to slide 9. She understood that for a project to be eligible for the CIP list, it would need to have a certified preventative

maintenance and facility management program. She asked how the program would look for the REAA districts.

Mr. Blackwell responded that it was incumbent upon each district to provide funds for maintenance. The smaller districts usually also had smaller schools; therefore, the costs were smaller as well. Schools would have to document their maintenance plans, procedures, and the previous projects that had been completed.

Representative Ortiz asked if the major maintenance grant fund would be discussed during the presentation.

Ms. Teshner responded that she would address it later in the presentation.

Representative Coulombe asked for the definition of "BRGR."

Ms. Teshner responded that BRGR was the bond reimbursement grant review.

Representative Coulombe asked if the nine divisions within the CIP helped the department prioritize the projects.

Mr. Blackwell responded that prioritization was part of the standard format for the CIP application. The divisions acted as filters to ensure that a project was eligible. Every applicant had to adhere to the same format and application process which allowed for the most objective process possible.

Representative Coulombe asked for an explanation of the process of an appeal for reconsideration.

Mr. Blackwell responded that the reconsideration hearings were a formal way for the districts to contest a score or request that an element of the application be reconsidered. There were usually some requests for reconsideration every year. The department tried to be as fair as it could in regard to each application and reconsiderations. If a compromise could not be reached, a district could still enter into the appeals process, which was primarily handled by attorneys. The situation was rare because the process was considered to be fair.

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Representative Cronk asked how much it would cost each district to go through the CIP application process. He understood that it was quite costly.

Mr. Blackwell responded that there was no application fee. There were some requirements such as schematic construction drawings and cost estimates would require the districts to supply a certain amount of money; however, he was confident that the districts would have to pay for these items even if they were not applying for CIP but were developing the projects on their own. The department simply required the plans upfront which could make it appear more costly.

Mr. Blackwell moved to slide 11 and detailed grant participation and eligibility from FY 14 through FY 24. It showed the total CIP grant applications broken down by major maintenance, school construction, and ineligible projects. The vast majority of applications were for major maintenance projects.

Mr. Blackwell advanced to slide 12 which described the grant awards from FY 14 through FY 23.

Representative Galvin asked why an application might be considered ineligible, as seen on slide 11.

Ms. Teshner responded that of the four projects that were deemed ineligible in FY 24, the associated district had submitted an application but the application was not identified within the district's six-year plan. Another example might be that a district did not follow the proper procurement requirements for construction projects.

Representative Galvin understood that there was no common theme related to ineligible projects.

Ms. Teshner responded in the affirmative.

Mr. Blackwell continued on slide 13 and detailed the total eligible grant projects and actual grant funding by fiscal year. It showed the number of projects that were put forward and the number of projects that were actually funded as well as the amount funded.

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Representative Ortiz noted that there were 21 major maintenance projects funded in FY 23 [totaling \$47 million]. He thought that the legislature appropriated funds for the entire list of requested projects but the governor had vetoed some of the projects. He asked if his understanding was correct.

Ms. Teshner responded that the legislature did not fund the full list. She moved to slide 14 to continue responding to the question. The appropriated amount for FY 22 plus the supplementals was \$101 million inclusive of additional supplemental money and major maintenance money. The additional funds were intended for the REAA fund and helped fund the \$47 million in FY 23.

Representative Ortiz asked for confirmation that the full list of requested projects was not appropriated for FY 23.

Ms. Teshner responded that the final appropriation in the final budget did not fund the entire list of projects.

Mr. Willhoite advanced to slide 14 which showed the appropriation amount into the REAA and small municipal school district fund for each year since 2013. He moved to slide 15 which detailed the allocations amounts by project from the REAA and small municipal school district fund since FY 14.

Mr. Willhoite advanced to slide 16. He clarified that when projects were divided between school construction and major maintenance, the first determination was deciding whether it was a disaster or emergency project. If it was an emergency, the project was still considered too important to be considered in the CIP ranking or application review process due to the urgent nature of the project.

Representative Josephson noted that he taught in an REAA high school until 1994 and in 1995, a fire destroyed the high school. He asked if the project to fix the school would have moved to the top of the list as it would have been an emergency or disaster project.

Mr. Willhoite responded in the affirmative.

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Mr. Blackwell added that in the scenario mentioned by Representative Josephson, the school would have had to have had replacement cost insurance which would have covered the cost of the structure. He could only imagine the project ending up on the CIP prioritization list if there was a significant shortfall in funding in the insurance proceeds. He understood that insurance had covered the cost of reconstruction when schools burned down in rural Alaska.

Mr. Willhoite added that was the reason for the filter for eligibility related to insurance.

Representative Cronk commented that he had experience where he had to tear down a building and rebuild it using reusable pieces of the old building. He thought reusing the old pieces cost twice as much as it would have to simply build a new building. He asked if engineering contractors had a responsibility to ensure the safety and efficiency of a building.

Mr. Willhoite responded that there should be a value analysis on whether a project was viable. He would have to return to the committee with a complete answer. He was not sure if he should speak to liability and responsibility on the record but would be happy to speak to Representative Cronk privately.

Co-Chair Johnson suggested going through the debt reimbursement portion of the presentation before taking more questions.

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Mr. Blackwell continued the presentation on slide 16 which detailed the establishment of the debt reimbursement program, established in AS 14.11.100. The CIP debt application could be received at any time during which the debt reimbursement program was open. He explained that the debt application was the same as the standard CIP application and there was no priority list associated with debt because it could be approved at any time. Any municipality that had bonding authority could participate in the debt reimbursement program. To be eligible, districts must have developed 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.

Mr. Blackwell advanced to slide 17 which displayed a breakdown of the debt reimbursement trends over time. When the program began in 1971, it was reimbursing projects at 100 percent. In 2015, SB 64 implemented a moratorium and HB 106 in 2020 extended the moratorium through FY 25. When the moratorium ended, the reimbursement rates would be at 50 percent if a district qualified for major maintenance and 40 percent if it did not.

Mr. Blackwell moved quickly through slide 18 which offered project values by percent reimbursement. He continued on slide 19 and the state share of outstanding debt projected from FY 24 to FY 42. The yellow bar on the chart represented the principal and the blue represented the outstanding interest. The line running through the chart showed the state's portion of the reimbursement.

Mr. Blackwell advanced to slide 20 which detailed debt reimbursement trends from 1976 through projections for FY 24. The information was also available in Handout 3 and Handout 4 (copies on file). There had been many years where the debt reimbursement program was fully funded and a few years during which the program was underfunded. He noted that FY 17, FY 21, and FY 22 were all underfunded; however, due to the appropriation in 2022, the municipalities were reimbursed up to 100 percent of what they were intended to have received in the underfunded years. The department anticipated full reimbursement for FY 23 and FY 24, but the numbers were currently still projections.

Mr. Blackwell advanced to slide 21 which gave an overview of the two types of bonds within the debt proceeds and refunding process. The first type was initial bonds, which were bonds that were sold and the spending had been approved by voters. If the municipality decided to include other types of projects into the bond issuance, the school portion of the bond would be isolated and the bond would be prorated with a different reimbursement rate. The second type was refunding bonds. There were instances after the initial bond issue wherein the municipality could reissue a new bond and save on the initial interest rate. In order to be eligible, there must have been an annual savings between the refunding and the initial bond.

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Representative Galvin asked about federal American Rescue Plan Act (ARPA) money. She understood that the funds could be used for construction work but wondered if any of the funds were used for major maintenance and health and safety purposes.

Ms. Teshner responded that there were some districts that used ARPA funds for construction and major maintenance projects. She did not have the data with her but could provide it at a later date.

Representative Galvin asked if any funds were used to backfill some of the work that had been completed previously in 2019 and 2020.

Ms. Teshner responded that the federal funds were not used to backfill previous projects because the funds were intended to address needs that came about due to the COVID-19 pandemic.

Representative Hannan understood that the school bond debt reimbursement share was 50 percent; however, her understanding did not match the information on the chart on slide 17. Due to the moratorium, there was a gap in debt reimbursement from FY 25 through present day. She asked if the school bond debt reimbursement share in FY 19 through FY 22 was 70 percent or 50 percent.

Mr. Blackwell responded that if the bonds were approved by the voters before the moratorium and were then issued, then the bonds as sold would be reimbursed at either 70 percent or 60 percent. The reimbursement percentage would remain the same until the bond was paid off. The program was currently closed and no new projects could be approved. Once the program opened again the new reimbursement rates would be applicable.

Representative Hannan commented that it had always been described to her that the share was 50 percent. She noted that she might have been confused.

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Representative Stapp asked about the catastrophic loss of the school in Kaktovik due to a fire in 2020. He thought the insurance claim was about \$20 million, which was not

close to the replacement value of the school. He asked if Mr. Blackwell could speak to the situation.

Co-Chair Johnson suggested that the committee finish the presentation before addressing Representative Stapp's question.

Ms. Teshner continued on slide 22. She highlighted that all REAAs had a 2 percent participating share and small municipalities were categorized between 10 and 20 percent. Under school construction and major maintenance grant funds, the participating share ranged from 2 percent to 35 percent.

Ms. Teshner moved to slide 23 which included links to other resources and DEED's website. She concluded the presentation.

Co-Chair Johnson suggested Representative Stapp ask his earlier question again.

Representative Stapp offered to ask his question again if necessary.

Mr. Willhoite responded that one of the requirements for a project to be eligible for the CIP process was insurance. Although it was required, the district's insurance policy was not necessarily scrutinized by the DEED. He thought it was the responsibility of the district to be educated on its own insurance policy. The districts would not always insure the entire value of the school.

Representative Stapp commented that he normally would agree that DEED should not get involved; however, he thought it was in the best interest of the state to guarantee that the school districts were fully insured.

Ms. Teshner agreed and suggested that the department make the change.

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Representative Coulombe read from slide 16: 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. She thought that the requirements would be

cumbersome for some of the rural districts. She asked if DEED helped smaller districts in the preparation process.

Ms. Teshner responded that slide 16 was focused only on the debt program. She explained that REAAs did not have bonding authority and did not qualify for the debt program. The smaller districts could utilize the Southeast Regional Research Center (SERRC) with their applications. The facilities manager would travel to rural areas and help districts in person.

Representative Coulombe commented that Mr. Blackwell had used the term "underfunded" when explaining debt reimbursement trends on slide 20. She asked for a definition of the term.

Mr. Blackwell responded that underfunded meant that funding was lower than 100 percent. If the department had put forth a budget request for \$100 million and the appropriation was only \$90 million, some programs would need to be prorated.

Representative Ortiz asked if all of the funding came through the capital budget.

Ms. Teshner responded that school construction, major maintenance, and the REAA fund were all considered CIPs. The debt program was funded through the operating fund and the REAA fund was capitalized through the operating fund.

Representative Ortiz asked what the current proposed funding level was for the major maintenance grant fund.

Ms. Teshner replied that it was about \$32 million. However, there was no direct appropriation for major maintenance or school construction in the governor's FY 24 budget because the funding came through the REAA fund.

Representative Ortiz asked if the major maintenance grant fund list [handout 6, copy on file] included both REAAs and rural school districts.

Ms. Teshner responded in the affirmative.

Representative Ortiz understood that REAA school projects were the only projects addressed by the current budget and all other projects would continue to need funding.

Ms. Teshner replied that any projects that were not funded by the final budget would continue to be considered outstanding needs. Districts would need to reapply for funding in the following years. The proposed transfer into the REAA fund for FY 24 was about \$28 million and the transfer was about \$32 million in FY 23.

Representative Cronk referred to Representative Stapp's earlier question and asked for an update on the school in Kaktovik. He wondered how much money had been supplied to the school.

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LORI WEED, SCHOOL FINANCE SPECIALIST, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, replied that the Kaktovik school had been receiving insurance proceeds but she had not inquired as to the exact amount. The proceeds had been utilized to provide temporary school facilities and the design process for new facilities had begun.

Co-Chair Johnson understood that the school had used the monies from insurance to rebuild classrooms to act as a temporary facility. She wondered if the school should have received grant funding. She asked what Ms. Weed would suggest the school do to explore more funding options.

Ms. Weed responded that she would hope that the insured value would provide the school with enough funds to fully rebuild the facilities. The department would have to evaluate the situation further if the school applied for the grant funding program to determine if it would qualify for supplemental funding that would not have otherwise been covered by insurance. She commented that the department was "two steps removed" from the insurance negotiation process as Kaktovik was a borough and not an REAA with a state-owned facility.

Co-Chair Johnson suggested that it would be costly to rebuild older facilities that were out of date.

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Representative Josephson asked about the major maintenance project at Service High School. He noted that school reported that it had health and safety improvement needs and was seeking \$4.6 million to cover the costs. He asked

if the report meant that the department had reviewed the application and approved the funding.

Mr. Willhoite responded in the affirmative.

Representative Josephson commented that the legislature funded just over \$100 million in the capital budget in 2022 and the governor approved around \$30 or \$40 million of the funding. He asked whether any urban schools in the current capital budget were being given major maintenance grant funding.

Ms. Weed responded that it was correct that there was no major maintenance funding identified in the current capital budget.

Representative Josephson commented that slide 22 indicated that the participating share for REAAs was 2 percent. He asked from where the 2 percent share originated.

Ms. Weed responded that the department approved a recommended project value. The 2 percent figure represented 2 percent of the approved project value and the state share was the remaining 98 percent.

Representative Josephson asked if citizens who lived in the project area needed to contribute 2 percent of the cost.

Ms. Weed responded that the funds came from the capital reserves of a school district and the costs were primarily funded through the foundation formula.

Representative Stapp asked if the intent was to bond school facilities with a larger square footage and fewer students.

Mr. Blackwell responded that if a municipality was willing to accept a lower participation from the state, it would be able to build a school facility that was larger than necessary for the number of students. If a school wished to add square footage to the facility but was not qualified for the additional space as there were no unhoused students, the debt reimbursement program would allow the school to participate but it would participate at a lower reimbursement level. He clarified that there could be an incentive for a district to build larger school facilities if it was willing to accept a lower reimbursement level from the state.

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Representative Galvin commented that there were a few projects of concern listed in handout 6. She wanted to ensure that the projects were providing health and safety measures and meeting the mission of DEED. She understood that the legislature had an obligation to establish and maintain a system of public schools that were open to all children of the state. There was still significant work to be done to ensure that all schools in the state were being properly maintained and many of the facilities needed significant repairs. She appreciated the extended presentation on the topic.

Representative Hannan wondered if \$80 million was hypothetically allocated to major maintenance, would it fund projects 1 through 41 on handout 6.

Mr. Blackwell nodded in agreement.

Representative Hannan noted that that she had recently seen that several schools had burned down in the state. She asked how many schools were considered emergency projects and needed to be replaced entirely.

Mr. Willhoite confirmed that there had been several facilities that had burned down. There were at least two that burned down within the last six months, two that were subsiding due to beach erosion, and several others that were close to being no longer habitable. He agreed that many of the schools were in danger.

Representative Hannan wanted to separate the facilities that might already be on the maintenance list. There were some that had burned, one that collapsed. She thought that if a school was gone, it was more of a serious emergency than schools that were nearly inhabitable. She asked how many schools were in an emergency crisis that were lost to fire, flood, or collapse.

Mr. Willhoite would provide a list to the committee.

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Representative Cronk asked if anyone in the department had proposed to build "pre-engineer schools" that all had the

same boiler system, sewer system, HVAC system, electrical system, and so on. He asked if the state would save money on maintenance if the facilities were identical.

Mr. Willhoite responded that prototype schools worked for certain repeatable facilities, such as fast food chains that could be built simultaneously. However, school facilities would not break down at the same time and the prototype model would not lend itself to inconsistent needs. A prototype that worked in two years' time might not work in four years. Although it was a good idea, it would not work for a slow replacement model.

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Mr. Blackwell interjected that the department produced a study several years ago about prototypical schools and systems. In more homogenous states, prototypical schools worked fairly well; however, Alaska had such a diverse building environment and each environmental area had different needs. The building techniques and foundation systems across the state were vastly different and hundreds of designs would likely be needed. One of the other issues was that as soon as a particular system was mandated, it would become out of date. He recognized that there were complex systems in the state that were difficult to maintain in a sustainable manner, particularly in rural areas. He thought each district would need to have discussions with design professionals about its particular needs.

Mr. Willhoite commented that the department encouraged districts to have standardization within their systems as the state could not provide one uniform system that would work statewide.

Representative Cronk thought that there were some areas of the state that were geographically the same. He asked if the department had considered looking into new technologies regarding flat or semi-flat roofs. He thought it could save the state millions of dollars as roofs often needed to be replaced.

Mr. Willhoite responded that over his thirty-year career, he had not found a single system that was flawless and all buildings were perishable. It was not possible to take a building out of the elements. It was up to the school

system based on the recommendations of consultants, architects, and engineers to provide the most suitable roof system for the particular area. A roof was a perishable item and at some point, it would need to be replaced. The same roof system would not necessarily work in all areas of the state.

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Representative Cronk asked if the state had identified roofs that were close to needing to be replaced and tried some new strategies to repair the roofs.

Mr. Willhoite responded that the most robust roofing system that he had encountered was called an EPDM [ethylene propylene diene terpolymer] product roof. It was a rubberized product that had no seams and was secured to the roof. There were no systems to his knowledge that exceeded the capabilities of EPDM product roofs and most projects in the state used the system.

Representative Cronk thought that the problem was that some schools did not receive enough funding due to the Base Student Allocation (BSA) and the schools were still costly to maintain. He thought it was problematic if a school were to build a larger than necessary facility and request money from the state to maintain the facility.

Mr. Blackwell responded that it would cost more money to maintain a large building and the funds would come from a school's foundation funding.

Co-Chair Johnson referred to slide 17 and the mention of SB 64 [implementing the moratorium on additional debt reimbursement through FY 20] on the slide. She also noted that HB 106 extended the moratorium on additional debt reimbursement through FY 25. She wondered if school districts had been harmed by the moratorium. She asked what impact an additional moratorium would have if it were to be implemented after FY 25.

Mr. Blackwell responded that if the moratorium were to be extended, there were municipalities that would be permitted to issue bonds for school construction projects. He noted that Anchorage was already using bonds for school construction projects. For smaller municipalities, the capital needs would be shifted to the construction or major

maintenance list and would receive funds from the capital grant system.

Co-Chair Johnson commented that 10 years was a long period of time for there to be a moratorium in place.

Mr. Willhoite added that the debt reimbursement was also tied to the REAA fund. The longer the moratorium lasted, the less money the REAA fund would have in reserve.

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Representative Tomaszewski drew attention to slide 2. He noted that Alaska ranked number 49 out of the 50 states in regard to reading and mathematics. He asked if DEED had considered examining the reasons behind the challenges in academic outcomes and whether it had strategized ways to improve the system. He recognized that it was a large question and might warrant a separate presentation.

Ms. Teshner responded that the state's ranking was not acceptable. She agreed that systematic changes were necessary and that the Reads Act was one of the needed changes. The department was also in the process of developing a strategic plan to address shortfalls in mathematics. There was a district that wished to remain anonymous that went to an academic symposium in the prior year and purchased a new curriculum. By implementing the curriculum, the district was able to increase its test scores over the course of one year at a rate higher than the scores had increased over the course of ten years. She thought it was imperative for districts to stick to a program and implement it effectively in order to improve academic achievement. The process would take time and would take considerable conversations with each and every district.

Representative Coulombe noted that there was an approved project on the CIP list [handout 6] in Anchorage for fire sprinklers for Abbott Loop Elementary School. She thought that the school was intended to close down and assumed that the project was requested prior to the decision to close the school. She asked what follow ups were required when a project was approved and if the district needed to prove that it had used the money for the approved project. She wondered what would have happened if the fire sprinkler

project had been approved and gone unnoticed and the Anchorage School District still received the money.

Mr. Willhoite responded that there were a few things about the fire sprinkler project that made it unusual. For example, the timing of the project request occurred prior to the closing of the school. Additionally, the school raised the money itself as it was a debt-related project. He offered reassurance that the department was aware of the situation. The state would not fund the project, but he was unsure what the district would do with the bond funds but he thought the funds would return to the general construction fund.

Ms. Teshner added that every project included a project agreement which was signed by both the district and the department. The department would then reimburse the district when it met particular milestones and was constantly working with the district throughout the life of the appropriation to ensure the funds were going towards the intended project.

Representative Coulombe understood that the funds could still technically be used for a different project.

Ms. Teshner responded that the districts provided an annual report that showed that the funds were spent on a particular project.

Mr. Willhoite responded to Representative Galvin's earlier comment regarding the upkeep of the CIP list. He indicated that if a certain percentage of projects were not addressed, the department would not stay ahead of the preventative maintenance curve. He noted that many projects became emergency needs because the projects were neglected.

[3:21:45 PM](#)

Co-Chair Johnson reviewed the agenda for the following meeting.

Representative Ortiz asked Co-Chair Johnson when the committee would hear an update on the spring revenue forecast.

Co-Chair Johnson responded that an update was not yet scheduled.

Co-Chair Foster noted that the Senate was scheduled to hear the forecast in the near future and the committee would receive an update shortly. He understood that it was currently pending and would be scheduled soon.

Co-Chair Johnson saw that an update was scheduled for the meeting on March 22, 2023.

Representative Ortiz appreciated the information.

#

ADJOURNMENT

[3:24:01 PM](#)

The meeting was adjourned at 3:24 p.m.