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FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 228

FEB 03 1992

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: "An Act relating to reimbursement of school construction debt; and providing for an effective date." BRU: Educational Finance & Support Services  
 Sponsor: Kerttula Component: School Construction Debt Retirement  
 Requestor: House Hess COMPONENT SERIAL NO. 

1	5	3
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

\*It is impossible to predict the State liability in FY93 and beyond under SB 228.

Prepared By: James Tozer Phone: 465-2865  
 Division: EF&SS Date: 1/31/92  
 Approved by Commissioner: *Jerry Covey* Jerry Covey  
 Agency: Education Date: 1/31/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

# Alaska State Legislature

Sen. Jay Kerttula, Co-Chairman  
Sen. Pat Pourchot, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling

## Senate Finance Committee

*Jay - talk to Governor's office*

State Capitol  
Juneau, AK 99801-1182  
(907) 465-1200  
(907) 463-3066 Fax

Box 1009  
Palmer, AK 99645  
(907) 376-2675  
(907) 376-0315 Fax

### MEMORANDUM

**TO:** Senator Arliss Sturgulewski  
Chair, Senate HESS Committee

**FROM:** Senator Jay Kerttula *Jay*

**SUBJECT:** Senate Bill 228, school construction debt reimbursement

**DATE:** March 24, 1992

I would appreciate it if you would schedule Senate Bill 228 for hearing.

Thank you for your consideration of this request.

JK:pt

*MJ*  
*W. K. Uehling*

Basic school construction  
Phase re-opening lighting classrooms.

# Alaska State Legislature

Sen. Jay Kerttula, Co-Chairman  
Sen. Pat Pourchot, Co-Chairman

State Capitol  
Juneau, AK 99801-1182  
(907) 465-1200  
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Sen. Al Adams  
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Sen. Dick Shultz  
Sen. Rick Uehling

## Senate Finance Committee

Box 1009  
Palmer, AK 99645  
(907) 376-2675  
(907) 376-0315 Fax

### MEMORANDUM

TO: Senator Arliss Sturgurewski 

FROM: Senator Jay Kerttula 

SUBJECT: Senate Bill 228 and Senate Bill 354

DATE: March 16, 1992

I understand that some members of the committee are interested in having a presentation by an independent party on the State of Alaska's bond rating and the potential effects which would be created by passage of Senate Bill 228 and Senate Bill 354.

With this in mind, I would like to request that another hearing be held on these bills to enable the committee to hear the viewpoints of those who have expertise in the area. I would be happy to provide the names of some individuals who may be available.

Thank you for your consideration of this request.

JK:pt

*y needed.*



# Alaska State Legislature

Official Business

SPONSOR STATEMENT

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

## SENATE BILL 228

by

Senator Jay Kerttula

Senate Bill 228 would reinstate debt reimbursement for school construction bonded indebtedness at the 70% level for bonds issued after March 1990. Currently, the statutes provide for reimbursement for past school construction debt but there is no provision for future school construction debt; rather, there is the new program established by the legislature in 1988 by House Bill 37.

In 1990, House Bill 37 passed the legislature and was signed into law by the Governor. The purpose of this legislation was to provide a new approach to school construction which would avoid school districts' increasing their bonded indebtedness under a state umbrella.

Due to the high level of need in the rural areas to meet the health and safety priority, and given the reduced level of available funding, the needs of the urban areas, especially the problem of unhoused students, remains unresolved and

is reaching critical proportions as school enrollment increases.

Simply put, since the priority needs of the urban schools are dropped down on the priority list and given declining revenues, the urban schools are not receiving funds; the current mechanism put into place by House Bill 37 does not reach far enough to meet the needs of urban school districts

For example, in 1989 and 1990, Anchorage received no state funds for school construction; they need to bring existing schools up to standard. Schools in South Anchorage and Eagle River-Chugiak are over capacity and new elementary and junior high schools are being proposed. Schools in the Mat-Su Borough are also at capacity and the area is experiencing population growth. The Fairbanks school district anticipates that it will need \$100 million for school construction over the next ten years.

The current school construction funding mechanism also needs to provide an opportunity for local governments to initiate and cooperatively build schools for unhoused students.

*HENRI*

**ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA**

Testimony Related to Senate Bill No. 228  
Given by Janet Stokesbary, Director of Finance & Accounting  
Friday, February 21, 1992

My name is Janet Stokesbary. I am representing the Anchorage School District.

The Anchorage School District supports Senate Bill 228. Reinstatement of the State reimbursement program for principal and interest on school bonds and local cash payments for school construction, additions to schools and major rehabilitation projects is one of the Anchorage School District's legislative priorities. We would prefer reimbursement at 80 percent but will definitely support 70 percent.

The Anchorage School District anticipates needing available controllable source of funding at the local level. Local decision making and options which are decided on an annual basis as needs are identified, justified and prioritized is best implemented through issuance of municipal bonds as needed.

The Anchorage School District does not receive adequate funding currently under House Bill 37. In FY 92-93 the Department of Education's prioritized list provides the District approximately \$103 million out of a \$642 million project list. This is only 16 percent of the total dollars; whereas, the Anchorage School District serves about 40 percent of the students in the State. Anchorage School District's first project is ranked 46th - \$187 million would need to be appropriated before the District will get its first project of \$1.2 million (Turnagain Elementary School Addition).

The Anchorage School District currently has \$415.5 million of priority needs. They include:

\$ 10.5 Million	Health/Life Safety
\$159.5 Million	Unhoused Students
\$ 13.5 Million	Protection of Structure
\$ 17.7 Million	Code Upgrades
\$202.0 Million	Functional Upgrades
\$ 12.3 Million	Technology Upgrades

A retrofit study recently completed by the District identified \$400-\$500 million of renovation and upgrades are needed to bring existing facilities into parity with current models.

The District anticipates selling \$50-\$100 million per year. The Anchorage School District is conservative when presenting bond propositions before the voters. Buildings are at over capacity before recommended for additions.

The Anchorage School District currently has \$203 million of outstanding debt which will be paid in full in year 2012. Current debt service schedule includes:

5 years	approx. \$33 million/year	\$18-\$24 million/year principal
3 years	approx. \$20 million/year	\$15 million/year principal
2 years	approx. \$10-\$12 million/year	\$7-\$8 million/year principal
4 years	approx. \$6 million/year	\$4-\$5 million/year principal
7 years	approx. \$2 million/year	\$1.5-\$2 million/year principal

The current debt includes \$20 million approved by voters in October 1991 and sold in January 1992 which is currently not eligible for reimbursement by the State.

With the passage of Senate Bill 228 which provides 70 percent reimbursement for bonds approved by the voters after March 30, 1990, the Anchorage School District would be reimbursed 70 percent of the principal and interest on the proposition approved in October 1991. In FY 92-93 the District would receive \$1.1 million, or 70 percent of the \$1.6 million debt service payment.

In summary, the Anchorage School District supports Senate Bill 228 and encourages approval of this Bill. Thank you.



# ANCHORAGE SCHOOL DISTRICT

4800 DeBarr Avenue  
P.O. Box 198614  
Anchorage, Alaska 99519-6614  
AREA CODE (907) 333-9561  
FAX (907) 333-3322

## TELECOPY COVER SHEET

**SCHOOL BOARD**

Darryl Jordan  
President

Carol Stolpe  
Vice President

Walter Peathery  
Clerk

Carol Christensen  
Treasurer

Dorothy Cox

Theresa Nangle Obermeyer

Sharon Richards  
Past President

**SUPERINTENDENT**

Thomas C. O'Rourke

**DATE** March 2, 1992

**TO:** Senator Arlis Sturgulewski

**FROM:** Janet Stokesbary, Director, Finance & Accounting

Telecopy consists of 3 pages, including this cover sheet. If there is any problem with the transmission of this material, please contact Cathy at 269-2301 or fax # 333-3322.



## KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669

PHONE (907) 262-4441

February 25, 1992

DON GILMAN  
MAYOR

The Honorable Jalmar Kerttula  
PO Box V  
Juneau, AK 99811

FEB 28 1992

Dear Senator <sup>Jalmar</sup> Kerttula:

This letter is written to reiterate our recent discussion concerning the public school building and renovation program. As we both know, the public school facility needs for elementary and secondary education are going to continue to grow. The past program, while providing the mechanism for state and local partnership in funding the construction of schools, left something to be desired because abuses of the system were too easy. Too many 'other' facilities were built in the guise of schools such as swimming pools, auditoriums, community centers, etc. As a result, the school system now has to provide not only basic education but community recreation, community schools, and a myriad of other items which are drains on the resources of the school operating funds.

The repeal of the reimbursement program accomplished a couple of objectives: it stopped the growth of State obligation for local school bonds, and it helped to illustrate the major rebuilding and refurbishing needs of the rural Alaska school system. It did not result in a solution for the growing school construction needs of the major population areas of the state, including the Mat-Su Borough and the Kenai Peninsula Borough.

I would like to offer some suggestions as a way of spurring discussion and possibly new legislation to address this topic. In order to provide a system for construction of schools in the state of Alaska we must:

1. Assume and accept the premise that for a long time in the future we are going to have a dual school system in this state whether we like it or not. As a result, the State will have to continue funding 100% of those needs.

2/25/92

Page 2

2. Mandate that the State Department of Education define a basic school for the purposes of state participation in construction. The basic school design could even be a prototype design which could be used in many school districts throughout the state. Costs incurred by deviating from the basic school design would have to be borne by the local community.

3. Set a provision for participation in financing the basic school. From 1971 to 1976 school bonds were reimbursed on an up to 50% basis. In 1981 up to 100% reimbursement was provided by statute. Somewhere between 50% and 80% of construction costs should be provided in any new program. I recommend a 70%-30% split, but that is arbitrary and mechanical. In any event, the local community should not have to borrow the State's percentage of the construction cost.

4. Create a mechanism for the State to finance its share of the funds for construction. I believe that State G.O. bonds could be authorized by the voters and issued at the time the construction was ready to go forward and only after the community had provided evidence that its financing was in place. The municipal bond bank could be used to coordinate the funding.

There are a number of reasons why it is good public policy for local funds to be required to finance school construction. Usually the community will maintain a facility for which it has to pay. Users of the facility will be responsible for paying for the facility. However, I believe that the most compelling reason is to curb the tendency to build monolithic edifices to architects.

Jay, my staff and I stand ready to assist in any way we can. I believe that funds for all state programs and projects are going to be nearly non-existent after this year. We must prepare a way to continue to have adequate educational facilities in the future. My grandchildren deserve no less.

Sincerely,



Don Gilman

Kenai Peninsula Borough Mayor

DG:lc



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE  
ANCHORAGE, ALASKA 99503  
(907) 274-0536  
FAX (907) 274-0551

## JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302  
JUNEAU, ALASKA 99801  
(907) 586-3090  
FAX (907) 586-2744

## FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701  
(907) 456-4435  
FAX (907) 456-2159

May 3, 1991

To: **Senator Sturgulewski, Chair**  
**Members, Senate HESS Committee**

MAY 3 1991

Re: **SB 228; "An Act relating to reimbursement of school construction debt; and providing for an effective date."**

NEA-Alaska supports and encourages your favorable consideration of SB 228.

We did support the theory and principle of HB 37 in that it makes sense to have an orderly system for the management of public school capital improvement projects. However, it has become apparent that HB 37 may not be effectively serving the broad based need which is inherent in public education in Alaska.

While health and safety concerns are of critical importance as they pertain to public school facilities and must be given priority consideration the simple fact that we have unhoused students must receive equal priority. The problem of unhoused students is compounded by the reality that student enrollment is increasing and is already a serious strain on limited facilities in many parts of the state.

Unless there is an immediate commitment to reach much further down the capital improvement *needs* lists which have been produced as a result of HB 37, it is critical that SB 228 be passed so that communities can begin the process of meeting their own critical needs for additional classroom space.

Thank you for your consideration of our position. We urge your support.

Respectfully submitted,

Bob Manners  
Executive Director

Don Oberg  
President

cc: **Senator Kerttula**

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April 11, 1991

The Honorable Jalmar Kerttula  
Co-Chair, Senate Finance Committee  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

Dear Senator Kerttula:

As you are aware, the Matanuska-Susitna Borough School District has recognized that the traditional school setting for all students is not effective. For four and one-half years, we have supported and expanded an alternative school structure to increase our ability to assist young adults to successfully complete high school and feel good about themselves as learners.

This program has been housed in a different building almost every year. This last year they were in the new Colony High School. This building will be opened as a traditional comprehensive high school next year, and will therefore not facilitate the separate identity necessary for an alternative setting.

We are looking at a facility to permanently house this program and demonstrate our commitment to this important educational option.

Based upon an increased student population of one hundred students, and allowing for further growth to one hundred fifty students and the space needs for an on-site day care facility, approximately 5,000 square feet of building capacity is necessary. We estimate

SENATOR JALMAR KERTTULA  
APRIL 11, 1991  
PAGE 2

COPY

that a building of this size would cost approximately \$500,000. Any support that could be provided to obtain a permanent facility for the Alternative School would be greatly appreciated.

Please do understand that it is our responsibility to submit this request as a serious District need, and that we also appreciate the magnitude of requests that your office receives.

Sincerely,

Martin Laster, Ph.D.  
Assistant Superintendent of  
Finance and Public Relations

cc Dr. Ell B. Sorenson, Superintendent



## Matanuska-Susitna Borough School District

125 WEST EVERGREEN — PALMER, ALASKA 99645 — (907) 746-9200

Dr. Ell B. Soranson, Superintendent

November 7, 1990

COPY

The Honorable Dorothy Jones  
Mayor  
Matanuska-Susitna Borough  
P.O. Box 1608  
Palmer, AK 99645

RE: Advance planning for schools.

Dear Mayor Jones:

Continued enrollment increases at many of the District schools suggest that advance planning for new school facilities should be implemented. The advance planning should include site selection and bonding preparations for two (2) elementary schools and one middle school.

The District's annual enrollment averages over the last twenty (20) years indicates the student enrollments have increased at 7.82% a year. (See Attachment A) It is anticipated that this growth will continue because of the Borough's popularity as a place to live.

A review of the latest enrollment report (Attachment B) indicates that all three of the middle schools are either at capacity or exceed their design capacity. In addition, the enrollments at Snowshoe Elementary, Tanaina Elementary, Pioneer Peak Elementary, and Big Lake Elementary exceed their design capacity of 500 students. Several other elementary schools including Iditarod Elementary, Swanson Elementary, and Cottonwood Creek Elementary are rapidly approaching their design capacities.

The completion of Knik Elementary School in 1992 will bring temporary relief to Tanaina Elementary and Snowshoe Elementary; as well as Big Lake and Iditarod.

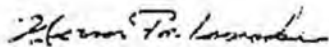
For these reasons and in keeping with Borough Code 19-08.020 it is recommended that the Mayor appoint a School Site Selection

Honorable Mayor Jones  
November 7, 1990  
Page 2

COPY

Committee to begin the process of determining District needs for new school sites. This recommendation becomes particularly relevant when it is remembered that the building of a new school can take three years from the time it is approved by the Assembly and a bond is approved. The District is anticipating that some schools may have to go to split sessions as early as the 1992-93 school year.

Sincerely,



Norm Palenske  
Associate Superintendent

fc  
enc. Attachment A  
Attachment B

MAFAN'SKA-SUSITNA BOROUGH SCHOOL DISTRICT  
 TWENTY-YEAR ENROLLMENT AVERAGES  
 AND THREE YEAR PROJECTION  
 DISTRICT-WIDE

COPY

END OF YEAR FIGURES:

YEAR	ENROLLMENT	PERCENT INCREASE OR (DECREASE)	THREE-YEAR PERCENT INCREASE OR (DECREASE)	HIGH AVERAGE PROJECTION	AVERAGE PROJECTION	LOW AVERAGE PROJECTION
1970-71	2,157.92					
1971-72	2,298.88	6.53%				
1972-73	2,389.87	3.96%				
1973-74	2,496.91	4.48%	4.99%			
1974-75	2,700.71	8.16%				
1975-76	3,054.86	13.11%				
1976-77	3,472.87	13.68%	11.65%			
1977-78	3,854.44	10.99%				
1978-79	3,775.38	-2.05%				
1979-80	4,332.86	14.77%	7.90%			
1980-81	4,421.94	-2.06%				
1981-82	4,753.77	7.50%				
1982-83	5,774.32	21.47%	10.34%			
1983-84	6,991.45	21.08%				
1984-85	8,049.92	15.14%				
1985-86	8,454.83	5.03%	13.75%			
1986-87	8,450.86	-0.05%				
1987-88	8,252.39	-2.35%				
1988-89	8,192.35	-0.73%	-1.04%			
1989-90	8,764.31	6.98%				
1990-91*	9,350.00	6.68%	6.83%			
DISTRICT AVERAGE		7.82%	7.78%	10.91%	7.82%	3.59%
PROJECTED ENROLLMENT:						
1991-92				10,370.22	10,081.39	9,686.00
1992-93				11,501.76	10,870.00	10,034.08
1993-94				12,756.76	11,720.29	10,394.67

\*USED 9/21/90 ENROLLMENT FIGURES

RESOLUTION NO. 1

STATE FUNDING FOR NEW SCHOOL CONSTRUCTION

WHEREAS, the student population in many Alaskan school districts is increasing dramatically; and

WHEREAS, many school districts are facing serious overcrowding problems which only additional classroom space can alleviate; and

WHEREAS, overcrowded classrooms are detrimental to the educational process and counter-productive to the goal of reducing class size whenever possible; and

WHEREAS, last year, only 10 out of 145 projects on the statewide Capital Improvement Plan (CIP) list were funded, none of which addressed unhoused students; and

WHEREAS, the current method of funding school capital improvement projects is not meeting the need for new school construction around the state;

NOW THEREFORE BE IT RESOLVED that the Big Lake Chamber of Commerce, the Greater Wasilla Chamber of Commerce and the Greater Palmer Chamber of Commerce all urge the Alaska State Legislature and the Governor to resolve the urgent need for additional classroom space by returning to the concept of sharing local municipal bonding costs.

**RATIONALE:** The State is not allocating enough funds for the construction and renovation of schools in Alaska. Local boroughs and municipalities must pay 100% of the costs unless they manage to be at the top of the DOE CIP list. Ideally the legislature will adopt new guidelines for facilities with particular emphasis on unhoused students in portable classrooms and ensure the provisions do not penalize districts based on square footage. Instead the State should apply standards based on the number of necessary classrooms to house the programs or revert to a percentage of funding of individual district-identified needs, as existed prior to the implementation of House Bill 37.

## Fairbanks North Star Borough School District

### WHY WE NEED AN ADDITION AT TANANA JR. HIGH AND A NEW ELEMENTARY SCHOOL

April 1991

WE DO NOT HAVE ENOUGH CLASSROOMS IN FAIRBANKS AREA SCHOOLS to meet current student enrollment needs, much less future growth. In the Fairbanks area (defined as the Lathrop/West Valley attendance area), elementary and high schools are already at capacity and junior high schools are over capacity. For 40 years our district has experienced steady growth and every indication is that this trend will continue. Conservative enrollment projections for the next 5-10 years estimate a 2 percent annual increase. By the year 2000, we will need classroom space for an additional 3071 "unhoused students."

IN FAIRBANKS AREA SCHOOLS (Not Eielson, Ft. Wainwright or No. Pole)...

- ▶ We currently have classroom space for 8,538 students.
- ▶ Our 1990-91 K-12 enrollment totals 8,568 students.
- ▶ In 5 years, we estimate needing space for 9,285 students.
- ▶ By the year 2000, we will need space for 11,609 students.
- ▶ It takes 2-3 years after funding is approved to build a prototypical elem. school.

IN OUR CIP REQUEST FOR THIS YEAR ARE TWO VITAL PROJECTS to begin addressing this problem:

- ▶ An addition at Tanana Jr. High (\$3.95 million)
- ▶ A new north Fairbanks elementary school (\$14.3 million)

UNFORTUNATELY, LOCAL COMMUNITIES CAN NO LONGER DETERMINE LOCAL SCHOOL CONSTRUCTION NEEDS.

Prior to passage of House Bill 37 last year, the state would reimburse local communities up to 80% of the cost of voter-approved school construction bonds. Now, Fairbanks projects must compete on a statewide CIP priority list determined by the Department of Education. The amount of money appropriated to the school construction fund determines whether or not our school projects will get built.

The Tanana addition is ranked #30 on the statewide CIP list and the new elementary school is ranked #33. Governor Hickel has proposed spending only \$25 million on new school construction, which would fund only the first seven projects on the statewide CIP list. Approximately \$108 million dollars would have to be appropriated to the statewide school construction fund before our two projects would get funded.

In addition, the first 20 projects on the state CIP list are considered Priority 1, Health and Life/Safety Projects. Priority 2 projects are "unhoused students." The addition at Tanana and the new elementary school are Priority Type 2 projects. There are nine Priority 2 projects ahead of ours.

GIVEN THE MAGNITUDE OF THE PROBLEM, why aren't our Fairbanks projects at least on the top of the Priority Type 2 projects? Good question. The Department of Education decided to rank projects according to the *percent* of unhoused students, not the *number* of unhoused students. Therefore, while we may have the greatest number of unhoused students, it represents a smaller percent of our enrollment than in a small or single site school district. Priority 2 projects ahead of ours are for the following schools with their enrollment according to DOE's 1990 Alaska Education Directory: Selawik (127), Slana (18), Edna Bay (17), Hooper Bay (223), Kasaan (11), Port Protection (9), Craig (256), Gambell (160) and Aniak (181).

EVERY YEAR, SCHOOL DISTRICTS IN ALASKA HAVE MORE STUDENTS TO EDUCATE. The legislature acknowledges this fact by approving supplemental operating funds to help educate increased numbers of students. Legislators should also realize that with more students to educate, districts that did not over build in the 1970's and 80's now need more classrooms. We understand the desire to hold the line on state spending but we cannot reduce the number of students we have to educate. These students are here now and more are coming on their heels. We need classrooms for them. WE NEED AN ADDITION AT TANANA AND A NEW ELEMENTARY SCHOOL FUNDED THIS YEAR.

# Bills would retool school funding system

By ED SCHOENFELD

THE ALASKAN NEWS

A new system for state funding of school construction and repair projects is already coming under attack in the Legislature, although it has yet to hand out its first check.

Bills sponsored by Sen. Jay Kerttula, D-Palmer, and Rep. Pat Carney, D-Wasilla, would return Alaska to the funding system dropped a year ago, when most public school construction work was partially reimbursed by the state Department of Education.

Under the old system, the state would reimburse districts for up to 80 percent of most school bond issues. But opponents of the program said the state lacked control over school construction, even though it got stuck with the bills.

A new system was adopted during last year's legislative session. Under the new program, school districts and rural schools submit their funding requests to the Education Department, which ranks them by need and each year asks the governor and

The problem is that this year's school projects list is huge. It includes 145 items at a total cost of about \$295 million, from a new elementary school at Emmonak near the mouth of the Yukon River to playground improvements in Ketchikan.

Legislature for enough money to cover the top-priority projects.

Instead of partial reimbursement, the top-priority projects would receive full state grant funding. School projects not near the top of the list would get nothing — but the chance to try again in a year.

According to Carney, the new system isn't working.

"When House Bill 37 passed last year, it was supposed to take politics out of funding schools. Some of us said that wouldn't happen, and as it turned out that didn't happen," Carney said Monday.

The problem is that this year's school projects list is huge. It includes 145 items at a total cost of

about \$295 million, from a new elementary school at Emmonak near the mouth of the Yukon River to playground improvements in Ketchikan.

There are 20 top-priority projects that address basic health, safety and student housing needs. It would take almost \$60 million to fully pay for those projects. Gov. Walter J. Hickel, however, is proposing only \$25 million, said Cheryl Frasca, budget review director in the governor's Office of Management and Budget.

That amount would cover only the first seven projects.

The House and Senate have apparently not decided how much they want to put into the top-priority pro-

jects this year.

All but a few of the top projects are in rural areas — many from small schools with little or no local tax base to help fund construction or repairs.

The top-ranked Juneau project — renovation of unfinished space at Auke Bay Elementary School into classrooms — is 14th on the list.

Carney said the system isn't fair to larger communities.

"It leaves communities who tax themselves and bond themselves at higher and higher risk of taxing themselves more and more," he said.

Legislation proposed by Carney, House Bill 290, and by Kerttula, Senate Bills 137 and 228, would drop the priority-list system and reinstitute the old system of state reimbursement for most school bond costs.

Passage of either measure this year appears unlikely, although Carney said he has hopes for next year.

Under Kerttula and Carney's bills, the reimbursement level would

Please turn to Schools, Page 8

## Schools...

Continued from Page 1  
be dropped from the old 80 percent down to 70 percent.

Critics of the old system said it was bad public policy because any community could issue bonds and obligate the state to help pay off the debt.

Carney disagreed. "I don't think that was the problem at all. There was control. The state Department of Education had to approve the bonds."

School districts across the state are concerned about whether the new priority-list program will work, but there is no unified position in favor of returning to the old program, said Carl Rose, Association of Alaska School Boards executive director.

The association supported the new system last year because it seemed more equitable and promised full funding for the most needed projects, not those from districts with the most political clout, Rose said.

"It was an effort to do a comprehensive review of the future projects and provide a system that would pri-

oritize," he said. "That all made a lot of sense to a lot of people.

"There's a good reason to try to get the system to operate but it needs a lot of trust and faith," Rose said. "I think trust and faith are right now in pretty short supply."

And that worries school officials in larger communities, including Juneau, who are looking toward new construction to cope with increasing enrollment.

"They simply have to come up with a better system," said Juneau school board president Charlotte Richards.

Steve Hole, acting Education Department commissioner, said the new system is good policy because it grants money on a more objective basis. "I think the list in this process is pretty much immune to politics, so from my perspective the system has worked pretty much as expected," he said.

The system needs time to work, although concerns about funding are legitimate, Hole said.

"The vitality of this system over the long term will be determined by the willingness of the Legislature

and the governor to fund as many of those Category 1 (top priority) schools as possible," he said.

On that point, Carney agreed. "I think the problem is the state has not been willing to commit enough of its resources to education," he said.

During recent discussion of Carney's bill, another solution was proposed — leaving the new system in place while also selling state bonds to come up with enough money to cover the top-priority projects, the representative said.

That would clear the deck of long-needed rural school projects and allow larger districts to get into the running for funding, he said.

Carney's bill has cleared the House Community and Regional Affairs Committee and is due for a hearing before the body's Health, Education and Social Services Committee next week, where the bond sale idea may be discussed further, he said.

Kerttula's bill is in the Senate Health, Education and Social Services Committee.

Kerttula did not return several phone calls made over the past week.

# Budget irks schools

## Cash woes split rural, city factions

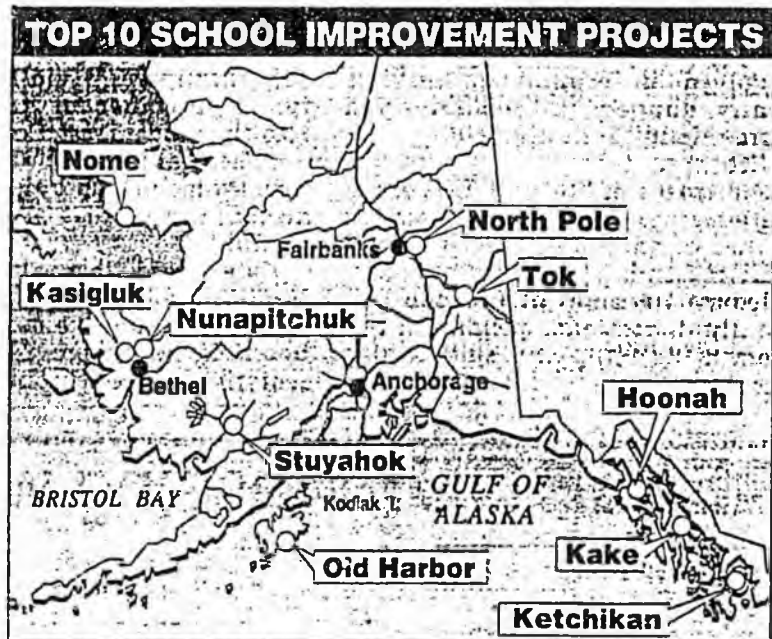
By PETER BLUMBERG  
Daily News reporter

Urban and rural school districts have begun their annual ritual of fighting over who is treated worse when it comes to state funding for school construction projects.

This year, it is the urban districts — feeling cheated because none of their construction proposals has qualified for funding — that are pushing for a legislative overhaul of the funding process.

But educators and politicians on both sides of the issue say more equity will only go so far without more money. The real problem, they say, is that the state's commitment to funding new construction projects has shrunk from several hundred million dollars a few years ago to a budget of \$22 million proposed by Gov.

Please see Page B-2, **SCHOOLS**



Projects ranked by priority, FY 1993

School	Rank	Amount (In thousands of dollars)
Kasigluk / Akluk	#1	\$6,913.0
Ketchikan	#2	\$14,623.7
Nome	#3	\$885.0
Nunapitchuk	#4	\$2,500.0
Old Harbor	#5	\$525.0
Hoonah	#6	\$1,738.2
North Pole	#7	\$12,110.9
Tok	#8	\$13,232.0
Kake	#9	\$1,482.0
Stuyahok	#10	\$726.5

Source: Alaska Department of Education

RON ENGSTROM / Anchorage Daily News

# SCHOOLS: State's educators say budget too weak to serve needs

Continued from Page B-1

Wally Hickel for the coming year.

"It's not working because there's no money going into the program," said Tom Ryan, superintendent of the Aleutian East Borough School District. "No school construction program in this state will work unless the state puts in at least \$100 million a year. That's how much need there is."

"The problem is not really urban vs. rural," said Scott Burgess, executive director of the Alaska Municipal League. "Presumably, all things being equal the existing grant program ought to work fine if the legislature would only fund it adequately."

Burgess' group, representing municipalities throughout the state, has urged the legislature to spend at least \$600 million next year on school construction.

Rep. Mark Boyer, D-Fairbanks, has gone even further, proposing a statewide ballot for voters to authorize \$750 million in construction bonds.

Ryan, Burgess, Boyer and others say they feel betrayed because the funding scheme for school capital projects adopted in 1990 by the legislature was supposed to guarantee the construction of badly needed schools across Alaska.

But as the budget proposed by Hickel currently stands, next year the state will pay for only two projects in all of Alaska's 54 school districts: \$14.6 million for a new school in Ketchikan and \$6.9 million for a new school in Kasigluk in the Lower Kuskokwim School District. Those projects ranked first and second on a priority list of 200 proposals compiled by the state Department of Education.

The priority list ranks project proposals according to seven criteria, giving highest preference to construction that addresses health and safety concerns.

The priority list grew out of a 1990 legislative measure. House Bill 37 was intended to harness the runaway growth of state debt stemming from bonds

floated by school districts. In the last year before the priority list took effect, districts independently bonded for nearly \$1 billion in new construction debt.

In return for letting the Department of Education choose which projects to fund, the law provided districts with a commitment for 100 percent state reimbursement on bond payments. The reimbursement had previously fluctuated between about 70 and 80 percent, with the final amount determined through political wrangling late each legislative session.

Now, the state's three largest school districts — Juneau, Fairbanks and Anchorage — are convinced the priority list works against their interests because none of their projects has ranked high enough in the last two years to receive funding.

They contend that rural districts will consistently come out ahead as long as repairs to dilapidated buildings that pose "imminent danger" to occupants are given higher priority than building new schools to relieve overcrowding.

"It irritates me that we have 40 percent of the students in the state and we don't get any money out of this," Anchorage School Dis-

trict Superintendent Thomas O'Rourke said.

To provide relief, the urban districts argue it's necessary to reinstate the debt reimbursement scheme as it existed before HB 37 — even while leaving the new law in place. That would allow rural districts to continue benefiting from the priority list while freeing the urban districts to obtain some reimbursement, if not quite 80 percent, for projects financed with municipal bonds.

In varying tones of urgency, the Alaska Municipal League, the Alaska Council of School Administrators and the Association of Alaska School Boards have endorsed restoring the reimbursement scheme at least as an option. And Sen. Jalmar Kerttula, D-Palmer, already introduced legislation to that effect earlier this year.

Sen. Pat Pourchot, D-Anchorage, said the issue will be a hot topic of debate when the legislature convenes in January. But he said it's highly unlikely lawmakers will want to boost capital funding for schools higher than \$35 million for the coming year.

"I could see us limping along on this for a while because it's so divisive," he said.

## SPENDING ENOUGH, OR TOO MUCH?

# Focusing on education

**T**HIS IS NATIONAL Education week, a good time to consider Anchorage's school budget needs. Education regularly tops the list of answers when pollsters ask what's wrong with our country, or what needs more attention.

There is a sense of pending crisis in the classrooms of our nation and our state.

The questions are many; the answers few. But the biggest question of all, and the hardest one to answer, is: Should we be spending more money on education? And if so, from where does the money come? For the second year in a row the Anchorage School District didn't get any capital funds from the state for school construction.

The reason is a bill that passed the Legislature in January 1990 which changed the way capital school projects are funded. There was good reason for the bill, which, according to its sponsor Rep. C.E. Swackhammer, D-Soldotna, was supposed to "take the politics out of school funding."

Prior to Rep. Swackhammer's bill, school districts could bond capital projects with voter approval and the state would foot the bill, sometimes up to 80 percent. Then the state realized it had a debt of something like a billion dollars and debt service of around \$130 million annually. And it was growing while oil — accounting for roughly 85 percent of the state budget — was declining.

**SWACKHAMMER'S** bill provides some needed local accountability. However, when capital project requests are ranked now according to the new formula, urban schools get dropped down the list. And with shrinking state funds, "down the list" means not getting funded.

This is something that needs to be examined in the coming legislative session. While it may not be smart to return to the old way of funding school capital projects, the new formula appears to need modification to achieve equity between rural and urban schools.

Aside from building new schools, are we spending enough money in the classrooms that already exist? And what about sorely needed maintenance on existing structures? The district says it's going to need another \$14 million next year to meet rising costs for teacher contracts and an expected increase of 1,700 students. To meet part of the shortfall, the district is asking the state to increase the formula of the State Public School Foundation Program from \$60,000 per classroom to \$66,000.

**BEFORE WE** send our local senators and representatives off to Juneau in January, Anchorage residents must ask themselves how much of a priority education is. More important, parents need to ask themselves if Alaska's education dollars are being well spent.

There are no easy answers, but working collectively — involving businesses, PTAs, educators, students and parents — Anchorage can reach a consensus and instruct our legislative representatives accordingly.

At a time when all state spending must undergo strict scrutiny, and all programs reevaluated, it is essential that the Anchorage legislative delegation know with confidence the priorities of their constituents. Projects and programs that impact the quality of education in our community deserve particular close attention.