

SCOMM

111:3

ALASKA STATE LEGISLATURE

News From The Senate and House Majorities

State Capitol
Juneau, AK 99801

Ken Freeman (907) 465-3804
Wendy Lindskoog (907) 465-4582

Actuality line: 1-800-478-6540

web site: <http://www.akrepublicans.org>

Deferred Maintenance Task Force Scheduled to Begin Work

For Immediate Release: May 5, 1997

Contact: Rep. Eldon Mulder (907) 465-2647

JUNEAU - The Deferred Maintenance Task Force will hold its first meeting to begin addressing Alaska's deferred maintenance needs. The meeting will take place at 9:00 a.m. Tuesday, May 6, 1997 in the Butrovich Room of the State Capitol Building - Room 205.

The task force was created by House Concurrent Resolution 8, sponsored by House Speaker Gail Phillips. The Task Force will be Co-Chaired by Representative Eldon Mulder and Senator Tim Kelly. Rep. Mulder will preside over Tuesday's meeting.

The Task Force will hear presentations from the University of Alaska, State Court System, Department of Education, and Department of Transportation and Public Facilities. The agencies have been asked to summarize the state of the buildings, roads, docks and other parts of Alaska's infrastructure as well as the current need for maintenance of those facilities.

In addition to the presentations, the Task Force will discuss the process it will use to develop recommendations for addressing the deferred maintenance needs it identifies.

"We need to focus on the needs of existing buildings. Our intention is to address leaking roofs, docks that are rotting, and structures that are marginally safe for occupancy," said Speaker Gail Phillips.

Phillips said the Task Force will be looking at University buildings, school buildings, National Guard buildings, docks, roads, and airports. She said the task force will make site visits throughout Alaska. "We need to see the problems and hear from citizens the suggestions they have for identifying and funding deferred maintenance needs," said Phillips.

"Part of our goal is to develop a process that will keep deferred maintenance from becoming a recurring problem," said Co-Chair Eldon Mulder. "This means that our real charge is not only developing a process that will identify, prioritize, and fund our current needs, but to prevent the need for another Task Force like this in the future."

The Task Force on Deferred Maintenance will:

- review and evaluate existing reports and publications about past deferred maintenance recommendations
- identify and evaluate all current and deferred maintenance needs
- solicit public comments on addressing the deferred maintenance problem
- submit a report of its findings and recommendations, including a plan for funding, by the convening of the 1998 Legislative Session.

The Task Force Members are Representatives Eldon Mulder, Co-Chair, Kim Elton, Richard Foster, Jeannette James, and Beverly Masek; and Senators Tim Kelly, Co-Chair, Loren Leman, Georgianna Lincoln, Robin Taylor, and Gary Wilken. House Speaker Gail Phillips and Senate President Mike Miller will also serve on the Task Force.

Deferred Maintenance Task Force Scheduled to begin Work

The Deferred Maintenance Task Force created by House Concurrent Resolution 8 Sponsored by Speaker Gail Phillips will hold its first meeting at 9:00 AM on Tuesday, May 6, 1997. The Task Force will meet in room 205 of the State Capitol Building, the Butrovich Room. The Task Force will be co-chaired by Representative Eldon Mulder and Senator Tim Kelly.

The Committee will hear presentations from the University of Alaska, the Court System, the Department of Education, and the Department of Transportation and Public Facilities. The agencies have been asked to summarize the state of the buildings, roads, docks and other parts of our infrastructure and the current need for maintenance of those facilities. In addition to the presentations, the Task Force will discuss the process it will use to develop recommendations to address the deferred maintenance needs it identifies.

"We need to focus on the needs of existing buildings. Our intention is to address leaking roofs, docks that are rotting, structured that are marginally safe for occupancy. We are not going to be looking at a sky walk between the Capitol Building and the Diamond Court House," said Co-Chair Eldon Mulder. "The Task Force will be looking at University buildings, school buildings, National Guard buildings, docks, roads, airports. It will require us to make site visits through out Alaska. We will need to see the problems and hear from citizen suggestions they have for identifying and funding the deferred maintenance needs."

"Part of our concern is to put in place a process that will help avoid deferred maintenance becoming a recurring problem," stated Mulder. "This means that our real charge is not only developing a process that will identify, prioritize, and fund our current needs. Our ultimate objective is to prevent the need for another Task Force like this in the future."

The Task Force on Deferred Maintenance will:

- review and evaluate existing reports and publications about deferred maintenance recommendations previously made
- identify and evaluate all current and deferred maintenance needs
- solicit public comments on addressing deferred maintenance
- submit a report of its findings and recommendations, including a plan for funding, by the convening of the 1998 Legislative Session.

The Task Force Members are Representatives Eldon Mulder, Co-Chair, Kim Elton, Richard Foster, Jeannette James, and Beverly Masek; and Senators Tim Kelly, Co-Chair, Loren Leman, Georgianna Lincoln, Robin Taylor, and Gary Wilken. House Speaker Gail Phillips and Senate President Mike Miller will also serve on the Task Force.

out beyond the Potomac that they had cut taxes for the poor, for the rich, for the in-between, for students, for one and all.

What they didn't do was make it simple.

In fact, they made things worse.

The new changes — hailed to high heaven by those who breathe the heady air of Washington — further complicate the business of filling out tax returns. Instead of simplifying things for everyone, the politicians — as usual — tried to craft language that appeals to certain special interest constituencies, cobbling together a special tax break here and there, all lathered with political rhetoric about which side was entering to which voters.

Knight-Ridder Newspapers reported the tax code now fills more than 8,000 pages. "It now has 484 forms," the report said. "It generates enough paper to circle the Earth 36 times at the Equator. All the forms devour enough paper to chop down 293,000 trees."

Steve Forbes, in his unsuccessful campaign for the Republican presidential nomination, had it right. A flat tax — the same for everybody — is the way to go. Not more tax laws. Not more exemptions for special groups. Not more regulations. Not more work for the accountants. Not more headaches for the average guy who worries and frets trying to figure out the correct way to do things.

That's what Americans want. Why can't members of Congress get the message?

Fixer-uppers

A NEW task force established by the Legislature begins an important statewide series of 10 public hearings later this month, looking for advice on how to deal with the lack of maintenance on state buildings and facilities.

The Deferred Maintenance Task Force is chaired by two Anchorage Republicans, Sen. Tim Kelly and Rep. Eldon Mulder. The hearings begin in Kenai on Aug. 25 and will be held in a number of other communities in the weeks that follow, including Anchorage on Oct. 2, 21-22 and Nov. 5-7.

Committee members undoubtedly will hear a lot about roads, schools, airports, harbors and state buildings that badly need upkeep. Gathering items for their list should be the easy part. Figuring out how to finance the work will be the challenge.

Wish them luck ... and watch your wallet.

A jobless timber worker heading south to find a new job can ill afford to take a wife, two kids and his vehicle to Bellingham on the ferry. That will cost \$1,101, plus the cost of meals, and \$210 for a four-berth stateroom.

That's more than \$1,300 for the two-day trip. Compare that to the \$90 fare from Ketchikan to Prince Rupert for a vehicle and \$38 per person or a total of \$212 for a family of four. (The six-hour ride is comfortable without a stateroom.) For the \$1,000 difference, a family can drive a lot of miles, even spend a few nights in motels and have money left over.

There is a less expensive alternative to Bellingham. Ferry system officials have set up extra runs to Hyder from Ketchikan. They should be more widely advertised. There was an extra run last Tuesday. There was a regular run Aug. 12, and possibly an extra run on Aug. 19.

There is another regular run on Aug. 26. In September, there will be runs to Hyder on the second and ninth. The highway out of Hyder is excellent and so is the fare from Ketchikan. It is \$40 for a passenger and \$60 for an average vehicle.

Those extra runs from Ketchikan to Hyder should be labeled back-to-school specials and promoted with advertising to let Alaskans (and stranded Alaska visitors) know that there is an affordable alternative to Bellingham with Prince Rupert out.

With the mainliners running from Ketchikan to Skagway, there is plenty of capacity from Juneau to Skagway and Haines so some Juneauites shocked by ferry fares are going to Haines and Skag-



Williams



way and driving down the highway long haul but beats the \$862 Juneau to Bellingham for a car or or \$1,510 for a family of four.

One of the best things the state does is run one of its ferries out of Hyder on a Ketchikan-and-return run twice a week at a special low attract capacity loads. Run the Med between Juneau and Skagway the fast, inexpensive travel. Then let remaining mainliners serve between Ketchikan and Juneau with stops. It may inconvenience passengers to change ferries in Ketchikan-Juneau, but there wouldn't be no wait. Cheaper fares and faster would offset the inconvenience.

Especially, the ferry system make more runs to Hyder. The boat out of there is great and open year. The only disadvantage this writer encountered when driving it was that Canadian Mounted Police patrolling that Alaskans know sign on the highway means 90 miles per hour, not 80 miles per hour. The speed limit is 54 miles per hour.

Some claim that the ferry run at 10 hours is a disadvantage. 6-hour run to Prince Rupert. But der Community Association to travelers that driving miles to the 48 are fewer via Hyder.

Juneau Mayor Dennis Egan & other Southeast mayors at a call in Juneau last week. Topics discussed without exception that the Forest Service engaged to get a plan for implement-

100 14 AUG 97

The Northern LIGHT

Friday, June 17, 1997

Vol. XVII No. 2

Step into summer



New regular trail review
debuts
3211 Providence Dr.
Anchorage, Ak. 99508

Non-profit
Organization
US Postage
PAID
Permit #107
Anchorage, Ak.

ELDON MULDER
STATE CAPITOL
JUNEAU AK 99801-1182

Lack of money prompts repair of UAA buildings

By Tara Sexton
Northern Light Copy Editor

UAA has its share of walls in need of a fresh coat of paint and carpet that has been trodden on one too many times. Several of the rest rooms have seen better days. According to the University of Alaska, these and many other deferred maintenance projects can be taken care of for just about \$38.6 million.

Deferred maintenance is the portion of campus upkeep that has not been covered by the university's budget. The entire UA system currently faces \$165 million in deferred maintenance costs.

UA's deferred maintenance handbook lists 237 different repairs at UAA alone. Among them are plans to paint

the exterior of the Allied Health Building, which will cost \$100,000; to replace carpet in the Engineering Building at a cost of \$98,000; and to repair saunas in the Sports Center, which will cost \$125,000. Various buildings around campus also require \$200,000 to "correct fire protection deficiencies."

Along with various other state groups, UA presented its pleas for maintenance needs to a new deferred maintenance task force. The task force was created by the Alaska Legislature to determine problems and solutions for the state's ailing infrastructure. It held its first meeting in Juneau on May 6.

The task force also heard presenta-

See Costs, page 5

Local students uncover fossil

Value of ancient turtle fossil not realized for two years

By Charles Adamson
mammals," said Anne Pasch, a recently

Engineering buildings. Anchorage and university police officers responded but were unable to locate the patient.

June 2

- An officer observed two people laying on the ground near North Drive. The officer stopped and talked to the individuals. He determined they were intoxicated and transported the individuals to a residence off Tudor Road.
- A UAA employee contacted university police to report she had lost a university cellular phone during a trip to Miami. The phone was lost when the airline lost the employee's luggage. The estimated value of the phone is \$325.
- A resident adviser requested assistance in the Templewood Apartments because a resident was smoking marijuana. An officer responded, but no controlled substances were found during a check of the premises.

breaking up a party in the Templewood Apartments. Two officers responded and found several individuals, but not the apartment residents. Everyone was instructed to leave the premises.

June 8

- UPD received reports of the sound of shots being fired to the east of student housing. An officer responded, but found nothing.
- Anchorage Fire Department advised UPD they were en route to a construction site near the Templewood Apartments after several reports of explosions. The officer found no evidence of explosions.
- A Campus Center employee advised UPD of a male starting a fire beneath the spine between the Campus Center and the Engineering Building. An officer extinguished the fire, but could not locate the man.

June 9

- Two officers observed a suspicious man carrying a

Costs

Continued from page 1

tions from the State Court System, the Department of Education and the Department of Transportation and Public Facilities.

House Speaker Gail Phillips, who sponsored the bill that created the task force, said it has two main goals: to identify the state's maintenance needs and to recommend how to pay for them. The committee will submit a report of its findings and recommendations sometime during the 1998 legislative session.

Overall, state structures require more than \$2 billion in repairs. To fund this, Phillips said the task force will consider several different avenues, including statewide bonding or taxes and tapping the Permanent Fund earnings reserve account.

"It's going to take a big, big amount of money," she said. "(The task force) is going to have to look very logically at how to do this."

The university could expect to see action as early as next summer. If legislators decide fund the maintenance with bonds, the bonds must be approved by voters in the 1998 fall election.

Phillips said the university will not necessarily receive more attention than other areas.

"I'm not going to classify one of them as more of a priority than another," she said.

Though no official tours have been planned, Phillips said many members of the task force have already visited the universities closest to where they live and have seen the problems.

Phillips said the task force will exist until all maintenance and funding needs have been taken care of. She said she would also like to see a law against state departments deferring maintenance. In the past, new structures have been built to accommodate growth, she said, while old ones have been ignored.

"When we build new buildings, there has to be a (part of the) budget (included for deferred maintenance)," she said.

Jerry Neubert, the UA architect who made the presentation on behalf of the university, could not be reached for comment.

Also serving on the task force are Representatives Eldon Mulder (co-chair), Kim Elton, Richard Foster, Jeannette James, and Beverly Masek; Senators Tim Kelly (co-chair), Loren Leman, Georgianna Lincoln, Robin Taylor, and Gary Wilken; and Senate President Mike Miller.

Police find dru

Northern Light Staff

A cocaine-related item was found university police in the student housing quad. The item, which university police Chief Bob Bachand described as a concealed cocaine spoon, was discovered by officer Dan Loy during a patrol of area June 4.

"ROCK"? "RAF

GIMME

MISTER CH



DEAD MEAT

AV
OF

Deferred Maintenance Task Force Visits Martin L. Olson School in Golovin

By Leiloni Wardwell, Teacher
Martin L. Olson School

The high school students at Martin L. Olson School in Golovin had the privilege of experiencing the American government system first-hand. When the news came to Golovin that the Deferred Maintenance Task Force Committee would be visiting, the high school students wrote to their Representative, Richard Foster, about their excitement and concerns for their school. When the replies arrived, the letters were read aloud in several classes and saved in memorabilia boxes in students' homes. Posters were placed around town inviting the community to have coffee and rolls with members of the Deferred Maintenance Task Force Committee, staff from the Bering Strait School District and high school and middle school students.

The big day arrived, and the weather looked uncooperative, but planes started arriving before 8:00 am. By 10:00 am, everyone arrived and were assembled in our half-court gym. Assistant Superintendent, Sam Towarak gave formal introductions. The village of Golovin was fortunate to host Representative Richard Foster from District 23, the Chair of the Deferred Maintenance Task Force Committee Representative Eldon Mulder, his legislative Aide Denny DeWitt, Committee members Representative Jeannette James and Senator Gary Wilken, who is also Chair of the Health, Education and Social Ser-

vice Committee. The Bering Strait School District was well represented by Clifford Weyiouanna, School Board President, School Board Member Palmer Sagoonick representing Golovin, Sam Towarak, Assistant Superintendent, Associate Superintendent Harry Martin, Bob Dickens, Director of Facilities, and Ric Ried, Director of Maintenance. Thomas Punguk of the Chinik Traditional Council along with AEC president Carol Oliver were also present to hear from the Deferred Maintenance Task Force Committee.

The high school and middle school students witnessed this important part of how communities and committees work toward a common goal. This was a great example of the real adult world.

After introductions, the community members, as well as students, were able to speak with the Task Force.

As the adults mingled in the gym, one student spoke with Representative Foster. He asked, "What grade are you in?" To which she replied, "Tenth". Mr. Foster retorted, "the year 1999?"

"No, 2000." Richard Foster shook his head and said, "I'm getting old."

The visiting dignitaries were escorted by Principal Betty Wallace, and Golovin Maintenance Director, Chon Peterson



Dora Smith of Golovin, Rep. Jeannette James, Rep. Eldon Mulder, and Thomas Punguk of the Chinik Traditional Council discuss the Golovin School situation.

around the school and rented buildings. The Task Force was able to see the aging boiler and the overcrowded rooms. Representative Jeannette James coined the phrase "Toy School" because of the few number of students compared to the large student body populations in her district.

Before the Task Force left, they were able to make two quick visits to Maggie Olson's Store and the City Offices.

Many thanks to the Deferred Maintenance Task Force Committee, not only for taking the time to visit Golovin and hear our concerns, but for also allowing our students the privilege of seeing the positive side of working politics. □

Legislative Aide Denny DeWitt takes down information from Sen. Gary Wilken and BSSD Director of Facilities, Bob Dickens.



Rep. Richard Foster (in baseball cap), with townspeople from Golovin, take time to inspect the gymnasium.



SCHOOL BOARD ACTIVITIES

The 133rd Regular Session of the Bering Strait School District Board of Education, originally scheduled for Monday, June 2nd, was called to order in the Board Room of the BSSD District Office in Unalakleet, Alaska on Tuesday, June 3, 1997 at 2:12 pm by Board Chairman Clifford Weyiouanna.

The Board took the following **Action**:

- Approved the Minutes of the 132nd Regular Session of April 8, 1997.
- Confirmed the Telephone Poll of 5/12/97 regarding the 6-year CIP (Capital Improvement Plan) Grant Application Consultant. Action taken by the poll authorized the hiring of J.W. Shepherd Construction Mgt. Co. Inc. as consultants to improve the District's Six-Year CIP grant application. Source of funds for this project will be taken out of the fund balance for capital projects.
- Approved the firm of Altman, Rogers, and Company, Certified Public Accountants, as auditors for the Bering Strait School District for the 1996-97 school year.
- Approved the FY'98 Student Activity Proposal Revised Budget.
- Approved the FY'98 Reading Curriculum revision as presented.
- Approved FY'98 IASA Consolidated Plan of Service as follows:
 - Title VI Innovative Program Schools Proposal;
 - Title II Eisenhower Math and Science Program Proposal;
 - Migrant Education;
 - Title I Part A Plan of Service; and
 - Title IV Safe and Drug-Free Schools and Communities Act.
- Approved the FY'98 Community Education proposal as presented.
- Accepted the Alaska Science and Technology Foundation Internet Connectivity Project grant as presented.
- Approved the FY'98 BSSD School To Work Implementation Grant.
- Authorized Superintendent Bowling to approve the Savoonga Joint Utilities Water Agreement and to approve the City of St. Michael Water Agreement.
- Approved the annual 6-Year FY'99 CIP for the Bering Strait School District as presented with the ranking of:
 1. Golovin
 2. White Mountain
 3. Koyuk
 4. Elim
 5. Teller
- Approved Resolution 97-06-03-01 for Diomedede Structural Work and to request the funds from the Department of Education for the scope of work described in the capital budget.
- Approved the FY'98 Budget in 2nd Reading as amended to include the Student Activities Proposal.
- Approved the FY'98 Maintenance Service Plan.
- Adopted the certificated employee evaluation instruments as presented.

Personnel Actions:

- Approved the employment of 5 classified employees (from Brevig Mission, Savoonga, Shaktoolik, and White Mountain) for permanent status.
- Approved the employment of 2 classified employees (from Gambell and Unalakleet District Office) for probationary status.
- Approved the employment of 182 certified employees district-wide as professional staff members for the 1997-98 school year.

Reports:

- Cafeteria Benefit Plan
- FY'98 Gifted and Talented Report
- Strategic Plan and Site-Based Plans Update
- District Airplane Report

- NSBA Convention Report
 - Legislative Report
 - Site Educators of the Year and Longevity Awards
 - Who's Who Student Awards
 - Superintendent's Report
- The Board reviewed **Correspondence** and the **AEC Minutes**.

Public comments were received from Steve Ivanoff. Janet Stout, Special Ed. Coordinator, expressed appreciation for the good experiences during her seven years with BSSD. She stated that we should be proud of the progress being made in this district due largely in part to the support and action of the School Board. Tia Wilson thanked Janet for her work and presented her with a photo memento. Cliff Weyiouanna also thanked Janet for her services on behalf of the Board and also on behalf of his wife who had worked with her in Shishmaref. Weaver Ivanoff asked that congratulations be sent to fellow-Board member, Zoe Ivanoff, who just had a baby.

The 133rd Regular Session adjourned at 9:00 pm. □

*Administrative Assistant
Leona Grishkowsky accepts the BSSD
Educator of the Year from Board
President, Clifford Weyiouanna.*



July/August/September 1997

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Building an Alaska for the 21st Century

Task Force Announces Hearings

For Immediate Release

Wednesday, July 31, 1997

Contact: Denny DeWitt
Legislative Assistant to Rep. Mulder
907 465-2647

(Juneau, AK) -- Representative Eldon Mulder and Senator Tim Kelly, the Deferred Maintenance Task Force Co-Chairs, announced a series of public hearings to review statewide problems associated with the lack of maintenance on state assets.

The Deferred Maintenance Task Force has scheduled 10 hearings to review the needed upgrades to roads, airports, harbors, public buildings, and schools in Alaska. The task force will listen as people throughout Alaska share their view of the need to repair and replace existing state owned facilities including proposals for how to finance the needed repairs. Hearings are planned in Anchorage, Fairbanks, Kenai, Ketchikan, Kodiak, Kotzebue, Nome, and the Mat-Su Borough.

"We have allowed our infrastructure to become worn, sometimes to the point of being dangerous," stated Representative Eldon Mulder. "We need to address the chronic needs of our existing buildings, harbors, roads and schools as we add new assets to Alaska's infrastructure. While we need many new parts of our infrastructure, we need to be aware of the ongoing need for maintenance. Our task is to look at the assets we have and prepare a plan to catch up with overdue maintenance and recommend a way to keep our facilities in properly maintained condition."

Deferred Maintenance Task Force Meetings

7/31/97

Page 2

"We need to address the deteriorating condition of our existing roads, tourist facilities, bridges, harbors, ferry's, schools, the University of Alaska buildings, and other public buildings. Then we can move aggressively forward to develop our infrastructure for the 21st century," commented Senator Tim Kelly. "As our population increases, the need for schools and roads increases. We need to get our house in order now so we can address new needs as they arise."

The legislative staff assigned to the task force is currently collecting information on the status of state owned facilities. The task force will review the lists of needs to understand the current state of unfunded and deferred or neglected maintenance and the needed maintenance yet to be completed.

Task force member Representative Gail Phillips noted, "Some cost estimates place Alaska's unmet needs at well over \$1 billion. Meeting our maintenance needs is not about building a sky walk from the court building to the capitol. It is about a capitol that leaks when it rains and ruins documents. It is about docks that are rotting and falling into harbors. It is about schools with inadequate fire protection."

"We need to have well maintained buildings if we expect teachers to be able to teach and state employees to carry out their program responsibilities," reflected Rep. Mulder. "We can save significant amounts of money over time if we maintain our current facilities. This long term savings will help us afford the needs we will have moving into the next century."

The Legislature established the Deferred Maintenance Task Force to assess the condition of public facilities and solicit input on needs. Further, and equally necessary, the task force is to evaluate various funding proposals to pay for the needed repair and replacement to state facilities. The task force will report back to Legislature in January of 1998.

end # end # end

Hearing schedule is attached

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Building an Alaska for the 21st Century

Task Force Announces Kenai Hearing

For Immediate Release

Thursday, August 14, 1997

Contact: Denny DeWitt
Legislative Assistant to Rep. Mulder
907 465-2647

(Juneau, AK) -- Representative Eldon Mulder and Senator Tim Kelly, the Deferred Maintenance Task Force Co-Chairs, announced a Kenai public hearing to review problems associated with the lack of maintenance on state assets. The Hearing is scheduled for August 25, 1997, from 10:00 AM to 4:30 PM at the Kenai Council Chambers, 210 Fidalgo, Suite 200, in Kenai.

"We will hear from representatives of the borough and cities on the Kenai Peninsula, the Alaska Municipal League and have a time for citizens to share their concerns," stated Rep. Mulder. "We are looking forward to hearing what Alaskans see as the problems with our roads, schools, buildings, harbors and other state assets. We scheduled a time from 2:30 PM to 4:30 PM just for members of the public to speak. We need to know not only the problems, but suggestions on how to pay for the repairs."

The Deferred Maintenance Task Force has scheduled 10 hearings to review the needed upgrades to roads, airports, harbors, public buildings, and schools in Alaska. The task force will listen as people throughout Alaska share their view of the need to repair and replace existing state owned facilities including proposals for how to finance the needed

Deferred Maintenance Task Force
Kenai Meeting
8/14/97
Page 2

repairs. Other hearings are planned in Anchorage, Fairbanks, Ketchikan, Kodiak, Kotzebue, Nome, and the Mat-Su Borough.

The Legislature established the Deferred Maintenance Task Force to assess the condition of public facilities and solicit input on needs. Further, and equally necessary, the task force is to evaluate various funding proposals to pay for the needed repair and replacement to state facilities. The task force will report back to Legislature in January of 1998.

end # end # end

Hearing schedule is attached

Alaska Legislative Digest

An Inside View of Alaska Policy

PUBLISHERS: Mike Bradner

Business Office: 349-7711
3037 South Circle
Anchorage, AK 99507
Fax: (907) 522-1761

September 16, 1997
No. 20/97

Deferred maintenance: How should we maintain (and build) our infrastructure?

The Joint House/Senate Task Force on Deferred Maintenance opened its schedule of hearings in Kenai in late August, moved to Nome Sept. 11, and will next meet in Kodiak Sept. 29. But a lot more is on the table than catching up on some years of delayed maintenance. Cochaired by Sen. Tim Kelly and Rep. Eldon Mulder, both of Anchorage, the task force is initially charged with assessing the backlog of deferred maintenance around the state. This sounds simple, but the deferred maintenance issue brings some sticky political questions, as well as the whole question of financing the state's infrastructure, to the table.

The committee's up front task is to quantify the problem and assess alternatives for financing so-called deferred maintenance. Broadly, this includes schools, roads, bridges, airfields, harbors, and other facilities. But it can also include governments other than the state, meaning municipalities, schools, the university, some utilities, and other institutions with some claim of dependency on state funding.

Deferred maintenance drags up the whole issue of capital funding

Intended, or not, the deferred maintenance issue cannot escape the broader issues of the state capital budget, and how the state can finance capital needs, for new construction, replacement, and renewal, as well as keeping up with basic year-to-year repair of facilities.

Inherent in all this is the question of what facilities the state should be responsible for, and under what circumstances or conditions the state should be responsible for, or share in, the need of local governments and other institutions that might claim dependency. These are the sticky and difficult questions. Assessing the quantity of need is the simple part.

This isn't saying the task force will even come close to resolving these issues by January. They won't. At best they will likely manage a step along the way, but their effort should contribute to bringing the bigger issues to the political fry pan.

(Continued on page 2)

Some background: Why do we have deferred maintenance?

Our current deferred maintenance is largely a result of our budget squeeze, perhaps even a natural result. Ask a veteran government manager, or even a private manager, what happens in a prolonged budget squeeze and they'll likely tell you—maintenance budgets gradually lose out! Alaska has had one level of budget squeeze on since the 1986 oil price crash. We then instigated a new level in the period of the fiscal plan, which cranked up budget tightening. This created a succession of capital budgets in recent years held to roughly \$100 million.

Problem: \$100 million isn't enough!

In many respects, the deferred maintenance issue reflects an acknowledgment that a state dollar \$100 million capital budget isn't enough to meet directly administered state needs, and the needs of those dependent on state assistance. Remember, a large part of that \$100 million is taken up with basic boiler plate stuff, such as state match for federal dollars, as well as annual materials for state operations that technically fall under capital outlay, but which are really normal recurring type costs that are virtually operational expenses. This doesn't leave much out of \$100 million for major state maintenance, renewal, or replacement, much less new needs, or the needs of 'others' outside direct state operations.

However, escalating the \$100 million capital budget makes problems for the 'fiscal plan,' which has another three years ahead of it. This is one of the dilemmas the majority will have to wrestle with.

Problem: Alaska's problems are unusual!

The problem of capital needs and responsibilities is more unusual, complex, and acute than other states. One reason is geographic and demographic circumstance. Our large land mass, isolation of communities, and disparity in revenue ability, has always made us inefficient collections of population, and this then makes responsibilities difficult to easily allocate to different levels of government and institutions. Then, during our flush oil years, we further blurred the responsibility and funding relationship lines between the state, local governments, and others. In those years almost everything became politically eligible for state funding, regardless of need or local ability to pay. *One for me, one for you, - that was the rule. This rule of division of spoils still, rather rule of division by need and reasoned system.*

However, as we began to crank budgets back, the rules of capital funding were not only unclear, but also bad political habits learned during the flush years further contributed to confusion. Most of our present generation of lawmakers either grew up in, or inherited, a political culture where the lines of funding responsibility are blurred. The task of redefining fiscal responsibilities, and defining and stabilizing what assistance will be given, is not an easy task. It will take some years, and some trial and error.

Kenai maintenance hearing: Borough Mayor Mike Navarre and city mayors set the tone

Kenai was a good site for the Deferred Maintenance Committee to begin hearings since the Kenai Peninsula Borough is home to a large geographic school district, and made up of a five medium size cities. All have a fairly solid economic base, and carry out most of the directly delivered municipal services to residents within the borough, now numbering over 50,000. In addition, present to testify was a lineup of veteran Alaska public policy expertise, both local and state. They included former veteran state lawmaker Mike Navarre, now Kenai Peninsula Borough mayor, Seward City Manager Ron Garzini, a 25-year municipal veteran of state and municipal policy, Tom Boedeker, long time Soldotna city manager and past Municipal League Legislative Chair, Kenai Mayor John Williams, in office eleven years, and labor leader Don Velesco, Business Manager of Local 71, the union that represents most of the state's maintenance workers.

Kenai Mayor Mike Navarre — facility assistance confusing and uncertain

Navarre painted a picture of a large geographic (regional) borough government with an increasing property tax burden, as well as increasing population and economic growth, which maintains a sales tax of 2 percent, boroughwide on top of the property tax. Cities, which is where most taxpayers live, maintain a sales tax rate on top of the borough sales tax levy. The snapshot we got from what the mayor said is that of a fiscal relationship between the state and its local governments, (municipalities, schools, utilities, and others) that has become one of regression, confusion and uncertainty. The result has been increased local burdens, higher local taxes, local budget crises, and an environment where maintenance burdens pile up. Navarre presented materials showing that in the past 10 years state revenues to the borough have decreased from \$21.6 million to \$12.6 million, while borough taxes have increased by double that loss, increasing from \$30.8 million to \$50.3 million. State municipal assistance, a per capita state shared revenue allocation, declined from \$3 million in 1987 to a little over \$1.5 million in 1997, while state revenue sharing, a program based on a separate formula based on municipal responsibilities, declined from \$3.5 million to roughly \$2 million.

In five years only \$107,084 in state facility assistance

Navarre told lawmakers his borough operates 37 schools scattered over an extensive regional area in a population growth environment. Schools are the lion's share of the borough budget, because most direct services are carried out by the peninsula cities. Navarre, as other mayors and school officials are expected to do, stressed that funding for schools has been flat for a decade. Inflation provisions of state support are essentially capped, which means districts have gradually had to eat that cumulative impact. Navarre's presentation showed that state support for school maintenance and renovation has been nonexistent for Kenai the past three years, and minimal since 1992. Navarre said the borough since 1992 has received \$5.2 million in state assistance, mostly for a single project in 1993. Borough taxpayers have spent \$10.1 million of their tax dollars. However, for the past five budget years the borough has, or will, spend \$7.6 million with only \$107,084 from the state.

(Continued page 4)

Navarre: Next maintenance will compete with new needs!

Mayor Navarre assessed the 1998 deferred maintenance school needs, for things ranging from roofs, electrical, and pool repairs, to asbestos abatement at \$16.2 million. He also told lawmakers that boroughs like his, where historic rapid growth has required emergency portable classrooms, the result has been unfair treatment by the Department of Education (DOE), which classifies students in portables as 'housed students.' "The DOE system pushes us to get rid of portables and play the game of stuffing more kids into regular classrooms," Navarre said. He said they now presently have 775 students in 31 portables.

He also stressed that the borough is facing an accumulation of renovation needs for schools that is now pushing into a timeframe when there will be a need for new facilities, aggravating the problems of maintenance. Navarre also pointed out that schools, including renewal, once were funded through the state's former debt support program, repealed in 1989, a program under which the state shared debt costs with major local governments as they paid for locally issued school bonds. Now what districts face is uncertainty, a lack of continuity in support, and confusion about the process.

Funding problem: Options are captive of the fiscal plan

One problem out there is not that we don't have options. We have options other state's can only dream about. However, in the short run, our options appear to be held captive by the preestablished parameters of the legislative five year fiscal plan. We are now two years into the plan, with another three to run. Minimal \$100 million range capital budgets actually preceded the timeframe of the fiscal plan, but have become rule-of-thumb under the plan. Alaska has a \$22 billion Permanent Fund and has a Constitutional Budget Reserve (CBR) that may reach \$4 billion by the end of the five-year fiscal plan. But if "cash" funds are added to the capital budget from any "state source" it blows the political credibility of the five-year fiscal plan.

The high profile of the five-year fiscal plan, and the singular preoccupation with this goal, would appear to suggest difficulty with adding much "cash" to the capital budget from almost any source, either for deferred maintenance or other needs. This imposes a political constraint on lawmakers, generally obviating use of sources such as unallocated earnings of the Alaska Permanent Fund, or principal or earnings from the CBR. It also would appear to burden even new revenue (tax) proposals designed to support a capital need, either as a general allocation, or one that target revenue back to a user source that generated the new cash.

Unfortunately, the fiscal plan is always first viewed from the perspective of holding the budget's "total," rather than the size of the gap between spending and dependable recurring income. Lawmakers are also dealing with this on the operating budget side, regarding user fees for services. Options appear burdened by semantics on the political side, with politicians wary of leaving themselves vulnerable in the press release wars over the budget, which unfortunately gets reduced to sort of a school yard bantering of "yes, you did; no, you didn't" fight. Possibly, lawmakers might generate a one-year spike of cash and then retreat to the plan, but this then obviates progress towards refining state and local fiscal responsibility, and putting in place permanent solutions.

Next issue: Some of the "bottom line" options.

Seward's Garzini: "Understanding a problem exists puts us on the right path!"

Seward City Manager Ron Garzini, a veteran of a quarter century of municipal experience, transcending the era of oil affluence, told committee members, that many projects (built with past state assistance) are in serious disrepair. "The reduction of budgets and revenue sharing has effectively eliminated capital improvement funds," Garzini said. He pointed out that exacerbating the problem are shrinking budgets at all budget levels — federal, state, and local. "Understanding that the problem exists puts us on the right track . . . now it is the time for solutions," the Seward manager told lawmakers.

Garzini: People will pay for projects that make sense

Garzini stressed that the state was able to operate before the oil days, and pointed out that our oil money created confusion (regarding organized and stable revenue and capital facility support). He told the committee members that it is a misconception that people won't stand for taxes, "paying for something themselves instead of relying on whatever funds might be available from oil revenue. "Sure, taxes aren't popular," Garzini said. "But my experience suggests people will pay for projects which make sense." The Seward manager also said it is a misconception that every project (and funding scheme) has to be designed on a grand scale. He suggested that when projects become all inclusive they lose focus and cease to make sense. "The loss of specificity and sense is what leads to voter dissatisfaction," Garzini stressed.

The city manager said that in the late 1970s Seward needed an elementary school at a time when there where no other borough projects. "People told us we were nuts to think we could sell a single project to an areawide borough constituency," he explained. "But we had a clearly articulated need and a plan that made sense. The proposal eventually earned the support of the entire Kenai Peninsula." Garzini said that his city has its own deferred and capital projects issues, and its own budget constraints to grapple with, but after a tough budget process this year the community approved an additional seasonal sales tax.

Note: What we infer from Garzini's remarks is that solutions and funding schemes need not become overwhelming universal schemes that try to do something for everyone based on the assumption this is necessary for public support.

Towards solutions

Garzini: "Short term solutions deal with funding deferred maintenance, and there are options like bonds. Long term solutions deal with ensuring the right entity owns and operates the resource." The point the city manager was making on long-term solutions was that state programs and policy must fix ownership and responsibility locally, facilitating an environment where there is natural incentive to operate facilities on a businesslike basis and where maintenance becomes a matter of routine business.

Deferred maintenance - Nome/Kotzebue

Editor's Note: The Deferred Maintenance Task Force visited Nome and Kotzebue Sept. 11 and 12, and toured four villages in the Arctic Northwest Borough (Kiana, Noorvik, Shugnak, and Buckland). Following are comments relating principally to Bering Straits REAA and Nome School District. We hope to follow next issue with commentary from Arctic Northwest Borough and the City of Nome.

Nome Schools - caught with an old expensive high school they inherited!

In Nome the committee heard presentations from the City of Nome and the Nome City School District, lead by the City Manager, and others, including representatives of CH2M Hill, who do facilities work for the school district. Nome operates three schools, including an older facility, the Beltz School, built by the state system in the years just after statehood in an abortive attempt to develop a regional high school for the Norton Sound Region. The multiple-building facility was turned over to the city in the early 1970s, and while the facility has been well maintained outwardly, internally the buildings have major problems, including asbestos. Planners for the district estimate that the facility would be cheaper to replace than renovate by as much as \$20 million over 20 years. The Beltz site, several miles outside the city, was designed as a regional facility with multiple buildings that include dormitory, cafeteria, shop, and other space that is excessive and not really usable, but which escalates maintenance costs. Nome has an application before the Department of Education (DOE) for a replacement high school, an application for renewal of the Beltz facility if a new facility proves not possible, and a third application for an elementary school expansion.

Nomeschool population up 15 percent: Nome is also experiencing school growth, with student population up by 15 percent over the past three years, leaving a growing number of in-town students categorized as "unhoused." Nome is a city school district and consumes a hefty 10-mills out of the city's 14-mill total property tax levy. The local contribution produces \$1.2 million, or roughly 17% of a budget total of \$7.2 million. What Nome doesn't have benefit of is help from federal impact funds, since the city has "local boundaries" and is an older town site that does not include many federal or Indian title lands. The result is that Nome, a regional hub city with added school and municipal impacts from that role, is left as an impact dollar poor district. Cities like Nome also find school costs, including maintenance cost, competing for dollars needed to keep other city facilities maintained. The community has a fully developed local tax agenda, including property, hotel, and sales taxes.

The Bering Straits Rural Education Attendance Area (REAA)

The Bering Straits School District, which includes all of Norton Sound, most of the Seward Peninsula, and St. Lawrence Island, presented the Deferred Maintenance Committee with a pretty grim picture of real life maintenance in one of the state's more sizable Rural Education Attendance Areas (REAAs). These are school districts dependent on state dollars for funding, and varying amounts of federal impact dollars. REAAs have no revenue authority of their own.

(Continued page 7)

(Continued from page 6) Bering Straits school officials say that their six-year CIP plan has not changed much in the past five years, or substantially in the last nine years. Nothing has been funded. District schools are generally old BIA facilities transferred to the state, a few are former state schools, and many are early "Molly Hootch" schools, which are village high schools mandated by a court decision in the 1970s. Bering Straits school administrators say many of these schools were hurriedly constructed, poorly planned, inadequately funded, and that many were planned and funded with additional expansion expected to follow. In many schools the district must still operate water and sewage facilities, or share systems, something urban schools don't have to do. In addition, above ground utilities and coastal wind conditions increase deterioration. The life of boilers, pipes, heating systems, wiring, and especially roofs are generally shorter under coastal conditions of extreme cold and moisture, augmented by wind conditions. Presently the Bering Straits District has five schools with major renewal needs on the Department of Education facilities list, and another three with unhoused student needs (Teller, Shismaref, and St. Michaels).

The District operates schools in 15 communities over 24,240 square miles, schooling 1,845 students, of which 92 percent are Alaska native, with 75 percent coming from families below the poverty line. In 1992 per capita income was about half of per capita income in the state's major urban areas. The area is heavily welfare impacted with limited employment opportunity. In terms of tax base, the good news is that the region qualifies for substantial federal impact aid, technically property taxes paid in lieu of taxes on tax-exempt federal or Indian lands. The bad news is that the region has almost no major private facilities and properties that could contribute much to an actual real property tax base.

Some pointed comments by North Slope Superintendent Leland Dishman

North Slope School District Superintendent Leland Dishman joined the Deferred Maintenance Committee in Kotzebue, and accompanied lawmakers on their tour of villages. Dishman, a veteran of rural school administration ranging from the highway districts to the North Slope, told us lawmakers saw:

" village school facilities that in urban areas would be closed because of code violations."

In rural Alaska there really is no one to carry out such an action, nor are there alternate facilities. "Basically in rural Alaska you get used to just making do with what you got," Dishman told us.

Dishman told us that the problem is bigger than just funding maintenance, and said that sooner or later state policymakers have to realize that children are children, whether urban or rural, and that there has to be some real equal opportunity.

He said: **" the state hasn't really stepped up to the plate, urban or rural, and has let the value of the school funding unit collapse from a real value of \$60,000 in 1988 to a value of \$40,000 today."**

"Under these long-term (funding) conditions sooner or later facility maintenance is going to fail," Dishman told us.

Senate Finance Committee meeting School Foundation and new subcommittees

The Senate Finance Committee meeting in Anchorage Sept. 8 made tentative plans for work (and hearings) on the School Foundation Act, and named two new subcommittees.

School Foundation: The committee will set dates for hearings after Sen. Sharp (Finance) and Sen. Wilkens (Chair - HESS) work out details. One school foundation bill, SB-36 (Sen. Phillips/Anchorage) was sent on to Sen. Finance near the end of last session, while SB-146 (Sen. Wilkens/Fairbanks) remains in HESS. *Note: While the Phillips bill moved we understand that it did so as 'the vehicle,' and that the scope of a foundation bill remains open and to be worked out with Wilkens and HESS participation.*

Human Resources Subcommittee: This subcommittee is made up of Sen. Torgerson (chair) and members Sens. Kelly, Donley, Wilken, and Adams (or other minority designation). The committee's scope will be review of human resources training program, including workfare type programs, and vocational type programs like those at Seward and UAA.

Child Care Subcommittee: Sen. Pearce (chair), Sen. Leman, and Sen. Ellis.

Scheduled hearings/House

Oil & Gas Committee

Sept. 29 - Anchorage
Mayors - state & local taxes,
(gas pipeline tax concessions)

House Special Fisheries Committee

Sept. 30 - Mat-Su: Consumptive use fish
Oct. 24 - Kodiak: Consumptive use
Nov. 6 - Kenai: Consumptive use
Nov. 18: Consumptive use

House State Affairs

(Joint with Senate State Affairs)
Oct. 24 - Fairbanks - HB-228
Oct 31 - Wasilla - HB-228
Board of Agriculture/Ag. Develop Corp.

Scheduled hearings/Senate

DOT Task Force meetings

Sept. 16 - Ketchikan
Sept. 17 - Thorne Bay
Sept. 17 - Craig
Sept. 18 - Wrangell
Sept. 19 - Petersburg

Senate Rules Committee

Sept. 24 - Fairbanks - SB-42 -ARR budget/land

Senate Interim - Subsistence

Sept. 24 - Fairbanks
Sept. 25 - Mat Su
Sept. 26 - Kenai
Sept. 27 - Anchorage

Senate Labor & Commerce

Oct. 23 - Anchorage

Senate State Affairs

Oct. 24 - Fairbanks - HB-228
Oct 31 - Wasilla - HB-228
Board of Agriculture/Ag. Develop Corp.

Senate Finance Committee

Watch for hearings on school formula

Anchorage Caucus

Oct. 1 - Anchorage - School formula

House HESS Committee

Sept. 30 - Anchorage
HB-148 - school funding
Child care grants, Medicaid regs. fraud

Joint House/Senate Task Force Deferred Maintenance

Sept. 29 - Kodiak
Oct. 30 - Mat Su
Oct. 2 - Anchorage
Oct. 7 - Ketchikan
Oct. 14 - Fairbanks
Oct. 21/22 - Anchorage
Nov. 5 - Anchorage

Alaska Legislative Digest

An Inside View of Alaska Policy

PUBLISHERS: Mike Bradner
Tim Bradner

Business Office: 349-7711
3037 South Circle
Anchorage, AK 99507
Fax: (907) 522-1761

October 8, 1997
No. 21/97

In Mat-Su: 2,000 students are unhoused, three schools are unbuilt, and growth is catastrophic!

As the Deferred Maintenance Task Force moves around the state, the discussion is beginning to frame the problems and drift towards talk of solutions - options for financing capital needs. Hearings last week in Kodiak, Mat-Su, and Anchorage surfaced some key points.

Need for a \$300 million range capital outlay

One point (by Mayor Selby/Kodiak), who testified and also talked with us personally, was that there is a need for a state capital budget in the range of a \$250/300 million annual outlay. Such a level is needed to meet the full spectrum of state related needs, but local governments have a significant place in that agenda. In recent years capital budgets have been held to the range of \$100 million, half consumed by state match for federal dollars and nitty-gritty boiler plate stuff that borders on operational costs. Selby was also not restrained from treading in sensitive territory, suggesting that Permanent Fund income might have a role in helping fund capital needs.

The state has fiscal tools

A second point, made in the Mat-Su hearings, was that the state does have a range of fiscal tools. The state presently has minimal bonded indebtedness; a \$3 billion extra savings account in the form of the Constitutional Budget Reserve (CBR); no substantial direct state taxes (sales/income tax); and citizens, in fact, which receive non-need based payments from the state (Permanent Fund dividends). Another point made was that the state's \$22 billion permanent fund is restricted only in terms of its principal. The income stream is open to statutory direction, either for direct use of some portion of income, or "creative" use, such as for leveraging.

Inside . . .

Gas pipeline tax breaks	Page 8
Tourism promotion	Page 10
School Foundation	Page 7
Capital Funding sources	Page 11

In the meantime students go unhoused and facilities unmaintained

A third point made at Mat-Su: While the state has fiscal tools, students go unhoused and school plants are aging and in need of repair. In the case of the Mat-Su, there are 2,000 students in 64 portables. Other students must be bussed considerable distances to schools that have space. In addition, three facilities have been approved by Mat-Su voters at a 70/30 percent state local debt split, but the state program of debt support is in "moratorium." (Continued on page 2)

The Mat-Su problem: Financing rapid growth

Mat-Su in recent decades has been a high population growth region, with that growth continuing and likely to continue in the foreseeable future. Compounding the growth problem is that workplace tax value tends to be drained to nearby Anchorage where many Mat-Su residents work. The borough must provide the costly service of education based largely on a neighborhood home-value tax base. Mat-Su assessed value per capita is on the low end of boroughs over 10,000 in population. *Note: The Mat-Su had to absorb catastrophic school growth in the 1980s, which perhaps opens up the question of whether a reopened state debt support program should contain some provision for temporary increased support for communities having to finance (1) extreme school growth, or (2) consider such growth when coupled with a relatively low assessed value per capita.*

The Mat-Su has three needed school projects pre-approved for bonding by borough residents and bid-ready, but dependent on the state reauthorizing participation in local bond debt support at the prior rate of 70 percent state and 30 percent local. But if the state reopens the program it may be at 50/50 (SB 11, passed Senate, now in House). *Note: The current level of capital funding at \$100 million has resulted in no major priority projects on the Department of Education statewide list being funded for the past two years.*

Roads are a second high Mat-Su need

Mat-Su is a rural road district, with 80 percent of the borough's 50,000 residents living outside of cities. The road network is an extensive grid of state highway, state and borough roads. Which roads are maintained, and how, by both the state and borough, is also a significant capital and maintenance issue in the valley region.

Thinking out loud about solutions?

As we listened to the Mat-Su proceedings we heard suggestions for some sort of revolving fund, or support fund, perhaps based on reserves or guarantees of the Constitutional Budget Reserve (CBR). The expectation seemed to be that such a fund source would then be linked to shared support programs between the state, local governments and schools, much like what previously existed for schools in the form of the school debt support program. One merit of this approach would appear to be that the CBR, or some similar endowment, would be constructed to resolve the issue of continuity regarding the year-to-year availability of funds.

Continuity is also needed to resolve the "on again/off again" pattern that currently characterizes state and local shared funding. Kodiak Mayor Selby told us that spikes of funding, such as occurred in the 1993 authorizations, brings in inexperienced outside contractors, drives up bid prices, and confuses local decision making. Continuity of funding also links to the needed stability necessary for state policymakers to impose what might be called "definitional discipline." That is the need for clear definition in terms of where the state will help, where it clearly will not, and perhaps what kind of things fall in a special appeals arena, that are project and need "anomalies".

Anchorage: School district and the city; Both do a good job in framing the issues

What the task force heard in Anchorage last week were two well done presentations, one by the city and the other by the Anchorage School District, but it was the Anchorage School District presentation that was particularly well ordered, pragmatic, and "on issue." It carried a message that lawmakers could perhaps get their hands on, and from the interaction with the task force, members liked what they heard.

The basic message: We are doing the job - what is needed is help!

The Anchorage message was that schools are expensive, the community is growing, student populations are growing even faster, physical plants need constant attention, new facilities and major renewal requires ongoing planning, and some older schools are becoming functionally obsolete.

The good news was that Anchorage is a district that has not neglected maintenance. It has an up and running maintenance program that is consistently funded (roughly \$14 million annually or 4 percent of operating budget). Anchorage also has a preventative maintenance program, does facility maintenance audits, has a six-year capital improvement plan largely geared to major renewal, and updates this plan annually. The district has made considerable progress working through its six-year capital plan, but in recent years has depended on 100 percent bond support money coming solely from local taxpayers. *Editors Note: While Anchorage is often viewed a wealthy community, measured by per capita wealth it is 10th out of the state's 16 boroughs.*

What's needed: Not free money, but assistance!

What Anchorage defined as a solution was assistance in funding deferred maintenance in conjunction with a comprehensive capital improvement plan. *Editor's note: What we inferred was that this means dependability and consistency in whatever kind of assistance is provided.* Under questioning Anchorage school board members responded that Anchorage voters have clearly expressed a willingness to pay their share for schools, even providing 100 percent local support for recent school bond issues (no state participation).

School officials pointed out that their research shows that the public appears to feel 50-50 state/local participation is fair, but research also shows a decline in public support for local bond issues as they exceed the \$50 million level. *Editor's Note: It may be that keeping local bond issues at an acceptable size when presented may be more important for public acceptance than whether support is 50/50 or 70/30.* In addition, without state help at some point voter retrenchment should be expected. It should be noted that in formal testimony the Anchorage District did not advocate 50/50 as opposed to 70/30, or any specific proposal for solution. However, under questioning board members present seemed willing to peg a fair deal at 50/50.

Continued on page 4

A key element is consistency in capital support, a critical element if districts are to maintain viable district capital and maintenance programs!

(Continued from page 3) What is interesting about the Anchorage 50/50 response is that the presentation was aggressive and positive. The message was that the district is hanging in there, doing deferred maintenance and struggling to meet major renewal and construction needs. Anchorage has been able to do this because local taxpayers have stepped up to the plate. However, the ability to maintain the stream of needs over the long haul requires state assistance, in part as a sales tool for local taxpayer support and also to keep bond issues more frequent and smaller. If a 50/50 bond support program is permitted by lawmakers as a part of any plan, it is also probable that a 50/50 plan would come with fewer restrictions than a 70/30 plan.

A 50/50 plan for major districts might be considered sufficiently regulated by local taxpayer scrutiny, permitting it to be more available on demand, while the legislature would likely insist on project or allocation approval within a 70/30 approach. Those controls then become political and also undermine consistency. *Editor's Note: It should be noted that a general state/local bond support program does not preclude such a program working in concert with other approaches. The state payment for such support, when bond payments come due, could come from a funding source program built around the earnings of the CBR, or the Alaska Permanent Fund.*

Wealth measure in debt support appears acceptable

Under questioning, Anchorage officials accepted the premise, in principle anyway, that other districts, with less of a tax base, might require a higher level of state support or some other means of state support. This is not to suggest that there was not present a sentiment that everyone should "pay something." *Note:* One of the difficult bridges to cross, both politically and in operational terms, will be how to build a capital support program that meets the needs of less able city and rural districts. How lawmakers from the larger and more viable tax base areas approach this issue, meaning pragmatically or with a political chip on their shoulder, may have an impact on how quickly a broad deferred maintenance/capital funding program might comprehensively come together.

The old problem is: Will one shoe fit all ?

Our old policy nemesis, the disparity in our governmental structures is still with us. Alaska does not have the benefit of border-to-border counties, and fails in reasonable similarity in wealth base and sophistication of administration across such common units of governance. However, this disparity is gradually closing. One can now go from Fairbanks to Unalaska and never be outside an organized borough or a city school district. In Southeast Alaska, while there are gaps, only 10% of students are in non-school tax supporting jurisdictions. Still, much to the frustration of our state policymakers, one-shoe solutions are not likely fit all. It is also noteworthy that tax base is not always a function of either size, rural/urban location, or governance system in this state.

Anchorage school - \$1.2 billion in facilities:

A snap shot of the ongoing needs renewal, replacement and growth needs of the state's largest school district!

The Anchorage School District is the largest operational public structure in the state. It now employs 5,000 professional and support staff; has enrollment of over 49,000 this year; busses students more than 2.5 million miles a year; serves in excess of 3 million lunches a years; and has held wage cost growth for a decade to less than two-thirds of inflation. School facilities total 6.7 million square feet and are valued at \$1.2 billion. The district educates 37 percent of Alaska students, with a average pupil-teacher ratio of 25-to-1 (grades 1-6); 28-to-1 (grades 7-8); and 30-to-1 (9-12). Roughly 20 percent of Anchorage residents spend their day in a school facility. The school building inventory is aging, with 63 facilities 20 to 50 years old. Eight are older than 40 years.

Anchorage does organized building audits of each facility. They estimate their average elementary school needs about \$2 million in work, while high schools on average need roughly \$15 million in system repairs and renewal. The age profile of schools also mean some facilities pose issues of functional obsolescence.

Growth - more than a school a year?

Growth requirements (2 percent year) mean Anchorage grows at a rate of one elementary school a year, with additional partial demand for middle and high school components. The district now has 142 relocatable classrooms. Anchorage in 1994 shared in the reopening of the state debt support program with authorization to raise \$175 million in capital funds. *Note:* While this program was authorized at 70/30 state-local participation, due to building for rapid growth beyond the criteria allowable by state DOE, the actual share was 53 percent state/47 percent local. In 1996 Anchorage voters approved \$27 million in bonds with no state participation for school renewal and replacement. In 1997 Anchorage voters again approved a sizable 100 percent local bond package.

Anchorage recurring six year plan - \$297 million

The current Anchorage six-year capital plan totals \$297 million, of which \$43 million is allocatable to growth needs, with the remainder being renovation and replacement. The district estimates that the districts \$1.2 billion plant requires roughly \$70 million a year in combined capital effort for renewal, replacement, and new growth.

Thinking about solutions:

- * Ongoing state bond support for local school bonds.
- * Ability to bond when the district needs, also permitting more frequent bonding to keep bond issues smaller.
- * Routine maintenance should a part of regular funding and not dealt into the less certain environment of even the best of capital funding schemes.

City of Anchorage - go for tax relief and the long term!

Anchorage Mayor Rick Mystrom did a good job of laying out the quantum of capital needs of Alaska's largest municipality for the Deferred Maintenance Task Force. Mystrom pushed lawmakers to recognize the impact of diminishing capital assistance, stressing that the share of capital funding coming from the state has shrunk considerably since 1994, with the city increasingly using its bond capacity to fund local needs. The list presented by Mystrom was a heavy load of dollars, but the handout charts also described needs as examples, not suggestion that the state necessarily has an obligation to fund all, or any of the particular items. The mayor stressed that citizens don't differentiate between a city road or a state road. Looking at only state roads in isolation means half the problem is not addressed. The point: The state and municipalities need to work together on road problems, as well as other services and functions interlock between the branches of government.

Mystrom urged that lawmakers look for more than a short term solution. The goal of a final product, the mayor outlined should be:

- (1) Improve infrastructure,
- (2) Provide tax relief, and
- (3) Develop a long range funding solution.

You people are raising local property taxes!

Mystrom also produced a chart that showed the dollar cost that lawmakers have shifted to local taxpayers, largely revenue sharing and municipal assistance reductions, showing the data as how much this shift equates to an increased local real property mill levy. Rep. Norm Rokeberg challenged the mayor, pushing the charts across the table and calling them "insulting." The remark seemed more of a statement, one of those designed to send a message across the table, but not be answered. The implication seemed sort of a - "how dare you say anything bad about us." But Mystrom picked up the challenge and made it very politely clear, that as mayor, he intends to lay such information on the public table.

The translation, of course, is that if anyone doesn't like the data, the mayor is willing to discuss the issue - perhaps very "publicly." Why is this important? Because it was the second time in two days we saw a local elected official make such an affirmative response, no longer willing to simply let such an issue slide. The other official was Anchorage School Board Member Harriet Drummond, who told the House HESS Committee she is: " . . . through apologizing for living in a healthy, growing community.

Issue: The sheer weight of the capital agenda of a major municipality like Anchorage forces real questions regarding the extent the state should participate in funding local capital needs, under what circumstances, and by what kind of process.

More on Anchorage in our future reports!

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Building an Alaska for the 21st Century

Deferred Maintenance Task Force Moves Toward Recommendations.

For Immediate Release

Thursday, October 23, 1997

Contact: Denny DeWitt
Legislative Assistant to Rep. Mulder
907 465-2647 or 258-8193

(Anchorage, AK) -- Meeting in Anchorage on October 20 and 21, the Deferred Maintenance Task Force discussed ways of financing over \$1 billion in deferred maintenance of public assets identified this interim through a series of statewide hearings. The list includes Alaska's schools, University buildings, roads, harbors, airports, and other state facilities.

The Task Force recommendations will include a multi-year, long-range, plan to finance \$1.5 billion in capital funding to renovate existing schools and University buildings, and improve our highway system, harbors, airports, water and sewer systems, and other public facilities. It will also address new school and University construction.

"We will need to use the state's large bonding capacity to rebuild our state's infrastructure," stated Representative Eldon Mulder, Task Force Co-Chair. "Our plan will provide a framework for legislative consideration beginning in January.

Equally important, the plan is consistent with the Majority's Five-Year plan to balance the state's operating budget."

"I am delighted at our progress," commented Senator Tim Kelly, Task Force Co-Chair. "We visited over a dozen communities and listened to many Alaskans. They helped focus our attention on defining the deferred maintenance problem. They gave us many positive suggestions that have been of considerable value. I think our final recommendation will receive the public's support because we find a responsible way to address this capital investment need which does not affect the Permanent Fund Dividend or force a state income tax."

Alaskans told the Task Force that schools and the University of Alaska are important assets that need expansion. As a result, the Task Force's plan will include room for including new schools and University facilities to accommodate growing student populations in many of the fastest growing areas of Alaska.

The Task Force discussed options and is developing a recommendation to be considered at its final meeting on November 6, 7, and 8, in Anchorage. At that meeting, the Task Force will also propose recommended legislation to prevent state agencies, the University, and school districts from getting behind on future maintenance responsibilities. Those recommendations will include mandatory requirements for an annual maintenance program in order to participate.

The Legislature established the Deferred Maintenance Task Force to assess the condition of public facilities and solicit input on needs. Further, and equally necessary, the task force was directed to evaluate various funding proposals to pay for the needed repair and replacement of public facilities. The task force will report back to Legislature in January of 1998.

ALASKA STATE LEGISLATURE

News From The Senate and House Majorities

Anch. LIO
Anchorage, AK 99501
Actualty line: 1-800-478-6540

Ken Freeman (907) 258-8164
Wendy Lindskoog (907) 258-8187
web site: www.akrepublicans.org

Legislative Task Force on Deferred Maintenance **Encouraged by Governor's Participation**

For Immediate Release: October 27, 1997

Contact: Ken Freeman (907) 258-8164
Wendy Lindskoog (907) 258-8184

ANCHORAGE - Members of the Legislative Deferred Maintenance Task Force (DMTF) welcomed Governor Tony Knowles announcement today he would join with the Legislature's efforts to address the repair, maintenance and construction of schools in Alaska.

"We're pleased that the Governor is following our lead on school deferred maintenance and construction needs. Our comprehensive plan proposed by the Legislature's Deferred Maintenance Task Force last week covers not just schools, but the needs of the University of Alaska, roads and other state owned facilities," said Task Force Co-Chair Representative Eldon Mulder.

Last week the DMTF announced a proposal to address Alaska's short and long-term deferred maintenance needs. The Legislative proposal will be addressed at the beginning of the next session of the State Legislature.

"We are going to balance state funds with the needs of schools statewide. The fastest growing communities of the state - most of which are in Alaska's railbelt need to be addressed as well," said House Speaker Gail Phillips.

The current Department of Education school construction and major maintenance priority spending lists are slated to spend 85% of state funds in rural Alaska, leaving just 15% for Alaska's railbelt - which includes Fairbanks, Anchorage, the Mat-Su Borough and the Kenai Peninsula.

Another area where the Legislature's DMTF concentrated its attention this summer was the University of Alaska.

"The University system also needs immediate attention," said DMTF Co-Chair Tim Kelly. "I appreciate the Governor's efforts to address primary and secondary education, but we must also look at higher education in Alaska."

2-2-2-2-2

"We will look at how the Governor's recommendations fit into our Deferred Maintenance Task Force recommendations as well as the Legislative Majorities Five-Year fiscal plan," said Phillips.

"One of our priorities is to protect the integrity of the permanent fund and the permanent fund dividend," said Rep. Mulder.

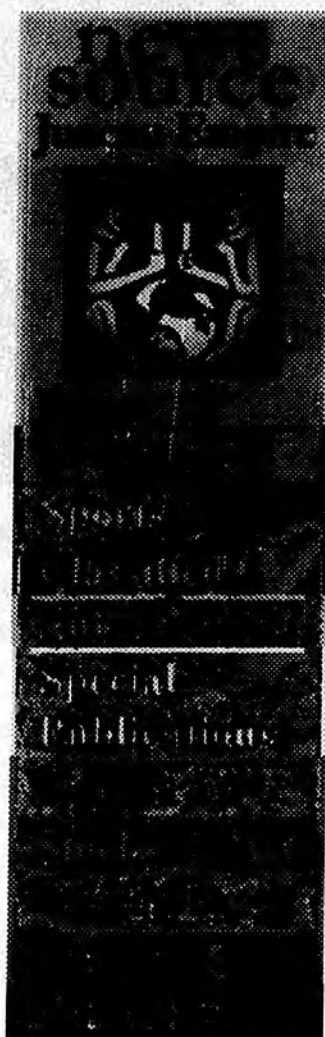
"It is important to point out the Deferred Maintenance Task Force held hearings and toured facilities statewide this summer. We will listen to the Governor's suggestions and then decide how best to address Alaska's educational and other public facilities needs during the upcoming session," said Senator Tim Kelly.

The Task Force recommendations, to be finalized by December, will include a multi-year, long-term plan to finance \$1.5 billion in capital funding to renovate existing and build new schools and University buildings. Additionally, the plan will address the repair of Alaska's highway system, harbors, airports, water and sewer systems, and other public facilities.

"Included in the DMTF proposal will be a mandatory requirement for an on-going maintenance plan for all new construction and renovation, so that we don't find ourselves in this place again 15 years from now," said Speaker Phillips.

Broadcast Note: An audio actuality is available by calling 1-800-478-6540.

###



S.E. & Alaska



L i n k s

Monday, October 27, 1997

Deferred maintenance adding up

Aging state
facilities will
need \$1.5
billion, says
legislative panel



Last modified at 2:10
a.m. on Tuesday,
October 28, 1997

"The transportation backlog is
as high as \$250 million."
Rep. Eldon Mulder

By **MARK
SABBATINI**
THE JUNEAU EMPIRE

Statewide facilities deteriorating from age, neglect
and budget cuts may get a massive infusion of cash
beginning next year.

A legislative task force studying the problem
advocates spending up to \$1.5 billion on deferred
maintenance projects during the next five years.
Officials say thousands of projects need attention
statewide, including several hundred in Juneau
totaling about \$73 million.

Legislators are still figuring out how to pay for the
work, but said the money could come from reserve
accounts, Permanent Fund earnings and taxes.

"It will include a variety of things, but I don't think
you'll see any recommendations coming out of this
committee that will affect the Permanent Fund
(principal) or the dividend," said Rep. Eldon
Mulder, an Anchorage Republican who co-chairs the
Deferred Maintenance Task Force.

State spending for capital projects in recent years has

been about \$100 million annually, not including federal and other matching funds.

Hearings about the problems caused by the lack of maintenance funds have been conducted statewide this year.

The task force is expected to come up with recommendations starting next month that will be debated during the upcoming legislative session.

Juneau officials have a long list of neglected projects, including leaky roofs and inadequate ventilation in buildings, harbor repairs, erosion control projects and waterline improvements. Statewide projects with local impacts include road repairs, maintenance to Alaska Marine Highway vessels and repairs to facilities such as the State Office Building.

But communities shouldn't be asking what they will get out of the proposal, said Rep. Kim Elton, a Juneau Democrat who is a member of the task force. He said focusing on where the needs are greatest statewide and deciding what categories - such as education and public health - deserve first consideration will prevent lawmakers from trying to appease constituents by seeking local projects.

"I don't think a community, including my community, should be looking at it asking 'what's in it for us,' because if that's the question that's being applied to the project, then we're going to get political answers," he said.

Plenty of projects will go unfunded.

Requests from many cities, including Juneau, are being made through the Alaska Municipal League, but Mulder said the task force is recommending against using the list. Joe Buck, Juneau's engineer director, said if the list isn't used, city officials will make their case directly to local legislators.

Funding may be spread over a 19-year time span by purchasing bonds, Mulder said. He said 15-year bonds of \$300 million could be purchased during each of the five years the maintenance work is done.

A 10 percent initial payment on the bonds, or \$30 million a year, could come from the Constitutional Budget Reserve, a \$3.5-billion account typically used to balance budget shortfalls, Mulder said. Possible sources for remaining payments include surplus Permanent Fund earnings after dividends and inflation-proofing are paid, a portion of the state's recently increased tobacco tax and a new tax such as

a motor fuel tax.

Majority members frequently campaign on a platform of less government spending and opposing tax increases, but Mulder said the deferred maintenance projects and payment proposals shouldn't be bothersome to constituents.

"The transportation backlog is as high as \$250 million," he said. "So if we had a fuel tax that people knew was going to make better roads and a better highway system I don't think people would be as reluctant to pay that kind of tax."

Bob King, a spokesman for Gov. Ton Knowles, said more detail about the proposal is needed before commenting on it.

Elton said he is concerned spending too much at once could "superheat" the economy, causing the state to hire workers from other states to meet demand. He said insufficient engineering work and other problems during previous booms caused many current maintenance problems, and suggested reducing the annual allocation by perhaps a third.

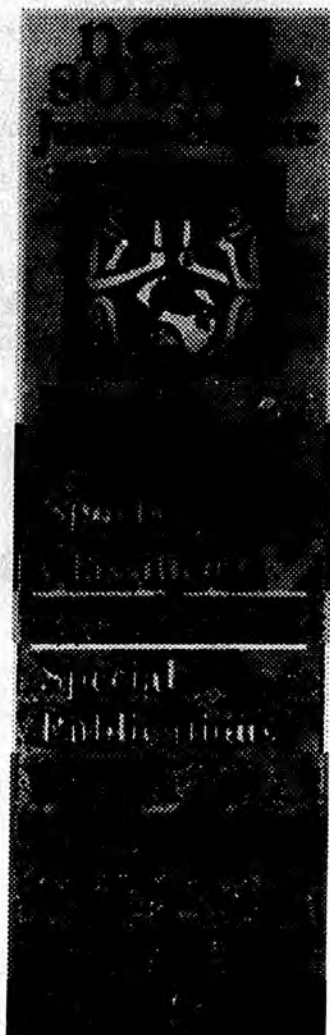
Also, he said bonding is likely to be more expensive in the long run unless the state's interest earnings on its reserve accounts are higher than interest payments on the bonds.

Mulder said his conversations with contractors convinced him in-state companies should be able to do the work. He said acting relatively quickly on those projects that do receive funding is important.

"If we take more than five years to wipe out that backlog the cost of some of those projects are going to double and the problems might never go away," he said.

[Back to local headlines](#)

Copyright © 1996, 1997 *Southeastern Newspaper Corp.*
Comments or questions? Contact the [Webmaster](#).



S.E. & Alaska



L i n k s

Tuesday, October 28, 1997

Knowles details school projects plan

Last modified at 3:16 a.m. on Wednesday, October 29, 1997

By KRISTAN HUTCHISON
THE JUNEAU EMPIRE

Gov. Tony Knowles has a \$850 million plan to fix and build schools in the next decade.

The plan would fund construction and maintenance projects identified each year by the state Department of Education. With more funding available, Juneau school officials hope to finally get a new high school, new roofs and other improvements.

In the past, projects such as a new roof for Mendenhall River Community School waited years before being funded, while district personnel propped up the eaves and put buckets under leaks, said Joe Mueller, facilities supervisor for the school district.

"My hope is that our top priorities for major maintenance that have basically sat on the (Department of Education) list would be taken care of," said Mary Rubadeau, Juneau school superintendent. "It's not just our district. It's the whole state of Alaska that has projects that have just sat on the list for years."

The state could fund all school projects and repairs currently before the Department of Education, Knowles told the state Board of Education Monday. He proposes using revenues from recently increased tobacco taxes to pay off bonds for the projects, which the state would fund on a sliding scale. Other funds could come from general revenues as other debt is paid off.

Knowles' proposal comes out just days after a legislative task force suggested spending \$1.5 billion over five years on deferred maintenance projects, including school repairs. Juneau's legislators said the

two proposals will be somehow combined in the Legislature, since their purposes overlap.

“Obviously we're not going to have \$300 million for ports and harbors and other facilities, and another \$300 million for schools alone,” said Juneau Rep. Bill Hudson, a Republican.

The \$850 million is meant to cover 10 years, but the projected need for capital improvements and maintenance to Alaskan schools over the next six years is \$850 million, said Michael Morgan, facilities manager at the Department of Education. More requests will probably be submitted as school districts realize it isn't a futile endeavor.

“We also have districts that have been so frustrated by the process the last couple years they haven't put in their needs,” Morgan said.

The governor's proposal won't cover all school needs, but it would be a significant improvement over current funding, Morgan said. The state provided \$4.7 million for school repairs this fiscal year and \$6.9 million last year. Of the 150 to 200 projects on the Department of Education list each year, only 12 have been funded since 1996.

“At least this is a focused plan that will attempt to work down the backlog of need,” Morgan said.

Juneau schools need about \$43.4 million in capital improvements and repairs in the next six years, said Mueller of the school district. Most of the expense will be a new high school, estimated to cost \$34.9 million. That project has been a top priority for the Juneau school district for several years, but hasn't made it on the Department of Education list of projects that compete for funding.

The Department of Education list of capital and maintenance projects won't be complete until Nov. 5. Juneau requested funds for 18 projects, including a new roof at Marie Drake for \$1.2 million, a new roof at Auke Bay Elementary School for \$1 million, improved heating and ventilation at Juneau-Douglas High School for \$107,000, gym floor replacement at Floyd Dryden Middle School for \$143,800, a new cover on the overpass to the high school for \$203,833, a heating coil replacement at Gastineau Elementary School for \$174,000, a new high school gym floor for \$111,500 and site development at Dzantik'i Heeni Middle School for \$3.5 million.

[Back to local headlines](#)

State of Alaska
Office of the Governor

Tony Knowles
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001
NEWS RELEASE



Bob King
Press Secretary
Claire Richardson
Deputy Press Secretary
907-465-3500
FAX: 907-465-3533

FOR IMMEDIATE RELEASE: Oct. 27, 1997

97-319

KNOWLES INTRODUCES SCHOOL CONSTRUCTION AND REPAIR PLAN
Urban, Rural School Needs Addressed in \$850 Million Package

ANCHORAGE—Gov. Tony Knowles today unveiled a long-range statewide plan to build new schools and repair, maintain and expand existing schools. The package, funded in part by revenues from the newly increased tobacco tax, will authorize approximately \$850 million for school projects over the next decade.

"School construction and repair needs have been neglected for too long," Knowles said. "Enough is enough - parents, educators and students need to know there's a long-term plan in place to meet the needs in their school districts. As we improve the quality of Alaska's schools inside the classroom, this plan will ensure the buildings themselves are safe, sturdy and adequate for learning."

The plan will be funded by combining general funds for debt reimbursement and revenues from last year's tobacco tax increase to cover the cost of revenue bonds.

Speaking to the state Board of Education and a coalition of education leaders at Anchorage's 4th Avenue Theater, Knowles said his plan will make available \$80 million to \$100 million annually for school construction and repair over the next decade. By comparison, just \$4.7 million was authorized this fiscal year and \$6.9 million last year for school repairs.

The state Department of Education is currently scoring and ranking school projects for next year's new construction and major maintenance lists. By law, those lists are made public each year on Nov. 5.

Typically, 150-200 projects make the DOE lists each year, but only a total of 12 have been funded since fiscal 1996. By comparison, the governor's plan will fund every project on the current list within 10 years.

The plan addresses needs in both urban and rural Alaska. The package will balance the distribution of money between municipalities and REAAs (Rural Education Attendance Areas) to complete projects in approximately the same time period. A sliding scale, based on a district's ability to pay, will be used to determine what percentage of each project is funded by the state. REAA schools have received essentially no funding since 1993.

-MORE-

"I'll introduce a bill on day one of the next legislative session to put this plan in place," Knowles said. "Finally, we'll have long-term stability. School districts and REAAs will know where their projects fall on the lists and when they can expect work to begin."

The governor said he is also looking forward to the recommendations of an interim legislative committee studying Alaska's deferred maintenance needs.

The most sorely needed schools to be addressed by Knowles' plan include:

- Talkeetna Elementary, 32 years old, is severely overcrowded at 142 percent over capacity and suffers from a leaking roof. During rainy weather, students must dodge buckets in their classrooms. The governor heard details of Talkeetna's problems Friday when he met with affected parents at Wasilla High School.
- Kenny Lake Elementary in the Copper River District, 43 years old, where mechanical systems like water and heat fail regularly. Periodically, elementary students are escorted through the weather to the high school to use rest rooms.
- Kiana Elementary, 35 years old, and at 113 percent over capacity. The school suffers from foundation problems and does not meet fire codes.
- Arctic Village Elementary, 37 years old at 181 percent over capacity. The school also suffers from foundation problems and students must use honey buckets behind curtains for restrooms.

"School administrators across Alaska support additional state funds to meet what have grown to be huge needs, so this plan will help in a big way," said Juneau Superintendent Mary Rubadeau. "In Juneau, our top priority is a new high school, so I'm pleased the governor's plan will address that need."

Knowles made today's announcement after visiting Anchorage's Taku Elementary School, which is scheduled to undergo renovation and expansion next summer. Taku was built in the mid 1970s and is currently at 136 percent over capacity. It suffers from leaks in the library and hallways, breakfast is served in the halls and the multi-purpose room is used as a gym so all students at the school can have access to exercise.

Anchorage voters approved bonds for Taku this spring, but under the governor's plan the Anchorage School District will be able to apply for partial reimbursement from the state.

The governor's school construction and maintenance package is the second major education announcement this month. Knowles on Oct. 10 unveiled a plan to improve school quality with mandatory academic standards, frequent and meaningful testing, and potential consequences for low-performing schools. Work is currently under way on the third piece of the governor's education package - fair and adequate funding for school operations.

School	Priority
TALKEETNA (MMSU)	# 9
Kenny Lake (Copper River)	# 29
KIANA ELEMENTARY (NW ARCTIC)	# 54
ARCTIC Village (YUKON FLATS)	# 8
TAKU (ANCHORAGE)	# 4/9
JUNEAU Highschool	NOT ON List

Talking Points for the Week

Week of October 27, 1997

Speaking to the Issues

"Where's government for the people and by the people? This is getting back to it. I don't have anything, but I can get in touch with the governor. It's important." *Anchorage Daily News, 10/23/97, a participant commenting on the governor's Open Door constituent meetings.*

Governor Knowles answers questions from the public during a monthly, one-hour call-in show on APRN, at 10 a.m. Tuesday. To participate, call 1-800-478-TALK.

Contact:
David Ramsey

Governor's Office
P.O. Box 110001
Juneau, Alaska 99811-0001

phone 907.465.3500
fax 907.465.3532



Knowles Emphasizes Education, Responsible Economic Development

● **Knowles Introduces School Maintenance and Construction Plan.** Gov. Tony Knowles unveiled a long-range statewide plan to build new schools and repair, maintain and expand existing schools, during remarks to the state Board of Education and a coalition of education leaders this morning at Anchorage's Fourth Avenue Theatre. The package, funded in part by revenues from the newly increased tobacco tax, will authorize approximately \$850 million for school projects over the next decade. The plan will be funded by combining general funds and the tobacco tax increase to cover the cost of revenue bonds and will address needs in both urban and rural Alaska. Knowles said he plans to introduce a bill on the first day of the next legislative session to put his proposal in place. The Legislature authorized just \$4.7 million this fiscal year and \$6.9 million last year for school repairs.

● **Knowles Calls for Unity.** Gov. Tony Knowles reiterated his commitment to tribes and to resolving the subsistence dilemma during his remarks at the Alaska Federation of Natives convention in Anchorage late last week. "Just as your convention theme is unity, my goal is the same - to bring Alaskans together," he said. The governor discussed the state's appeal of the Venetie Indian Country case. Regardless of the outcome, the governor said he envisions a vital role for tribes in fish and game management and the administration of village justice, social services and education. Knowles announced three education proposals at the convention: to change the way Alaska funds public schools; put more money into deferred maintenance and school needs; and create a new rural vocational boarding school to provide job training for students in grades 11 through 14. "I'll put more money into education - if it's tied to higher quality - but I will not accept a Foundation Formula that divides Alaska by punishing rural school districts," Knowles said, drawing applause from the crowd.

● **Fairbanks Runway Extension Opened.** A \$9.4-million runway extension at the Fairbanks International Airport was dedicated by the governor Friday. Lengthening the south runway, along with an earlier north runway extension, allows freighters to carry maximum loads. By making the runway safer for all aircraft, the project puts the airport in a better position to attract refueling business from international cargo carriers. Knowles also highlighted a new multi-million project proposed for the airport. The governor plans to ask for legislative authorization for \$5.5 million in capital improvements to the terminal, roads and parking lot to accommodate unexpected passenger growth. During the ribbon-cutting ceremony, he praised cold-weather testing programs made possible through a partnership between the state-run airport and the Fairbanks Industrial Development Corporation.

● **Kenai River Habitat Protected.** The state has acquired another piece of Kenai River property, the 27-acre "Grubbs" property, which strengthens efforts to protect the river's world-class sport fishery, a goal the governor has repeatedly called a top priority. The property was purchased from Dolores Grubbs with \$255,000 in Exxon Valdez oil spill settlement funds. The tract, which includes approximately 750 feet of river frontage, wetlands and a slough important to salmon rearing, is intended to offset increasing development that threatens the river's salmon run. "Our plan to protect habitat is a holistic approach that involves purchasing some parcels and protecting them in perpetuity while still providing responsible recreational access at other sites," Knowles said.

Receive updates and news via e-mail by subscribing to our e-mail mailing list!

E-mail us and we'll sign you up!

Back to the Governor's Home Page

Please give us feedback on this web page.

Denny - from KETCHIKAN DAILY NEWS

10/29/97

Joe

A-4

OPII

EDITORIAL

Time to avert crisis

Maintenance of state buildings isn't something that is going to go away. It's something that increases with time, both in the amount of necessary maintenance and the cost to complete it.

The Deferred Maintenance Task Force estimates the cost of completing maintenance on state facilities at \$1.5 billion. Before the task force's report goes to the Legislature and that body and the Administration act, the cost will be much higher.

The state is deferring its maintenance into a crisis — if it isn't there already. It's one thing to be cautious and prudent when spending the taxpayers' dollars, but it's foolhardy to allow valuable property to deteriorate for lack of maintenance.

The state is not without funds or options. Some of those are:

- New taxes. The state might implement a tax over a specific period of time to fund the maintenance. At the completion of the work schedule, the tax would be rescinded.
- Buy bonds. Communities do it to pay for projects. The state could too.
- Acquire maintenance funds from the \$3.5 billion reserve account used for budget deficits and devise a repayment plan.
- Use excess investment earnings — after dividends and inflation — from the Permanent Fund.

If the Legislature and Administration are hard pressed to come up with a preferred option and implement it during the next session that begins in January, then before it ends in May some sort of legislation that allows all Alaskans to make the decision should be put on the November ballot. The ballot, because it will include a gubernatorial race in '98, will attract a large segment of the possible voters.

Spending Permanent Fund monies, new taxes and dipping into reserves aren't popular. But most Alaskans, especially those who own homes and other buildings, realize that maintenance cannot be put off indefinitely. Eventually unmaintained investments become worthless or of considerable less value. New public facilities will cost enough to necessitate more spending, larger taxes and deeper dips. We know we pay now or later, but we will pay.



Wednesday, October 29, 1997

Maintenance must be addressed

Last modified at 2:17 a.m. on Thursday, October 30, 1997

THE JUNEAU EMPIRE

A little deferred maintenance here and there has added up to an enormous problem for our state. The price of ignoring maintenance on state facilities: \$1.5 billion. That's the amount a legislative task force says the state must spend soon to address the thousands of maintenance problems that have mounted across the state.

Putting off repairs of public facilities is a lot like walking on a broken leg - it's only going to get worse. Yet that is what is happening across Alaska because state funding for repairs has fallen short of actual needs. The Legislature must shoulder the blame for allowing the problem to go unaddressed for so long.

It's a shame, too, because the money to fix most of the problems can be found either in the Constitutional Budget Reserve, which is used to cover budget shortfalls, or in other state reserve accounts. If, out of the regular budget, the Legislature can't find the money to pay for maintenance, that's what we call a budget shortfall, exactly what our reserve accounts are for. In fact, money is still pouring into the state coffers as oil prices continue to remain above expected levels. We are not impoverished.

The citizens of the state ought not to be fooled into buying bonds to fix up roads and buildings - bonds are appropriate funding mechanisms for new construction, but they aren't the first choice to pay for repairs to existing facilities. The money to pay back those bonds will come from state accounts like the Constitutional Budget Reserve, so why not just go directly to those accounts and avoid borrowing money?

S.E. & Alaska

L i n k s

On the bright side, at least the Legislature is acknowledging the problem and seems ready to act. And if it does, the overall state economy stands to benefit when contractors hire workers to complete these projects. By scheduling maintenance and repairs over the next five to 10 years, a steady construction economy can thrive. However, care must be taken not to supercharge the Alaska economy by creating a false construction boom that would attract a flood of out-of-state workers and lead to a bust economy later on.

The biggest danger in handling this amount of money is that, instead of making prudent choices for spending money on repairs, the maintenance program could become one big pork frenzy for legislators clamoring to show their constituents how they bring home the bacon. We'd hate to see very real needs across the state ignored just because they weren't in the districts of those who are on the task force.

[Back to Opinion and letters headlines](#)

Copyright © 1996, 1997 *Southeastern Newspaper Corp.*
Comments or questions? Contact the [Webmaster](#).

Alaska Legislative Digest

An Inside View of Alaska Policy

PUBLISHERS: Mike Bradner
Tim Bradner

Business Office: 349-7711
3037 South Circle
Anchorage, AK 99507
Fax: (907) 522-1761

October 31, 1997
No. 22/97

Capital construction: The rough perimeters of a fiscal plan emerge

The Deferred Maintenance Task Force has surfaced the rough perimeter of a plan to finance the state's growing backlog of deferred maintenance, facility renewal, replacement, and new construction. In case anyone hasn't noticed, this is about a whole lot more than just deferred maintenance. What it is really about is adjusting the overall fiscal plan and putting in place a financing scheme that prevents accumulated deferred maintenance and provides for a predictable outlay for state and school construction across the state's needs.

The emerging order of priority

Nothing is anywhere near being set in stone yet, but some rough conclusions are possible. One is that the proposal is moving in a direction that is more about maintaining the needs of state facilities, and schools, and less about responsibility for a variety of municipal needs.

This doesn't mean that municipalities are out of the capital facilities agenda, or out of whatever plan emerges, but rather that they are probably number three in the line of priority. The role of the state in municipal facilities support may also require a somewhat separate initiative.

Continued on page 2

Knowles surfaces his own
school capital plan Page 5
Fed highway reauthorization Page 6/7
Ruckus -airport expansion Page 8
Capital: What costs so much? Page 4

The proposed plan: Using cash reserves to leverage debt, and boosting state capital outlay above \$300 million annually

The plan, at this point, is a broad outline at best, and still in the mode of being a brainstorming guideline to help lawmakers explore the possibilities and the problems. The idea is that the most costly long-run option may be using raw cash from state reserves, or even the general fund, and the most desirable option being to use the guarantees of the state's sizable cash reserve to leverage debt. This debt, repaid from a portion of future cash reserve earnings, would enable the state to increase state dollar outlay for capital spending to a sustainable level in excess of \$300 million and maintain this level from year-to-year.

Continued on page 3

Beginning to look beyond the fiscal plan

(Continued from top page 1) The capital planning effort, cautiously guarded by the more sober pseudonym 'deferred maintenance,' is an effort to look beyond the confines of the fiscal plan. The ideal goal is to plan for spending at a rate that can maintain, renew, and replace existing facilities, while providing for new construction in some relationship to demand created by state growth.

The issue is not so much whether we should spend the money, but rather where to find the money to provide the spending that will have to take place.

Whether lawmakers realize it or not, what they're trying to do is build necessary bridges to the future, leading away from the confines of the current five-year fiscal plan. In many respects, the same thing should take place regarding operational expenses. There needs to be a plan to lead into the future from the end of the fiscal plan. If there isn't, then event-driven pressures will force lawmakers into a more chaotic and less controllable pattern of reactive spending.

Angles of approach: There are no shortage of angles of approach to the capital facilities and funding issue.

One is simply quantifying the needs; the second is simply identifying the players. This means the projects, and then the owner institutions - state, university, school, municipal, and nonprofit service provider. Third might be determining the margins of state responsibility. Why, and under what circumstances, and for what, and for whom, should the state provide a stream of capital funding support. These latter questions revolve mostly around state involvement in municipal and nonprofit facility support. Fourth, is how the state can provide reasonable continuity in the flow of a sufficient amount of capital dollars for whatever margin of responsibilities policymakers and public determine in the post-fiscal plan era.

A careful capital recipe for capital allocation

Capital funding is a critical piece of state policy, and keeping healthy perimeters on such funding amidst the on-and-off again winds of state revenues driven by volatile oil prices is important. But we all will need to keep watch on the huge political appetites as we crank up capital spending. The smell of sizzling pork often brings out the worst, not just in political leadership, but in all of us. Caution and careful recipe for this kind of spending will be needed.

By the way, this is what we're doing now, working on the basic recipe, and a part of that recipe has to be aimed at controlling our own appetites.

If we don't work at putting some guardrails around capital policy, then continuity and stability of taking care of our capital needs will fail. There is another element lingering around the edge of this issue. This is the premise that the people of a particular generation, meaning us, might actually considering paying for the costs of the facilities we need and use in our time.

\$1.95 billion in capital outlay ?

(Continued from bottom page 1) As the Deferred Maintenance Task Force worked through two days of hearings and brainstorming in Anchorage what appeared to emerge was a capital liability of up to \$1.95 billion stretching into the mid-years of the next decade. The current cash outlay of roughly \$100 million, already built into the annual state spending, would cumulatively total a half billion of this outlay. The remaining \$1.3 billion to \$1.5 billion would come from debt, with the repayment stretched into the years beyond mid-decade. This breaks down to an annual capital budget outlay of \$300 million from debt and \$100 million from cash.

Over the years between FY 99 and 2003 debt service would climb between \$30 million to possibly \$150 million, with repayment secured by a mix of principal (in the first years) and then interest earnings from a portion of the Constitutional Budget Reserve (CBR). Funds would likely be channeled through a special state lending corporation, something like the Alaska Industrial Development and Export Authority (AIDEA), which would use CBR funds as reserves, then issuing revenue bonds in behalf of state capital needs. Handled correctly, the state would earn arbitrage on reserves in excess of the cost of borrowing costs.

The present conception of this plan rests on using the Constitutional Budget Reserve, but there could be problems here in the later years, since the majority of CBR revenues are committed to plugging the fiscal gap.

Very in the rough, back of the napkin plan

	1999	2000	2001	2002	2003	Total
Annual added debt service	\$30-m(1)	\$30-m(1)	\$30-m(1)	\$30-m(2)	\$30-m(2)	—
Cumulative debt service	\$30-m	\$60-m	\$90-m	\$120-m	\$150-m	—
Cap. funds from debt	\$300-m	\$300-m	\$300-m	\$300-m	\$300-m	\$1.5-b
Cap. Funds Gen. Fund	\$ 93-m(3)	\$ 93-m	\$ 93-m	\$ 93-m	\$ 93-m	—
Total annual capital \$	\$393-m	\$393-m	\$393-m	\$393-m	\$393-m	\$465-m

(1) Principal approp. from CBR

(2) Interest earnings CBR

(3) Cash from state general fund. Some cash outlay adjusted downward, some of present level GF capital outlay shifted to debt to fit limits of fiscal plan.

Continued on page 4

Where the spending will be!

We tend to forget that facilities, once constructed, wear out, and need to be maintained, renewed, and replaced. We have to spend money to keep up our homes, and businesses have to spend money to keep up their facilities too. An oil well has to be maintained, repaired, and renewed from time to time. If not, then production is lost and even the entire well may be prematurely lost. State, university, school, and municipal buildings are no different. Then there are roads, airfields, ports, harbors, and so on. However, nitty gritty stuff like this is not politically sexy, and can tend to be ignored by politicians in favor of something shiny and new. This may not be very good political stewardship, but guess what, the public is generally not much better. Bond issues for new facilities pass, bond issues for repair and renewal squeak by, and are the most likely to fail. So, I suppose this is why good solid capital planning makes sense, a plan to help force us to keep our noses to the more pragmatic grindstone.

Basically, if you have \$10 billion in facilities, then it may take \$100 million annually just to keep current with repair and renewal. Age profiles of facilities make a difference, and Alaska's profile of post-statehood facilities are now mature and aging.

Rough estimates - repair and renewal

Public facilities (buildings)	\$190 million
Highway and airport repairs	\$300 million
University facilities	\$170 million
Schools	\$300 million
Harbors	\$ 55 million
Water/sewer, etc.	<u>\$105 million</u>
Total repairs	\$1.012 billion
New schools	<u>\$ 300 million</u>
Total	\$1.312 billion

Then there are other needs to be met. Emergency needs, help for municipalities, and outlay for state participation in economic development initiatives.

Capital Facilities Financing Corporation

The initial vehicle for finance would be to utilize a portion of Constitutional Budget Reserve assets (earnings) for support of bonds and repayment of debt. The problem will revolve around how many roles can be assigned to the CBR, and whether there is sufficient CBR capacity, since CBR income is already incorporated in the majority fiscal plan. Another element will be sustainability. Can we make a process function after 2003.

----- More in our future issues

Anchorage Daily News

50 CENTS
VOL. 14, NO. 312

ANCHORAGE, ALASKA, SATURDAY, NOVEMBER 8, 1997

FINAL
EDITION

Lawmakers offer \$1.5 billion plan

By ROBERT KOWALSKI
Daily News Journal Bureau

JUNEAU — A legislative task force on Friday proposed setting up a special corporation and giving it money from a state reserve fund to help pay for \$1.42 billion in maintenance for schools, roads and ports over six years.

In the plan, the state would transfer \$1.5 billion from its Constitutional Budget Reserve to the newly established corporation, which would then use a creative financing arrangement to take advantage of tax laws and sell bonds to pay for the maintenance work.

In the end, the repairs would ac-

Six-year fund would go to fix schools, roads, ports

tually be paid for with interest earned by the reserve fund and by about \$30 million a year in revenue from tobacco taxes.

No new taxes would be raised, a point backers of the plan emphasized strongly.

"We are not calling for an increase in any existing taxes," said Rep. Eldon Mulder, R-Anchorage, a co-chairman of the legislative task force that has studied the so-called "deferred maintenance" issue in recent months. "No one thought we could come up with this plan."

Rep. Eldon Mulder, task force co-chairman, said, "We are not calling for an increase in any existing taxes."



The overall financing plan would be put to a vote next November, but that would be advisory only and the proposal technically could go for-

ward regardless of the outcome.

While the task force was not ready Friday to detail which projects the plan would pay for first, members of the panel said they hoped to have a priority list for the Legislature when it convenes in January and before the public vote.

To transfer the money out of the budget reserve, the plan would require approval of three-fourths of the Legislature and the governor's signature. But even if the governor vetoed it, the Legislature could carry out the plan by overriding the

veto with a two-thirds vote.

The budget reserve currently contains about \$3 billion.

"Perhaps the most difficult part in my mind was to develop a mechanism to pay for the maintenance work," said Mulder. "We have done a lot of homework on this. ... I think it is realistic."

House Speaker Gail Phillips, R-Homer and a member of the task force, said she expected support from Democrats and Republicans in the Legislature. "I have not talked to a single legislator who does not support what we are doing," she said.

Please see Back Page, MAINTENANCE

MAINTENANCE: Task force recommends \$1.5 billion to fund school, road work

Continued from Page A-1

Bob King, Gov. Tony Knowles' spokesman, said the administration had not had a chance to study the financing plan.

But he said the governor welcomed the Legislature's interest in the matter.

Knowles last month proposed a plan for \$850 million in repairs to Alaska school facilities, which would be paid for by tobacco taxes and other state funds.

"I think it is very positive that the Legislature has come out with a similar proposal of its own," King said Friday. "Deferred maintenance matters have always been something today."

one of Knowles' high priorities."

During two days of hearings that the maintenance task force held in Anchorage this week, the governor's legislative director, Pat Pourchot, said the state should hire finance experts to study the proposed financing arrangement.

"We need expert outside bond counsel," he said. "Is there anybody out there that is going to market the bonds and ultimately buy the bonds?"

Denny DeWitt, an aide to Mulder, agreed on the need for an outside assessment. "We need someone to sprinkle holy water on it. ... This is something we are not doing today. For Alaska it is new."

Mulder noted that the finance plan would provide money for much-needed repairs to facilities such as roads and schools without creating income or sales taxes.

He said it would not draw down the Permanent Fund.

Mulder did acknowledge, however, that while the plan would leave the budget reserve with more money than it currently has, the reserve total would be smaller in the long run than if it were allowed to continue earning full interest income.

That is because much of the interest the fund earns from investments would be used to pay for road and school maintenance rather than going back into the reserve.

The budget reserve is a pool of money the state Legislature has set aside to use when government revenues from oil and other sources fall short of what lawmakers want to spend on state programs.

Why not just spend money directly from the reserve fund to pay for the maintenance instead of funneling it through a new corporation?

Mulder said tax advantages for such a corporation issuing revenue bonds could save the state millions of dollars when compared with a traditional government bond sale.

A traditional or general obligation bond sale also would require formal approval by voters. A revenue bond sale by a corporation would not.

While such a corporation would have the authority to hire a staff, the Legislature would decide where to spend the money, Mulder said.

He also emphasized that the maintenance corporation would not evolve into a bureaucracy as have other public/private state enterprises such as the Alaska Housing Finance Corp.

Under the finance plan the task force proposed, the state would spend \$300 million on schools; \$188 million on university facilities; \$300 million on highways, ferries and airports; \$55 million on harbors; and about \$280 million on other public facilities including water and sanitation.

THURSDAY
NOV. 20, 1997

IRS rules could block repair plan

■ Use of tax-exempt
investment income
may not fly

By MARK SABATTINI

THE ASSOCIATED PRESS
A \$1.5 billion plan to fix aging schools, roads and other facilities may not pass muster with the Internal Revenue Service.

The deferred maintenance proposal by a group of state legislators may take unfair advantage of Alaska's tax-exempt status, according to state officials. But some say careful legal wording may allow it to go forward.

Legislators are essentially proposing to borrow money through bonds at a low government-only rate, while making investments designed to exceed that rate. Because the earnings would be tax-free, the

extra money could pay for the projects.

But the federal government tends to frown on states using their tax-free status for anything beyond paying back an actual debt, state officials said.

"One of their concerns has always been that a state or municipality not take advantage of this subsidy to enhance their own pocketbooks, so to speak," Forrest Browne, the state's debt manager, said today.

In this case, the state would be borrowing money at 8.5 percent and expecting to earn 7.16 percent during the next 15 years, said state Sen. Tim Kelly, an Anchorage Republican co-chairing the legislative committee proposing the plan.

Kelly said legislators were told the proposal is legal and at least two state programs make

Repairs...

Continued from Page 1

such investments. He said committee members are working with the Department of Revenue to ensure a thorough independent legal analysis of the proposal is done, but in the end he believes it will be acceptable.

"We're aware there could be potential problems, but nobody has told us it can't work," he said.

The proposal is for the state to set aside \$1.5 billion in funds from the Constitutional Budget Reserve, using that money as collateral to secure bonds for the same amount. The reserve funds would be invested, allowing them to pay off the bonds while generating income.

The IRS has not raised concerns about the proposal, but might once it's enacted because the state is doing more than paying back a loan, said Ross Kinney, deputy commissioner of the Department of Revenue.

"Uncle Sam says 'Why do you need that money in the first place? You've got money in the bank,'" he said.

“
Uncle Sam says 'Why do you need that money in the first place? You've got money in the bank.'
”

Ross Kinney

Among the possibilities, Kinney said, is the IRS forcing the state to turn over any excess income from the investments. That would essentially deprive legislators of the money they are counting on to make deferred maintenance repairs.

Kelly said the Alaska Housing Finance Corp. and the Alaska Permanent Fund Corp. both rely on such investment tactics. Michael Buller, chief administrative officer for AHFC, said his agency is allowed to do so under narrowly defined rules, but doesn't know enough about the deferred maintenance proposal to know whether

the exemptions could apply there are well.

The plan, announced Nov. 7, also is being questioned because of its reliance on such potentially volatile revenue sources as the state's tobacco tax, money from oil and gas royalty settlements and investment earnings from the stock market.

At least one state legislator said the proposal shouldn't go forward without the binding approval of voters. The plan currently calls only for an advisory vote.

"I'm uncomfortable if the people don't have a voice in it," said Rep. Terry Martin, an Anchorage Republican who is a member of the House Finance Committee. "You must leave it up to the public."

The sale of the bonds can't legally be subject to a binding vote by Alaska voters, Kelly said. The issue would be placed on next November's ballot if the proposal is approved during the coming legislative session.

ccccc

The Associated Press contributed to this article.



Time for repairs

Maintenance task force weighs in

Alaska, so young in the cavalcade of states, has some old business to attend. Maintenance — hundreds of millions of dollars in postponed repairs — demands our attention. The leaking ceilings, the cracked walls, the nasty potholes no longer can be ignored.

A legislative task force on deferred maintenance, which has been meeting for months, recommends spending \$1.5 billion over seven to 10 years to fix up Alaska public facilities. The money in large measure would come from the Constitutional Budget Reserve through some creative accounting that would allow lawmakers to borrow from the fund.

Is this an idea whose time has come? Sen. Tim Kelly, co-chairman of the committee, is confident the plan will work. Critics outside the Legislature, however, worry that the Internal Revenue Service will challenge the plan because of various provisions that take advantage of tax-free financing. Private corporations could not behave this way, the reasoning goes, so why should the state have the privilege?

Lawmakers have plenty of time to achieve certainty when the session begins, and that's exactly what they should do through the hearing process where experts, with lawmakers and members of the Knowles administration, can challenge assumptions, explore alternatives and eliminate surprises. There is no excuse for putting together a financing package that itself will need maintenance in a couple of years.

Legislators — and the administration — also should use the session to draw boundaries on the term "deferred maintenance." New roads, new schools and new offices should not be permitted to creep into the maintenance budget. New projects should be forced to compete for attention in the capital budget.

It's the holiday season, but deferred maintenance should not become an excuse to put up a Christmas tree.

Finally, everyone in Juneau has to realize that a seven-to-10-year maintenance plan is only part of the answer for Alaska. While contractors are busy repairing \$1.5 billion worth of wear, other facilities will be aging. Ten years from now we could be facing another deferred maintenance crisis if we don't make repairs as we go along.

Maintenance doesn't stir many souls. Nobody is going to stand up on the floor of the Legislature and bellow, "Give me maintenance or give me death." But the work must be done, and it should be routinely. The cost of delay can be measured in the billions.

Denny
465-3518