

HOUSE FINANCE COMMITTEE

April 23, 2024

1:34 p.m.

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CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, 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 Neal Foster, Co-Chair

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division;
Michael Partlow, Fiscal Analyst, Legislative Finance Division;
Lori Weed, School Finance Manager, Department of Education and Early Development;
Laurel Shoop, Legislative Liaison, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Lisa Parady, Executive Director, Alaska Council of School Administrators, Juneau; Terri Walker, Northwest Arctic Borough School District, Kotzebue; Cynna Gubatayao, Ketchikan Gateway Borough, Ketchikan; Andrew Ratliff, Chief Financial Officer, Anchorage School District, Anchorage; Kim Sweet, Director of Operations, Lower Kuskokwim School District, Bethel; Scott Ballard, Superintendent, Yupiit School District, Akiachak; Jamie Burgess, Superintendent, Nome Public Schools, Nome; Tammy Dodd, Superintendent,

Bering Strait School District, Anchorage; Gary Eckenweiler, Director of Facilities and Maintenance, Bering Strait School District, Anchorage; Madeline Aguillard, Superintendent, Kuspuk School District, Aniak; Clayton Holland, Superintendent, Kenai Peninsula Borough School District, Soldotna; Andy Degraw, Chief Operations Officer, Fairbanks North Star Borough School District, Fairbanks.

SUMMARY

CSSB 187(FIN) am
APPROP: CAP; REAPPROP

CSSB 187(FIN) am was HEARD and HELD in committee for further consideration.

PRESENTATION: HISTORICAL CAPITAL BUDGET INFORMATION

PRESENTATION: FY 25 CAPITAL IMPROVEMENT PROJECTS SCHOOL MAJOR MAINTENANCE GRANT FUND AND SCHOOL CONSTRUCTION GRANT FUND

Co-Chair Edgmon reviewed the meeting agenda.

#sb187

CS FOR SENATE BILL NO. 187(FIN) am

"An Act making appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making reappropriations; making appropriations to capitalize funds; amending appropriations; and providing for an effective date."

^PRESENTATION: HISTORICAL CAPITAL BUDGET INFORMATION

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ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, introduced himself.

MICHAEL PARTLOW, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, introduced himself.

Mr. Painter introduced the PowerPoint presentation "Alaska's Historical Capital Budget Spending" dated April 23, 2024 (copy on file). He briefly offered an overview of the presentation on slide 2. He continued to slide 3 and

detailed the unrestricted general fund (UGF) capital budget and oil prices. The slide depicted a graph that compared the UGF capital budget by year by oil price and there was a relationship between the two. The capital budget amounts often changed according to available revenue. During years with significantly higher oil prices nearing \$100 per barrel, the capital budgets often reached over \$1 billion and sometimes over \$2 billion. When the oil prices were depressed, the capital budget dropped to \$100 million.

Mr. Painter continued to slide 4 which depicted the FY 05 to FY 24 UGF and UGF-supported capital budgets. One of the tools that had been utilized in the past for the capital budget was bonding. The state constitution limited the total amount that could be utilized for bonding for the operating budget, but a general obligation (GO) bond could be approved by voters for capital projects. There had been several GO bonds approved in the past, but a GO bond had not been posed to the voters since FY 15. The slide also showed the UGF that was used for a match and UGF that was not used for a match.

Mr. Painter advanced to slide 5 and explained that from FY 05 to FY 15, the capital budgets averaged just over \$900 million of UGF and about \$2.3 billion total. If GO bonding was included, the average would be about \$1.1 billion UGF per year. The peak year was FY 13 with over \$2 billion of UGF and about \$500 million of bonding. In total, the FY 13 capital budget was about \$2.5 billion. There was depressed revenue in FY 16 through 21 and capital budgets averaged \$123 million in UGF and about \$1.5 billion in total. The state could reappropriate lapsing balances of past projects from peak spending years to new projects, which helped keep spending afloat. As old projects were closed out, the balances had dried up. There was currently much less funding available for reappropriation than there was after large capital budgets. From FY 22 through 24, capital budgets increased as there had been slightly higher oil prices. Capital budgets averaged \$531 million per year over the last few years.

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Mr. Painter returned briefly to slide 4 to point out that there had been three eras of the capital budget over the last 20 years. There was the era of relatively large budgets through FY 15, the era of depressed budgets from FY

16 to FY 21, and the era of mid-size budgets in the last three years. He suggested that FY 25 was likely to be in the mid-sized range.

Representative Galvin understood that the price of oil mattered, but there were elements at play as well. She asked if there were nuanced oil and gas tax regimes involved. She thought the way oil and gas were taxed would also be relevant. The overall revenue from oil seemed to be more relevant than the price of oil.

Mr. Painter responded that slide 3 incorporated three distinct tax regimes, but the big driver of the change in revenue was price. The years in which tax regimes had changed coincided with years in which prices had changed significantly. In the low revenue years, the impact of the tax regime change was minimal. At current prices, UGF would be about \$300 million based on the fall forecast.

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Representative Hannan relayed that earlier in the week, she had a conversation with someone about \$42 million that had been put aside for the Juneau Access Project. The money had been sitting allocated to the project for eight to ten years. She asked if the money could be reappropriated to something else. She wondered how long the money would sit untouched before it could be appropriated or whether it was not in the control of the legislature.

Mr. Painter responded that he would address the question on a later slide in the presentation.

Representative Ortiz referred to slide 3. He asked if there was any connection between larger capital UGF spend and greater advantages to the spend through federal dollars and match dollars. He wondered if federal dollars were sometimes more available even if there was less UGF incorporated into the budget. He asked if it was relevant to say that the more UGF in the budget, the easier it is to leverage federal monies for capital expenditures.

Mr. Painter replied that the question was an appropriate segue into the next few slides about UGF match.

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Mr. Painter continued on slide 6. From FY 06 to FY 15, an average of about 8 percent of the UGF capital budget was used to match federal funds. The state also occasionally met the match through bonding. In FY 05, the matching requirement was met almost completely through bonding. From FY 16 through FY 21, match made up 44.5 percent of the capital budget. The amount that was spent on match during the time period did not vary significantly; the budgets were simply smaller. From FY 22 to FY 23, the spend began to decrease as the budgets became mid-sized. In FY 24 and FY 25, there was more capital money and federal capital money available. The FY 24 and FY 25 capital budgets were larger and about half the budget was once again being used for match because of the influx of federal funds.

Mr. Painter added that the state was not receiving more federal funds than it was 10 years ago if inflation was considered. The funding from the Infrastructure Investment and Jobs Act (IIJA) appeared as a spike, but it made up for over 20 percent of the inflation cost on the projects. The state was not necessarily completing more projects, but it had to spend more money to complete more projects to be eligible for a federal match. In FY 25, the state had a \$143 million match requirement for \$3.1 billion in federal funds, which was larger than the average capital budget from FY 16 to FY 21. The numbers are slightly misleading because there was \$1 billion in broadband dollars that did not require a match and was a one-time appropriation that would last for five years. Generally, the state had received more federal funds and a higher match requirement in recent years than 10 years ago.

Mr. Painter continued to slide 7 and explained that the federal match was allocated to three main areas: the federal aid highway match of \$87.2 million to match \$822.4 million of federal funds; the federal aid aviation state match of \$39.9 million to match \$404.7 million of federal funds; and the Village Safe Water (VSW) and wastewater match of \$22.9 million to match \$265.3 million of federal funds. He explained that VSW expanded substantially under IIJA, but the matching requirements had not increased for the state. The state's match requirements had also not increased for Department of Transportation and Public Facilities (DOT) projects. However, the federal UGF requirement had increased substantially with the increased amount of funds available.

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Representative Josephson understood that if it was 2016, the state would need to take advantage of all the IIJA funds and related infrastructure dollars. The state would either need to draw from the Constitutional Budget Reserve (CBR) or pay out a smaller dividend. He asked if he was correct.

Mr. Painter responded in the affirmative. The state would need to come up with additional funds to fully meet the federal match. The state would either need to reduce funding in other areas or raise revenue. He noted that projects were about 20 percent cheaper about five years prior. He thought that DOT had seen price escalations more than inflation alone. He suggested that the state's revenue had perhaps not grown with inflation. Although oil had some statistical relationship with inflation, it was not overwhelmingly strong. There had been an increased demand for spending without compensatory revenue increases, although coincidentally, oil prices were higher than they were five years ago.

Mr. Painter advanced to slide 8 and relayed that over the last 20 years, the total UGF match averaged about 21.5 percent of UGF and bonded capital budgets. There were a few significant items beyond a federal match. One of the items that received funding was construction maintenance lists, which were prioritized lists that he would discuss over the next couple of slides. The lists' funding averaged 15.4 percent of the capital budgets from FY 05 to FY 24. The items that had received the largest percentage of funding over time had been agency projects, which were projects that were being undertaken by a state agency, such as the Department of Fish and Game (DFG) purchasing a vessel or building an engineering building at the university. The projects aimed to create or maintain state assets. Additionally, grants to non-state recipients averaged 20.7 percent of UGF and bonded capital budgets from FY 05 to FY 24. The grants were provided to entities other than state government to create or maintain a capital asset. For example, the grants could be provided to municipalities, a named recipient, like a nonprofit, or school districts.

Mr. Painter advanced to slide 9 which showed through a graph how much the capital budget had changed by UGF category from FY 05 to FY 24. The blue bar on the bottom

represented the match and the red bar represented the priority lists. The main lists were for school construction and the deferred maintenance of state facilities. The green bar represented the grants to non-state recipients and the purple represented state assets, which was the largest category. The graph showed that there had been almost no grants to named recipients for several years. The capital budget was almost entirely matched. The big spike in non-state recipients was because there were a couple of large projects in the FY 23 budget for the Don Young Port of Alaska and the Nome Port. The ports were considered named recipients because the funding was being provided to municipalities, and the funding represented a large portion of the capital budget. Agency projects had increased as well over the last couple of years because there had been larger capital budgets over the last few years.

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Mr. Painter continued to slide 10 and the UGF funding through priority lists. The main priority projects were deferred maintenance projects and were currently funded by the executive branch conducting a statewide prioritization of projects. The governor's office was provided with the funds and the office then distributed the funds to state agencies. The judiciary branch, school construction and school major maintenance, and renewable energy projects were funded through the Renewable Energy Grant Fund (REGF) or through UGF appropriations to the program. The Harbor Matching Grant Program (HMGP) was also utilized. The priority lists were developed by state agencies to remove political considerations from the project selection process. The legislature would often fund however as many projects as it deemed appropriate based on available funds, but the legislature was not "picking and choosing" the projects. The goal was for the selection process to be based on objective criteria and not political factors.

Mr. Painter moved to slide 11 which included a graph of the deferred maintenance funding by fund group from FY 05 to FY 25. In FY 18, there was legislation that designated the capital income fund to be used for deferred maintenance, which had since become the largest source used for deferred maintenance. There was an initiative during the Governor Sean Parnell Administration to spend about \$100 million per year on deferred maintenance from FY 12 through FY 15. Apart from the initiative, the state had spent

significantly less on deferred maintenance over the years. Currently, there was \$28 million allocated for the governor's office as well as the Alaska Court System. Many of the federal receipts were for the Department of Military and Veterans Affairs (DMVA). There had been a substantial shift from deferred maintenance being funded through UGF to being primarily funded via the capital income fund.

Representative Hannan commented that she was curious why the state fell off the cliff on FY 11 deferred maintenance because it did not seem to correlate with any of the state's low capital budgets or spend years.

Mr. Painter replied that he did not want to speak for the FY 11 legislature, but sometimes in the past, there had been concern that when a large amount of money was allocated to deferred maintenance and the spend rate was not as fast as desired, then agencies would delay starting the projects. He suggested that the reason for the delay was that more time was needed after FY 10, which was a year with a higher spend.

Co-Chair Edgmon commented that when he first joined the House Finance Committee, retirement costs were increasing considerably and there might have been some reallocation. The operating budget was increasing significantly as well. The 80s were an era of significantly depressed spending. The number of Alaska State Troopers fell considerably in the early 2000s as oil prices increased, and competition in the job market in 2010 was likely intense. The Renewable Energy Grant was first funded in 2008 and weatherization alone would receive \$300 million, while in 2007 it received \$3 million. The changes in spending in the operating budget and capital budget had shifted the trajectory of overall agency spending.

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Representative Josephson asked for more information on the original capitalization and draw of the Capital Income Fund. He asked how the fund was being spent.

Mr. Painter replied that the Capital Income Fund contained proceeds from the Amerada Hess deposit into the Permanent Fund. He explained that \$424.5 million in proceeds were set aside in a fenced-off account that was not supposed to be used for Permanent Fund Dividends. The fund was initially

designated for any purpose other than dividends, which meant it was spent freely on the capital budget. In FY 18, it was designated specifically for deferred maintenance to provide a more consistent source for deferred maintenance spending, which was one of the expenses that was cut in FY 16 and FY 17. The fund was considered a UGF source in the past because it could be used for any purpose other than dividends. He explained that the amount in the fund was simply the revenue derived from \$425.5 million in proceeds.

Representative Josephson asked what a sustainable amount would be to draw from the fund.

Mr. Painter responded that because the state was not growing the deposit, the dollar amount had remained the same since the initial deposit was made. Essentially, all of the income could be spent every year. The fund was not connected to the dividend and could be spent separately and in its entirety. The fund was sweepable and the entire balance of the fund or the entire deposit into the fund was appropriated in the language section to the governor's office to fully capture all the receipts based on current projections. On average, about \$28 million a year would be allocated to deferred maintenance based on realizing about 7 percent income; however, the amount would vary depending on the realized income of the Permanent Fund each year.

Mr. Painter continued on slide 12 and detailed school construction and major maintenance. The blue bar represented the one-time appropriation in FY 05 for the design, construction, and maintenance of schools. Since then, the state had appropriated funds mostly through the major Maintenance Grant Fund or the School Construction Grant Fund. There was an additional fund source that could be used, which was the Regional Education Attendance Area (REAA) fund or REA fund, which was capitalized in the operating budget. The statutes governing the way school major maintenance and construction appropriations could be used had changed over time, but funds could currently be used for either school construction or major maintenance in either the REAAs or small rural districts that did not necessarily have a tax base. He noted that the state funded significant appropriations in the past totaling over \$200 million at its peak in FY 09. The state spent over \$150 million in FY 11 on school construction and major maintenance. Spending dropped off during low capital budget years but had been on the incline for the last few years.

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Mr. Painter continued to slide 13 and detailed funding for renewable energy from FY 05 to FY 25. When revenue decreased, renewable energy funding became nonexistent. There was an appropriation to renewable energy of just over \$30 million in FY 13 but there were no other appropriations until FY 23.

Co-Chair Edgmon understood that in FY 17, the legislature passed waterfall legislation for the Power Cost Equalization (PCE) Endowment Fund that contributed to renewable energy funding in FY 23.

Mr. Painter responded in the affirmative. There were some PCE funds available under the waterfall legislation for renewable energy, which had contributed to the funding increase. He turned the presentation over to Mr. Partlow.

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Mr. Partlow continued on slide 14. He explained that the Legislative Finance Division (LFD) designated house district locations for projects based on available information. The locations were informational for the legislature and not binding. He noted that 74 percent of the Senate's version of the capital budget was classified as statewide. Projects that did not have a specific location or a specific impact limited to only one location, would be given a statewide designation.

Mr. Partlow clarified that a statewide-designated project did not necessarily have a statewide impact. Priority lists were always classified as statewide, but the lists were lengthy and there was usually only enough available funding for one or two projects. While the funding was for statewide purposes, it often would only be spent in one or two specific locations. He noted that DOT had specific allocations in both rural aviation and service transportation. The UGF match portion was classified as statewide. For each project, LFD could report on two sets of information: physical location and impact. For example, each University of Alaska (UA) campus was physically located within a single district but would impact the entire community. One type of report would explain exactly

where the project was located and the other report would state the impact of the project.

Co-Chair Edgmon commented that his office had tried to categorize funding by legislative district, by statewide designation, by federal and state funding sources, and by other sources. It was difficult to break the funding down precisely by the district because a project could impact multiple districts or could be based in one location but impact populations all over the state, such as the Alaska Native Medical Center (ANMC) skilled nursing facility in Anchorage. He stressed that his office knew intimately how difficult it was to quantify benefits by district. The capital budget every year aimed to incorporate state matching funds as well. He thought the slide was interesting.

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Co-Chair Johnson added that she would like to know if a district would be receiving funding from a project that was not directly attributed to the district in the capital budget. She assumed that it would be prudent if legislators were alerted of any errors.

Mr. Partlow responded in the affirmative. The intention was to provide information to legislators and feedback was always appreciated.

Co-Chair Johnson added that she represented Palmer, which had a significant court system. She thought it was hard to understand that a courthouse that resided in Palmer was considered a "personal project." She presumed that most of her constituents do not often visit the courthouse. She asked if there were any other lists that provided information about the projects in a non-political manner. She asked if there was any advice she could provide to the courts on how to properly handle the situation.

Mr. Painter replied that the court system was a good example of a situation in which the physical location of a project was within one district while the impact of the project was felt throughout the entire Mat-Su area and perhaps beyond. He stated that there were two different ways to report on the project: by location and by impact. He stressed the importance of reporting that the project would be impacting a larger area than Palmer. One of the

challenges was approximating the impact of the project throughout Mat-Su. He noted that legislative districts were not always necessarily geographic regions and LFD was trying to make sense of the system.

Mr. Painter relayed that one of the projects that LFD had struggled with was the Dalton Highway. The governor submitted it as a statewide project and the highway spanned from Representative Cronk's district to Representative Thomas Baker's district, which were contiguous areas but not within a distinct region. The project was designated as statewide, but it was physically in two districts. He thought that the process could often be subjective. Compared to other states, Alaska's capital budget did not have a particularly strong evaluative process due to the volatility amount of money that was available to spend on capital projects from year to year. In some years, the state might have \$100 million to spend on projects, and in some years, \$2 billion might be available. It was difficult to have a baseline capital budget amount that dictated the minimum annual spend required to maintain state facilities and replace state facilities.

Mr. Painter added that an example was the Fairbanks Pioneer Home which needed to be replaced at a cost of over \$100 million. There was no plan or funding to allocate to the project and the legislature would need to decide how to pay for it. If the state had a \$500 million capital budget every year, it might be easier to plan the amount of funding that would be allocated to various projects and be able to plan out within that amount what the state would spend each year. The volatility meant that the legislature was often faced with difficult choices of how to allocate funding and determine the state's priorities.

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Co-Chair Johnson asked if the governor had always moved the court system funding forward in the past. She asked how the process had historically worked.

Mr. Painter responded that the question would be best posed to the court system. The court system was permitted to submit its budget to the state separately because it was an independent branch of government. The governor typically submitted the legislative and judiciary budget to streamline the process; however, the governor omitted an

item from the court system's recent budget submission, which was a violation of an agreement made in the 1960s stating that the governor would submit the court system's budget on the court's behalf with no changes. The court system thought that the omission seemed to be a preemptive veto by not giving that to the legislature. He was not certain if there was an agreement on how the capital budget would be transmitted and whether it needed to be included in the governor's budget or if the court system would request it separately. There was an agreement in place regarding the operating budget that the governor would transmit the court system's budget with no changes.

Co-Chair Johnson asked if the agreement was available to view and if there were related documents that she could access.

Mr. Painter replied that he thought the courts had the agreement stored somewhere. He had only heard a description of the agreement and had not seen it.

Co-Chair Johnson found the agreement to be a curiosity.

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Representative Josephson commented that he had a friend called Dr. Rick Steiner who was a retired naturalist and professor who encouraged Representative Josephson to initiate a resiliency fund. The fund could help respond to things like fires, landslides, and floods and he thought it was appropriate considering the comments about the Pioneer Home. He asked what he could tell Dr. Steiner about how the state planned to respond to the aforementioned occurrences. He added that Dr. Steiner's focus was on climate mitigation and climate change mitigation infrastructure. He asked if there was an overarching system or if disasters were responded to ad hoc.

Mr. Painter responded that to some extent, some of the events would be responded to using disaster relief funds; however, there were also associated capital implications. There was an appropriation in the current capital budget for stabilizing a dam in Wrangell that was of emergent concern because of the Wrangell landslide. There were past projects that came about after an Anchorage earthquake that were not covered by insurance and did not qualify for

disaster relief funds that were generally funded through UGF.

Representative Josephson asked if he was correct that other states had a much more sophisticated approach through a resiliency fund.

Mr. Painter responded that other states did have resiliency funds. He explained that Alaska had larger budget reserves than most states and currently had \$2.7 billion in the CBR. The state often did not have separate savings accounts, partly because of Alaska's constitutional prohibition on dedicated funds. He agreed that it was a common structure in other states with different kinds of financial setups.

Co-Chair Edgmon asked if there was a formal definition of deferred maintenance or a definition that was applied uniformly across the university system.

Mr. Partlow responded in the negative.

Representative Galvin recalled that in the prior year, someone gave a presentation about deferred maintenance and the committee asked what the best practice was. She understood that the committee was told that between 2.5 percent and 3 percent of the overall value of the property would be the expected expenditure. She asked if her recollection was correct.

Mr. Partlow responded in the affirmative. He explained that the industry standard of the amount of money that should be set aside for general maintenance to avoid creating deferred maintenance was between 1 percent to 4 percent of the value of a property.

Representative Galvin asked how much the state should set aside.

Mr. Partlow responded that he was reluctant to do the math on the spot, but estimated that it would be in the range of \$100 million.

Representative Galvin understood that \$100 million would be the average if the state were to be forward-thinking. For example, the Palmer Court System needed to be replaced, and many other projects needed attention. She asked if it would make sense to take a different approach similar to the

strategy employed by Governor Sean Parnell's administration and allocate a pre-determined amount of money for capital spend. She asked if there were any other approaches the legislature could consider.

Mr. Partlow replied that he could not speak to the policy, but the deferred maintenance backlog was reduced under Governor Parnell's program; however, it had since grown substantially. He thought the reduction was a testament to the effectiveness of a focused approach in addressing the deferred maintenance backlog.

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Mr. Partlow continued on slide 15 and offered a refresher on the timeline and effectiveness dates of capital projects. He explained capital projects were different than operating appropriations and had a five-year timeline plus substantial and ongoing work. If a state agency or grant recipient was continuing to do substantial and ongoing work on a capital appropriation, the project could go on for years. He noted that capital appropriations could continue for up to 20 years as long as the project was actively being worked on. Once a capital project was completed, any remaining balance could be reappropriated by the legislature for another purpose. There was a political agreement that when an appropriation in one district lapsed, the appropriation would be reappropriated within the same district.

Mr. Partlow explained that due to its extended timeline, the capital budget was funded slightly differently than the operating budget. Many of the items in the capital budget could be funded as supplemental items if the funding was available. Most of the in-district discretionary spending in the Senate's current version of the budget was accomplished through FY 24 items because of funding availability. He added that the Office of Management and Budget (OMB) released a document called the Capital Appropriation Status Report (CASR) as a resource for legislators, staff, and the public. The report was assembled in the winter and released publicly in February. The report offered an update on every single active capital appropriation and the status of every project at the time of the report's assembly. The report provided a contact number for each capital project to receive an up-to-date

assessment of the status of the project and whether potential funding would be lapsing.

Mr. Partlow recalled that Representative Hannan had asked about Juneau Access Project appropriations and relayed that there were a number of previous appropriations for the project. As long as the funding was ongoing and there was substantial project activity, the project could essentially be in place indefinitely. The legislature had the ability to reappropriate unobligated balances from any project. If there was no contractual agreement for the funding, it was at the discretion of the legislature to reappropriate the funding for a different purpose.

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Representative Hannan asked what the term "ongoing and substantial" meant. She asked whether DOT would determine whether a project like Juneau Access was ongoing and substantial. She asked when the money would become available for reappropriation.

Mr. Partlow responded that it was a determination made by OMB and it was often highly subjective.

Representative Galvin understood that \$100 million would need to be set aside if the state were to engage in best practices. She asked what the state's current deferred maintenance costs were.

Mr. Partlow responded that he did not know the specific number off the top of his head but recalled that it was around \$45 million for all different funding sources.

Representative Galvin understood that the state had remained at \$45 million for the last three years, which was a loss of roughly \$60 million each year. She assumed that costs continued to accumulate. She had one more question.

Co-Chair Edgmon requested that she hold the question.

Representative Galvin stated that she could hold the question but it was important.

Co-Chair Edgmon noted that the committee would transition to the next presentation.

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RECONVENED

^PRESENTATION: FY 25 CAPITAL IMPROVEMENT PROJECTS SCHOOL MAJOR MAINTENANCE GRANT FUND AND SCHOOL CONSTRUCTION GRANT FUND

Co-Chair Edgmon noted that time for the presentation was limited and he hoped that comments and questions would be reduced. He encouraged committee members to speak with department staff offline.

[2:38:50 PM](#)

LORI WEED, SCHOOL FINANCE MANAGER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced herself.

LAUREL SHOOP, LEGISLATIVE LIAISON, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced herself.

Ms. Weed introduced the PowerPoint presentation "State-Aid for School Capital Projects: Grant and Debt" dated April 23, 2024 (copy on file). She advanced to slide 3 and detailed the state's historic school capital funding. There were a few basic pieces of capital funding of schools: federal, state mechanisms through the general fund, and grants, including general obligations and Alaska Housing Finance Corporation (AHFC) revenue bonds. Also available was the reimbursement program and school funds, which she would talk about in future slides. Additionally, the local education agencies (LEA) and local contributions through capital reserves or through municipal debt. More recently, the legislature put into place a statutory requirement for a school funding report.

Ms. Weed advanced to slide 4 and the annual report on school construction and major maintenance funding in the state. The report was first completed in 2013 and had been presented annually ever since. There was approximately \$1.7 billion in total funding in both the debt programs and the grant, grant projects, and the state share.

Ms. Weed continued to slide 5 and explained that the next slides would cover the information found in Handout #1

(copy on file), which discussed the most current report required by SB 237 [passed by the 26th Alaska State Legislature in 2010]. The report identified projects by district and the funding amounts.

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Ms. Weed responded to Representative Galvin's earlier question about deferred maintenance. The last page of the report provided the estimated 3 percent that would be matching the deferred maintenance for school districts, which were separate from the state-owned facilities.

Ms. Weed continued to slide 6 and noted that there were a couple of funding option mechanisms that were in place through statute including the School Construction Grant Fund (SCGF) and the Major Maintenance Grant Fund (MMGF). More recently, the legislature put into place the Regional Educational Attendance Area (REAA) and Small Municipal School District School Fund (SMSDSF), which was indexed to the debt funding that was provided to municipal school districts and multiplied by a constant multiplier. The fund was a relatively constant monetary stream and had allowed the Department of Education and Early Development (DEED) to phase funds and projects and then follow up in the following year when the funds were available. The fund had helped move forward projects on the school construction list and helped fund major maintenance.

Ms. Weed moved to slide 7 and relayed that there were seven different categories of projects divided into either the school construction category or the major maintenance category. Each project was color-coded by category on the slide. She explained that the school construction projects were intended to avert imminent danger or correct life-threatening situations, to house students who would otherwise be unhoused, or to modify an existing building to better fit the educational program. Major maintenance projects would be protection of structures, correction of code deficiencies, or achieving operational cost savings. Different entities were eligible for each of the different funding streams.

Ms. Weed advanced to slide 8 and detailed the projects by fund type. The school construction and major maintenance projects were eligible for REAA funds. Debt reimbursement was not part of the grants. There were currently three

small municipal districts and the districts had been reducing in number. The small municipal school districts were eligible for the REAA funds but larger cities and districts were not. However, the larger cities and districts were eligible for school construction major maintenance funding and the debt reimbursement program.

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Representative Hannan noted that Handout #2 (copy on file) listed the debt of 21 school districts and the state's share of the reimbursement. She understood that not all districts had debt. She asked if the 10 districts included in the handout with no listed debt would still be eligible for school debt reimbursement. She was confused as to why some districts without debt were included on the list.

Ms. Weed responded that the districts likely had prior debt but had not been removed from the chart. She noted that the state was partially responsible for reimbursement for Anchorage until FY 43. All other schools had zero debt for several years prior to FY 43.

Representative Hannan asked if the data on the chart included all of Anchorage's debt. She asked if the chart went through FY 43 because it was inclusive of all of Anchorage's debt or whether the state's debt obligation to Anchorage extended beyond FY 43.

Ms. Weed responded that the chart represented the full debt obligation for Anchorage.

Ms. Weed continued on slide 9 and explained that all school districts were able to apply through the grant program to be eligible for a Capital Improvement Project (CIP). All districts needed to submit a six-year improvement plan, have a functioning fixed asset inventory system, and provide proof of the required property insurance. Districts also needed a facility management program approved by DEED to demonstrate that the requested project was a capital project and not routine maintenance.

Ms. Weed advanced to slide 10 and relayed that CIP grant applications were due to the department from the school districts on or before September 1 of each year. The application materials were available on the website for public viewing. Projects would then be ranked according to

the criteria that were set out both in statute and regulation. After eligibility was confirmed, the CIP priority lists were issued on November 1 and final lists were available after the reconsideration period.

Ms. Weed continued to slide 11 and offered an overview of the grant participation and eligibility history from FY 15 to FY 25. The chart on the slide showed the number of total grant applications that had been received for major maintenance and school construction. It also showed the number of projects that could have been determined ineligible due to a variety of reasons, usually lack of documentation.

Ms. Weed moved to slide 12 and a chart of the grant awards from FY 15 to FY 24 in the SCGF, MMGF, and the REAA school fund. There had been some variety between the three funds, most consistently in the REAA fund which was primarily used to fund school construction.

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Ms. Weed continued to slide 13 which included a chart of the total eligible grant projects and actual grant funding by fiscal year. The specific amounts funded were the new appropriations which did not include re-appropriations from existing funds, which was why some years show a \$0 under amount funded.

Ms. Weed continued to slide 14 and the appropriations into the REAA and SMSDSF. There had been instances of partial vetoes and full vetoes, which were made up in the FY 22 supplemental. The total amount since FY 13 that had been provided to the REA was just about \$470 million.

Ms. Weed advanced to slide 15 and stated that the debt reimbursement program was established in AS 14.11.100 and school districts were required to submit an application to be eligible. The slide showed the allocations from the REAA and SMSDF from FY 14 through FY 23.

Ms. Weed moved to slide 15 and explained that Debt reimbursement was open to all cities except for "third class" cities. All districts were required to 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.

Ms. Weed continued to slide 17 and offered an overview of debt reimbursement trends over the years. The program began in the 1970s during which time the annual debt service reimbursement percentage was 100 percent. The percentage had decreased over time and most recently was down to 60 percent to 70 percent.

Ms. Weed continued to slide 18 and quickly reviewed a chart of the historic debt funding amounts by reimbursement rate. She advanced to slide 19 which showed the current outstanding debt in the debt reimbursement program. The black line showed the state share of the anticipated debt.

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Ms. Weed continued on slide 20 which included a graph of the debt reimbursement trends over time. There were some periods of time in the 80s and 90s which the state aid did not match the actual reimbursement. There were a couple of instances in more recent years where the debt reimbursement program was partially or fully vetoed, but the funding was fully made up in the FY 22 supplemental.

Ms. Weed moved to slide 21 and explained that after bonds were sold, the debt department identified how much of the approved projects were funded by the new bond. A probation for the bonds were established based on approved project rates. Districts had the option to request a refund or refinancing of the bonds. The department ensured that the refundings would equate to a cost savings for the state and the districts.

Ms. Weed continued to slide 22 and detailed a comparison between various funding sources. She reiterated that REAA funds were available to all REAA districts and three small municipal districts. The projects were funded based on the DEED priority lists. She noted that there were three specific eligibility requirements for REAA: no new space for major maintenance, only eligible space for school construction, and priority to school construction. The REAAs had a 2 percent participating share in statute, and the three small municipalities range in the participating share rate from 10 percent to 20 percent. The funding of the REAA fund was tied to the annual appropriation for debt reimbursement.

Ms. Weed continued that the school construction and major maintenance grant funds were available to all school districts. The funds were the state share of the project costs and were ranked in the priority list by DEED. The specific eligibility requirements were similar to the REAA fund. Districts ranged in the participating share between the 2 percent for REAAs and 5 percent to 35 percent for the other school districts.

Ms. Weed added that the debt reimbursement funding program was available to any municipality that had the ability to bond. The funds were a portion of the annual municipal debt payments. The local government would set its own priorities for which projects get funded, meaning that projects that would not otherwise be eligible for grants would not be funded. The funds were particularly aimed at funding projects that were not eligible for grants or eligible for additional space. Districts' participating shares were 40 percent of the 60 percent bonds if projects were not eligible for space, and 30 percent of the 70 percent bonds. State funding was based on when the bond was passed and subject to appropriation.

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Ms. Weed continued to slide 23 which included some links to additional handouts. She encouraged committee members to look through the resources.

Co-Chair Edgmon asked Ms. Weed to elaborate on the meaning of participating share.

Ms. Weed responded that participating share was the district's participating share that was calculated when the department compiled the priority lists. The department determined which portion of the district's requested amount was eligible for funding in order to determine the department's recommended amount. The recommended funding amount was then divided into the aforementioned percentages: the 2 percent for REAAs and 5 percent to 35 percent for the other school districts. The department then allocated the participating share plus the state share, which together equaled the total DEED recommended amount.

Representative Hannan asked which three small districts Ms. Weed had been referring to throughout the presentation.

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Ms. Weed responded that Hydaburg, Kake, and St. Mary's were the three small districts. There were two other districts that were no longer involved.

Representative Hannan asked if the two districts that were no longer involved had now grown into being considered a city and were no longer eligible to be a small municipality.

Ms. Weed responded in the affirmative.

Representative Hannan recalled that the slide show stated that there were 19 REAA districts, three small districts, and 31 city or borough districts, totaling 53 areas. She understood that the fifty-fourth district was Mt. Edgecumbe, which was not part of the lists because it was a state agency and received state agency UGF funding.

Ms. Weed responded in the affirmative.

Representative Coulombe referred to slide 9 and shared her understanding that the requirements for districts to build CIPs was extensive. She thought the requirements seemed especially cumbersome for smaller districts with fewer resources. She asked if smaller districts received assistance from DEED.

Ms. Weed replied that districts had to use their own resources. The department was available as a technical advisor, but it could not both assist with the applications and fairly evaluate the applications.

Representative Coulombe asked what the vetting process was for project estimates. She asked who was responsible for determining the cost for each individual project and whether DEED sometimes pushed back against the estimates. She asked for more information on the process.

Ms. Weed responded that DEED reviewed the project costs. Districts typically procured a cost estimation from either a design firm or professional cost estimator. The

department provided a conceptual tool to offer a baseline estimate and the professional estimates were compared to the estimates from the tool. The department reviewed the scope of the project to ensure that it met the construction and design standards. The requested amounts on the major maintenance and construction list were not always the amount that was approved by DEED. She shared that DEED sometimes determined that a project had an ineligible scope or the cost was too high. There were some occasions in which DEED increased a project's budget if the estimate would likely not cover the scope of the project.

Representative Coulombe understood that if there was a budgetary discrepancy, it would be adjusted by the department. The applications with discrepancies were not simply rejected, but the budgets were adjusted by DEED.

Ms. Weed responded in the affirmative.

[3:04:28 PM](#)

Representative Josephson noted that Handout #5 (copy on file) stated that Anchorage was seeking site improvements at Kincaid Elementary and he was aware that a bond package was recently approved for Inlet View Elementary. He asked why a district would not bond Kincaid and seek site improvements for Inlet View. He asked for more information about the strategic process.

Ms. Weed responded that she could not speak for the districts, but the grant program allowed for reimbursements of costs and many of the projects that Anchorage had put forward were bonds that had been approved by voters. She did not have information on district's decisions on which projects to put forward to the voters.

Representative Cronk asked what the cost was for a district to add a project to the major maintenance list.

Ms. Weed responded that it varied for each application and the scope of a particular project. If a district were to employ a grant writer, costs could add up quickly. She had seen grant writing services priced at \$2,000 to \$3,000. The grant approval process was designed to ensure that each element was evaluated and the project was as cost-effective as possible. The project costs were reimbursable if a

district needed to spend money to facilitate the completion of a project.

Representative Cronk referred to slide 15 and relayed that he had worked on some of the projects on the slide. For example, he was involved in the cooling and repairs project for Sheldon Point. The team hauled millions of cubic feet of gravel to fill a lake and poured a cement pad to build a school on top of it. The team had to cut the floor out of the school to access the pipes and now needed another \$3 million to ensure that the cement pad would not sink; however, it was likely to sink. He asked how the state could afford to build schools costing hundreds of millions of dollars across the entire state. He thought the school sinking into the tundra spoke to poor engineering. The Sheldon Point School would likely need to be replaced because it would sink into a hole. He asked who was held accountable for such problems. The state needed to ensure the projects were being handled efficiently. He thought that new schools needed to be built soundly and without needing more money from the state every few years. He found it especially frustrating that Sheldon Point School was sinking.

[3:09:57 PM](#)

Ms. Weed responded that the department asked for Geotech investigations before building schools as part of the process to catch any errors. The department then reviewed the majority of the investigations.

Co-Chair Edgmon remarked that the conversation was a perfect segue into the Sleetmute school project, which was currently number 23 on the priority list. The school was not accessible and condemned. He asked why such a project would not be higher up on the priority list.

Ms. Weed responded that there were several reasons why projects move up and down the list. The Sleetmute project had a request for its previous score to be reused to avoid needing to submit a new application. There were other projects that provided additional information, which increased the project score. There were also several new projects that were not on the major maintenance list in the prior year that ranked above Sleetmute, causing it to drop down the list. Ultimately, Sleetmute dropped in the rankings by maintaining its score from last year.

Co-Chair Edgmon understood that it was a technicality in which the real-world situation did not align with the priority list. His frustration was not necessarily directed at anyone in the department, but he was frustrated with the process.

Ms. Weed responded that the Bond Reimbursement and Grant Review Committee recently met earlier in the month and decided to review the application process. The meetings were publicly noticed and anyone was welcome to provide comments in advance and participate in the meetings during public comment periods.

Co-Chair Edgmon asked when the committee would next meet.

Ms. Weed responded that she did not think the next meeting had been scheduled yet.

Co-Chair Edgmon asked if his office could be notified of the next meeting. He understood that many events occurred during the summer and that it was a busy time. He did not understand why the Sleetmute school project had not been tended to. He agreed with Representative Cronk's point that spending \$100 million on a single school made it very challenging to work down the priority list. He recently read an article stating that 31 communities in the state were identified as needing to relocate.

Co-Chair Edgmon noted that there were several superintendents and other representatives from school districts online for invited testimony.

[3:14:44 PM](#)

LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, JUNEAU (via teleconference), wanted to focus on SB 187 and shed light on the critical need for additional investment in major maintenance and capital construction for school districts. The Alaska Council of School Administrators (ACSA) joint submission statements reflected the shared concerns of the council's diverse membership, which included superintendents, principals, school business officials, and education leaders across the state. The safety of students, staff, and communities was paramount, as was the recruitment and retention of high-quality teachers and educators. She was grateful that the

committee would hear directly from school districts as it would provide invaluable insight into the challenges urban, rural, and remote school districts across Alaska were facing.

Ms. Parady continued that the ACSA supported reliable, adequate, and equitable investments and funding DEED's school construction process for capital projects and major maintenance to existing school district facilities. The investments were essential to afford students and educators a secure and conducive learning environment; however, the state was not going far enough. Alaska's public school infrastructure faced significant challenges with over 55 percent of facilities exceeding 40 years in age, and 71 buildings surpassing the 50-year mark. The maintenance needs of the aging structures were mounting, but state funding remained limited. The major maintenance lists grappled with a backlog encompassing 95 critical projects, which were only representative of the projects for which school districts had submitted applications. There was a "black hole" of additional projects that some districts could not afford to contribute the amount of money required to apply to be considered on the list.

Ms. Parady relayed that although the council appreciated the funding allocated in the current capital budget for 15 projects, the funding barely scratched the surface of the immense statewide maintenance requirements. Students endured learning environments plagued by condemned buildings, black mold, and leaky roofs, among other issues. Without additional state support, the deferred maintenance issues would only escalate in cost and severity over time. Beyond the immediate safety concerns, the impact of neglected maintenance extended to teacher recruitment and retention. Substandard facilities and housing conditions deter prospective educators from exasperating existing challenges in attracting and retaining qualified staff. Addressing the issues was just one important part of safeguarding the integrity of Alaska's education system. She implored the committee to consider additional allocations for major maintenance projects and recognize the urgency and magnitude of the need across the state. She thought that a 12 percent allocation for 15 projects fell far short of adequately addressing the widespread infrastructure challenges faced by schools. She thanked the committee for its time.

Representative Galvin noted that Ms. Parady mentioned that 55 schools were over 40 years old. She assumed the schools were not all on the priority list. She asked what would happen when the schools were in disrepair but still needed to function. She asked where the money would come from and whether it would be from the state or from community efforts.

Ms. Parady responded that the funding often came from operating costs, but it also often landed on municipal partners. She relayed that Nils Andreassen, the Executive Director of the Alaska Municipal League (AML) that AML often had to come to the rescue of buildings that were near collapse. The operating dollars were stretched as much as possible and the flat budgets for the last decade had made funding difficult.

Representative Hannan noted that Ms. Parady referenced that the current list had funding for 15 projects. She asked if she could conclude that the current version of the Senate's capital budget would fund school major maintenance through project 15 at an aggregate amount of \$36.1 million.

Ms. Parady responded in the affirmative.

Co-Chair Edgmon offered a reminder that testimony would be limited to three minutes to allow everyone the opportunity to speak.

[3:20:25 PM](#)

TERRI WALKER, NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT, KOTZEBUE (via teleconference), relayed that in FY 23, the Northwest Arctic Borough School District (NWABSD) had a \$1.5 million deficit, in FY 24 it was at \$8.2 million, and the district's preliminary deficit in FY 25 was \$14 million. The deficits were all due to increased costs. She explained that the district had to provide a match or participating share in order to move forward with a project when the fund balance was used to help fund CIPs. The district's six-year capital improvement needs had about six projects on the list. One of the projects was the renewal of the school in Selawik as the fire panel was not currently functional. In the borough, about eight of the schools did not have functional fire panels. She explained that the fire panels were often outdated and when the panels broke, the necessary replacement parts were no

longer available. Currently, an individual was hired to be a 24-hour fire watchperson to monitor the building because of the fire panels being nonfunctional.

Ms. Walker continued that another of the district's six projects was replacing the Deering School for school construction which was "bursting at the seams." Classrooms in the district could only heat up to 50 degrees when the west wind was blowing and kids had to attend class in the gymnasium. Many other unexpected costs had occurred over the past year, such as issues with the pump house, water pipe leaks, freeze-ups, backup generator problems, and electrical issues. The buildings were over 30 years old and were becoming safety risks. She thought the primary focus for superintendents and staff members should be educating students, but maintaining the operational integrity of the buildings required a significant amount of work.

[3:24:28 PM](#)

CYNNA GUBATAYAO, KETCHIKAN GATEWAY BOROUGH, KETCHIKAN (via teleconference), testified on behalf of the Ketchikan Gateway Borough (KGB) to express the borough's support for increased funding to the DEED major maintenance program. Well-maintained facilities were an integral part of a quality education program. The borough and the school district worked together on major maintenance of the school buildings and spent a significant amount of local funds on school facilities. The major maintenance grants were incredibly helpful and important to school districts and municipalities around the state. Without the grants, repairs often came from reserves or operating budgets. Failing to adequately fund DEED's major maintenance program deferred critical projects and facilities would eventually fall into disrepair. She explained that it was much costlier to catch up after buildings became nonfunctional. She reiterated the need for additional funds for DEED's major maintenance grants program.

[3:25:50 PM](#)

ANDREW RATLIFF, CHIEF FINANCIAL OFFICER, ANCHORAGE SCHOOL DISTRICT, ANCHORAGE (via teleconference), offered a brief overview of the Anchorage School District's (ASD) facilities and major maintenance needs associated with its school buildings. The district managed 90 facilities and leased an additional 10 to support over 130 schools and

programs. There were 84 school buildings and six other support facilities for transportation, food service, operations, maintenance, the purchasing warehouse, and the IT data center. The average age of ASD's facilities was about 37 years. There were 33 schools that were over 50 years old and 15 schools over 60 years old. Over the past 26 years, the district had replaced only six schools, and another 19 schools had total renewals done. Other schools had component renewals, such as roads and boilers, as well as some much-needed security upgrades. The district closed three elementary schools, combined programs together to save money, and merged Alaska Middle College into King Tech High School.

Mr. Ratliff continued that the district's current major maintenance backlog currently exceeded \$1 billion, which was up from \$77 million just 15 years ago. Over the same 15-year period, the district's bond debt had been reduced from about \$806 million to \$473 million, as the appetite for issuing voter-approved bonds had waned. Before 2015, the state reimbursed districts between 60 percent and 70 percent of the cost of voter-approved bonds, which provided districts with a vital offset to help maintain school buildings.

Mr. Ratliff relayed that in 2015, the legislature shifted the entire cost of new bonds onto the local taxpayers, which made it less palatable for the school board to ask for large bonds and the community to approve large bonds for school improvement. The reduction in the ability to bond in conjunction with flat funding had exacerbated the growth of the major maintenance backlog, which put more systems at risk of failure and increased costs when emergency procurements were needed. In 2024 alone ASD had boilers fail at four different schools which cost about \$600,000 to replace. The elevator at Bartlett High School had failed and cost about \$300,000 to replace and the water tank at the student nutrition facility failed, which cost another \$300,000. The unplanned capital costs, coupled with about \$875,000 that was spent on unanticipated snow mitigation efforts to direct the snow in Anchorage, had taken other planned projects offline. He concluded that ASD and other districts in the state heavily relied on the state for much-needed major maintenance funding.

[3:28:45 PM](#)

KIM SWEET, DIRECTOR OF OPERATIONS, LOWER KUSKOKWIM SCHOOL DISTRICT, BETHEL (via teleconference), relayed that the status of the Lower Kuskokwim School District's (LKSD) major maintenance needs was that LKSD currently had approximately \$14 million in deferred maintenance projects on the major maintenance CIP list. The projects ranged from number 11 to number 61. One of the projects was completed several years ago and the district had been seeking reimbursement for the project through the CIP process.

Ms. Sweet stated that additionally, LKSD had over \$167 million in projects on the school construction CIP list, all of which were incredibly important. One of the projects was number 56 on the list, the Akiak School renovation. She explained that Akiak School had numerous challenges related to the age and condition of the facility. Two years ago, the school gym experienced a partial roof failure and a portion of the gym had remained closed since the event. The closure had impacted students' use of the gym for classes and for sports. The closure also impacted the community as the gym was often used for larger community events. She thought it was highly unlikely that the school would receive funding for the renovation project anytime soon as it was 56 on the priority list. The students lacked the opportunity for meaningful gym classes and activities for all ages during the school day, and students had to travel to neighboring schools to use the gyms to participate in after-school sports.

Ms. Sweet added that the district had another school construction project to remodel Anna Tobeluk Memorial School in Nunapitchuk. The project has been on the CIP list for 10 years. In July of 2023, a ramp at the back of the school reached complete failure and the district hired a structural engineer to fully assess the foundations. Several rotting beams were discovered and as a result, the district had to close a few sections of the school permanently until all beams could be replaced. The project was moved up the CIP list in response to the urgent situation. Each project she highlighted had been on the CIP list for many years, and the longer a project remained on the list, the more likely there would be structural failures. The price to seek bids for projects continued to rise and many of the bids received by the district were either unresponsive or the difference was covered by LKSD funds.

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SCOTT BALLARD, SUPERINTENDENT, YUPIIT SCHOOL DISTRICT, AKIACHAK (via teleconference), relayed that the Yupiit School District (YSD) had three schools upriver from Bethel. He had been a teacher or principal for over 20 years and encouraged the committee to increase the maintenance and construction funds. The district's top priority right was to the operation of the Tuluksak School, but also to the environment. The school was 60 years old and needed some critical updates, such as the cleanup of the existing tank fuel tank and tank farms, containment, and installing new double-wall fuel tanks is critical. The total cost of the project was \$4,664,000. The district was anticipating a budget deficit next year of \$1.7 million, which was down from the district's original budget which would have been a debt of over \$3 million. The district had cut positions and were looking for creative solutions to continue district operations with increased costs, fuel, and utilities. He appreciated the committee's time and was confident that members were doing their best for Alaska's schools.

[3:34:43 PM](#)

JAMIE BURGESS, SUPERINTENDENT, NOME PUBLIC SCHOOLS, NOME (via teleconference), explained that Nome Public Schools (NPS) had two major campuses. The first campus was the Nome Belts Campus, which was built in the mid-1960s and housed the middle high school, the district office building, the charter school, a department building, and the facilities building. The second campus was about five miles away in the town of Nome proper, which housed the elementary school, which was completely rebuilt in the mid-1980s. Currently, NPS's project of most concern was the roof replacement for Nome Belts Middle High School. The last time the roof was entirely replaced was in 1970. The school had a partial roof replacement in 2003 and the other portion of the roof needed to be replaced. There had been several instances of small roof collapses within the classrooms. The tiles would get wet and moldy, which caused concern for students, staff, and community members. The project was fully funded in the fall of 2019, but COVID-19 derailed the project. The funding was now included in a supplemental request. The project was originally funded at about \$2 million but the total cost of the project was estimated at about \$6 million.

Ms. Burgess was in the process of preparing for the next CIP run including a request to have the roof replaced at Nome Elementary School, which was over 40 years old. The cost of an engineer to evaluate the roof and write an estimate was \$15,000 to \$20,000 and the school did not have the resources to complete the applications in-house. There was an opportunity to reuse the scores from the prior year, which meant that the project would not be re-scored, but the scores would be compared to all of the other scores for all of the applications that year. Oftentimes when scores were reused, a project would drop on the priority list, which was what happened to the roof replacement project. The project was not slated to be addressed in the current appropriation that was available.

Ms. Burgess was grateful that a project to acquire a new generator was set to receive an appropriation in the coming year, which was critical in small communities that relied upon generators in emergencies. The current generator was undersized and was not suitable for significant emergency events. In total, the school had four projects on the list for approximately \$6 million. There was another \$8 million in deferred maintenance for projects that had never been submitted, and costs continued to rise. In some cases, the roof issues were significant enough that the schools' property insurance had to be engaged as an insurance claim, which would continue to drive up property claims and premiums every year, which had risen significantly.

[3:40:27 PM](#)

TAMMY DODD, SUPERINTENDENT, BERING STRAIT SCHOOL DISTRICT, ANCHORAGE (via teleconference), explained that Bering Strait School District (BSSD) consisted of 15 schools, including schools on St. Lawrence Island and Little Diomed Island. She introduced Mr. Gary Eckenweiler who would provide more information.

GARY ECKENWEILER, DIRECTOR OF FACILITIES AND MAINTENANCE, BERING STRAIT SCHOOL DISTRICT, ANCHORAGE (via teleconference), relayed that like all rural school districts, BSSD had major maintenance needs. The district was able to keep up with regular maintenance fairly easily, but major maintenance had been getting more difficult. They had a capital projects account for years, but the account was quickly depleting and the situation was becoming dire.

He recalled that Mr. Ballard from YSD spoke about the tank farms and agreed that ensuring that the tank farms were up to date was crucial. He shared that BSSD owned 15 tank farm facilities and there were a couple of tank farms that needed to be replaced. The tank farm in Teller was built in 1967 and stored 48,000 gallons of fuel oil, which was the annual usage in Teller. The farm had always been on the district's major maintenance list, but the cost was prohibitive. One of the old tanks started seeping fuel, and BSSD had to build a new tank farm for \$2 million in Teller, another one for \$1.4 million in Wales, and clean up the fuel spill. He relayed that fuel spills and other disasters were more likely to occur when communities did not receive funding assistance.

Mr. Eckenweiler understood that the committee aimed to fund the top 20 projects on the CIP list, but if the committee could fund the top 20 projects, over 15 different school districts would be positively affected. He relayed that BSSD did not apply for many major maintenance projects, because it was unlikely to receive the funding.

[3:44:46 PM](#)

MADELINE AGUILLARD, SUPERINTENDENT, KUSPUK SCHOOL DISTRICT, ANIAK (via teleconference), encouraged the committee to increase the funding for major maintenance projects to \$60 million to impact the backlog of requests and to address the emergency repairs. She highlighted the need to complete the Sleetmute project at a recommended cost of \$1.6 million. She noted that the Kuspuk School District (KSD) was an REAA and was reliant on the state to build the initial schools in six of the district's seven villages and to maintain all of the facilities. Five of the six schools remained in use and the buildings were still owned by DEED. The Sleetmute school was number 23 on the major maintenance list, even though the district had submitted requests for funding for 17 years. Each year the project was delayed, the damage spread, the cost to repair the damage became greater, and the potential threat to students and staff increased. The deteriorating conditions of the schools were a pressing concern. The foundation damage was threatening the structural stability of the building, while the water damage had caused considerable deterioration and mold growth, impacting the health and safety of the students and staff. Following an on-site inspection in the fall of 2023 in which an engineering team was monitoring the foundation

and structural deterioration, school district administration received notice that significant portions of the school facility should not be occupied for any other use than light storage and to maintain the building until repairs could be made.

Ms. Aguiard added that Alaska needed to get creative about coordinating across agencies when talking about major maintenance, specifically for rural schools. Four years ago, the district secured an emergency construction grant of almost \$1 million through the Office of Impact Aid to supplement the Sleetmute school repair costs. The emergency application was developed and timed in anticipation of a runway airport project that was to be completed in Sleetmute, which the district recognized as a cost-saving opportunity since equipment and supplies would need to be barged up to Kuspuk and there would be a potential contractor in the village who could complete both projects simultaneously. However, the emergency amount awarded from Impact Aid required a match, and without a tax base, Kuspuk had been unable to generate a match without the state's assistance.

Ms. Aguiard relayed that 2024 was the final year of the runway airport project and the Impact Aid award would expire in March 2025. Still determined to provide a safe space, the district submitted a Capital Project Submission and Information System (CAPSIS) request for assistance with funding repairs for the school, which had been identified by the Sleetmute Traditional Council for use during emergency, crisis, and disaster situations. She emphasized that if Kuspuk was unable to secure the funding needed to complete the repairs, the Impact Aid funding would expire and the contractor would leave Sleetmute. After 17 years of asking for help and five years of meticulous planning to leverage all possible cost savings, it might be the last opportunity for this school to continue. An increase in funding for major maintenance projects to \$60 million would not only make an impact on the backlog of requests, but the funding would also address the emergency repairs needed to complete the Sleetmute project.

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CLAYTON HOLLAND, SUPERINTENDENT, KENAI PENINSULA BOROUGH SCHOOL DISTRICT, SOLDOTNA (via teleconference), expressed strong support for increased funding for the CIP priority

list. Specifically, he urged for an expansion beyond the 15 projects allocated for major maintenance to include additional projects. The Kenai Peninsula Borough School District (KPBSD) spanned an area of almost 26,000 square miles and included 42 schools and 17 communities. The situation was dire. The average age of school facilities was 48 years, and one structure in the district was 89 years old. The need for action was unmistakable. The district currently had over \$450 million in deferred maintenance costs. Without heightened efforts to replace aging schools, there would be an imminent crisis within the next decade.

Mr. Holland explained that aging facilities demanded extensive maintenance, which was a particularly daunting task given the vastness of the district. He noted that DEED recommended a strategic renewal and replacement schedule as prolonged repair efforts proved ineffective. The result of not receiving major maintenance funding was cascading deficiencies. Addressing Alaska's aging schools promptly preserved educational infrastructure and yielded ongoing operational cost reductions. Delaying funding now would lead to greater costs in the future. The emphasis needed to shift from renovation to new school construction for facilities older than 40 years. Investing in modern infrastructure now would yield long-term cost savings compared to prolonging the life of outdated buildings. The level of education that was needed in the state was not possible when the facilities were substandard or unsafe. He thought that if everyone worked together, the state could ensure that every student in Alaska had access to a safe, modern, and conducive learning environment.

Representative Hannan asked which building was 89 years old.

Mr. Holland responded that it was the Moose Pass School.

[3:53:13 PM](#)

ANDY DEGRAW, CHIEF OPERATIONS OFFICER, FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT, FAIRBANKS (via teleconference), testified in support of additional major maintenance funds. He explained that Fairbanks North Star Borough School District (FNSBSD) had 32 buildings totaling approximately 2.3 million square feet. The FY 25 major maintenance backlog was approximately \$250 million and the number was

expected to rise to approximately \$335 million in the six-year CIP plan in 2030. An increased investment in the capital budget on behalf of school districts would directly benefit the general fund budgets.

Mr. Degraw recalled that Representative Galvin had asked where the funding came from when districts needed to update systems, but could not obtain capital funding. Projects in Fairbanks cost hundreds of thousands of dollars every year, just in labor hours and the cost of parts. The cost would be even higher if utilities and inefficiencies of old buildings were considered. For example, a Phase 2 exterior renovation project might seem like a simple aesthetic upgrade of the exterior of a building; however, the project could involve replacing a roof, updating the exterior coating of the building, and replacing windows and doors. Such a project would increase the energy efficiency of that building, thus reducing the utility costs of the district.

Mr. Degraw explained that Fairbanks had anywhere from \$7 million to \$8 million in annual utility costs, and a small percent reduction in utility costs was significant. He appreciated the time and work of the committee.

[3:56:06 PM](#)

CSSB 187(FIN) am was HEARD and HELD in committee for further consideration.

Co-Chair Edgmon reviewed the agenda for the following day's meeting.

#

ADJOURNMENT

[3:56:38 PM](#)

The meeting was adjourned at 3:56 p.m.