

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

2553 SCOMM 111: DEFERRED MAINTENANCE TASK FORCE, 1997

Figure 8: Trends in Pavement Relative Conditions by Region

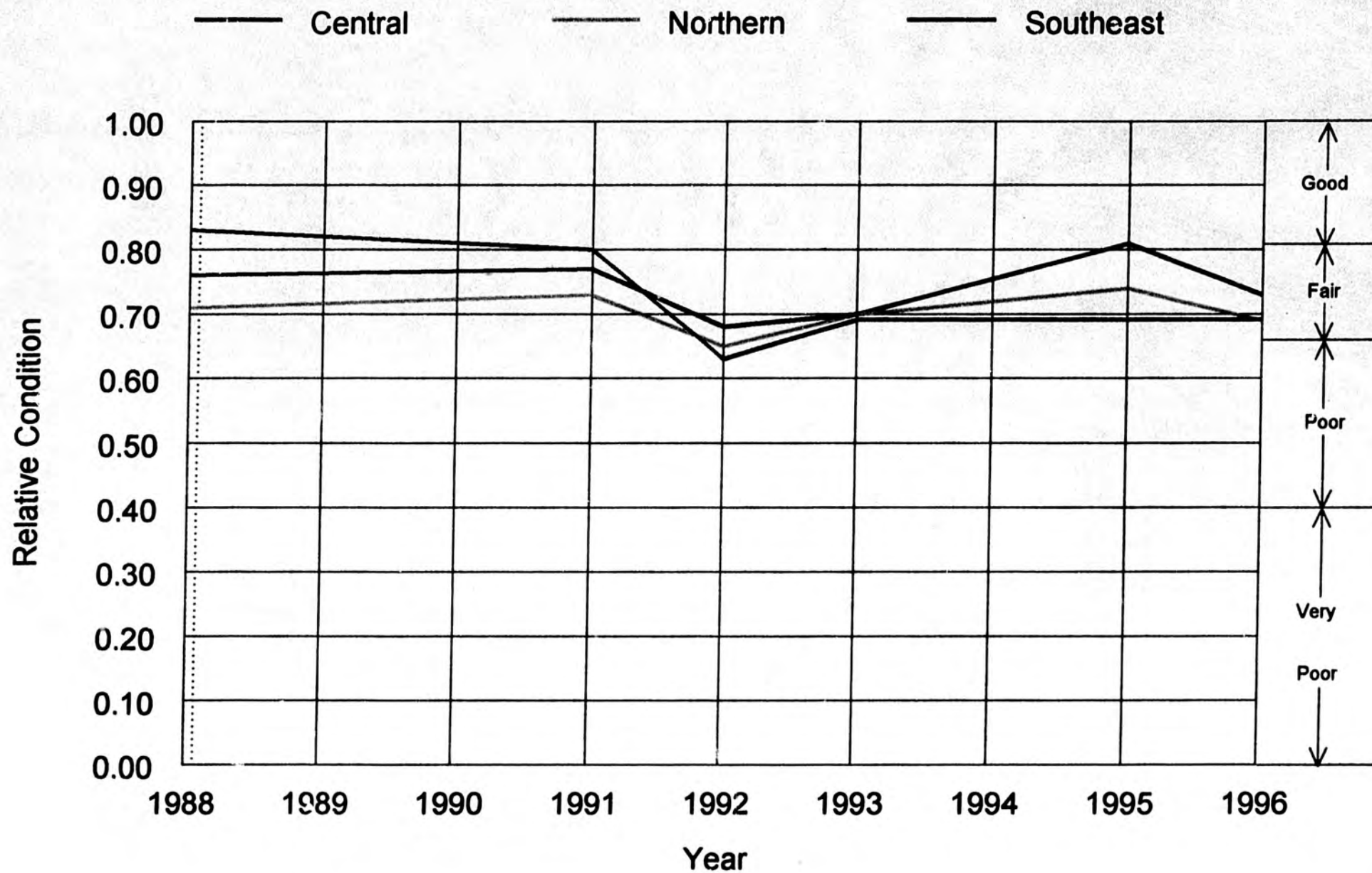
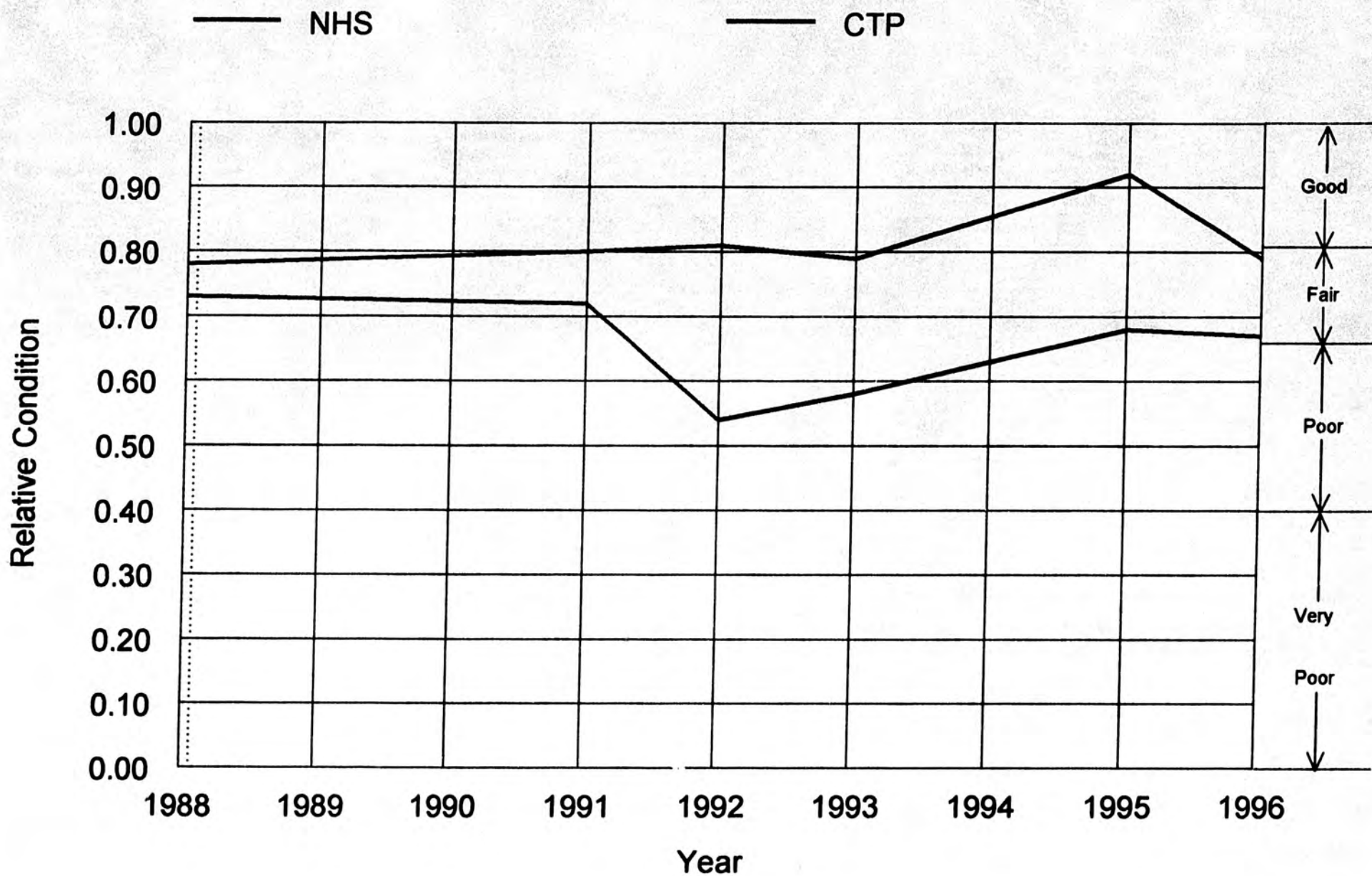


Figure 9: Trends in Pavement Relative Conditions, Central Region



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The Glenn Highway is getting rutted on two miles, just south of the Knik River Bridge. There are also rutting problems near the Jonesville Road area (MP 57 to 62). Rutted and cracked areas were found from MP 85 to MP 91. The Hicks Creek/Pinochle Hill area, MP 95 to MP 106 has ride quality, cracking and rutting problems. A project is out to bid for repairing part of that area (MP 96 to MP 100).

International Airport Road, especially between Jewel Lake Road and the Old Seward Highway is getting rutted, potholed and cracked. There are ongoing design projects for this.

Fifth and Sixth Avenues in Anchorage are rutted between L Street and Gamble. There is an ongoing design project in this vicinity.

The Minnesota Bypass from just south of International Airport Road to 100th Avenue is rutting excessively. Some rutting is also occurring from 100th Avenue to the Old Seward Highway.

Northern Region Pavement Conditions

Portions of the Alaska, Glenn, Elliott, Parks, Richardson and Tok Cutoff Highways are very rough, primarily due to differential thaw settlement of permafrost. This is being addressed by Maintenance operations leveling or reclaiming and applying asphalt surface treatments. Limitations on funding, manpower, equipment and materials make don't allow for all the poorest areas are fixed annually. However, this maintenance program, initiated last year, is beginning to really help. It is very effective since only the very poor areas, which may be only a few hundred feet in length are repaired. The decrease in overall NHS pavement condition in 1996 shown in Figure 10 may be partially due to the fact that some areas were profiled prior to the repairs.

The CTP or non-NHS routes have decreased into poor condition in the last few years. Many have not been rehabilitated for quite some time. The hard surfaced road system is expanding in the Northern Region with ASTs being planned for the Taylor Highway and some gravel portions of the Dalton and Elliott Highways.

Condition data on the Northern Region often appears better than is actually felt by Managers. This is due to the fact that conditions are currently averaged over 1 mile increments while some of the real problems are only 100 to 300 feet in length. Pavement management in the Northern Region often requires reducing data to 250 foot increments in order to identify areas with the worst ride quality. Maintenance personnel work up lists of their worst problem areas and we work together to make a list of the areas that will be repaired within the limitations mentioned previously. It is recommended that we consider contract construction projects to perform those maintenance operations in problem areas that exceed approximately 1 mile in length.

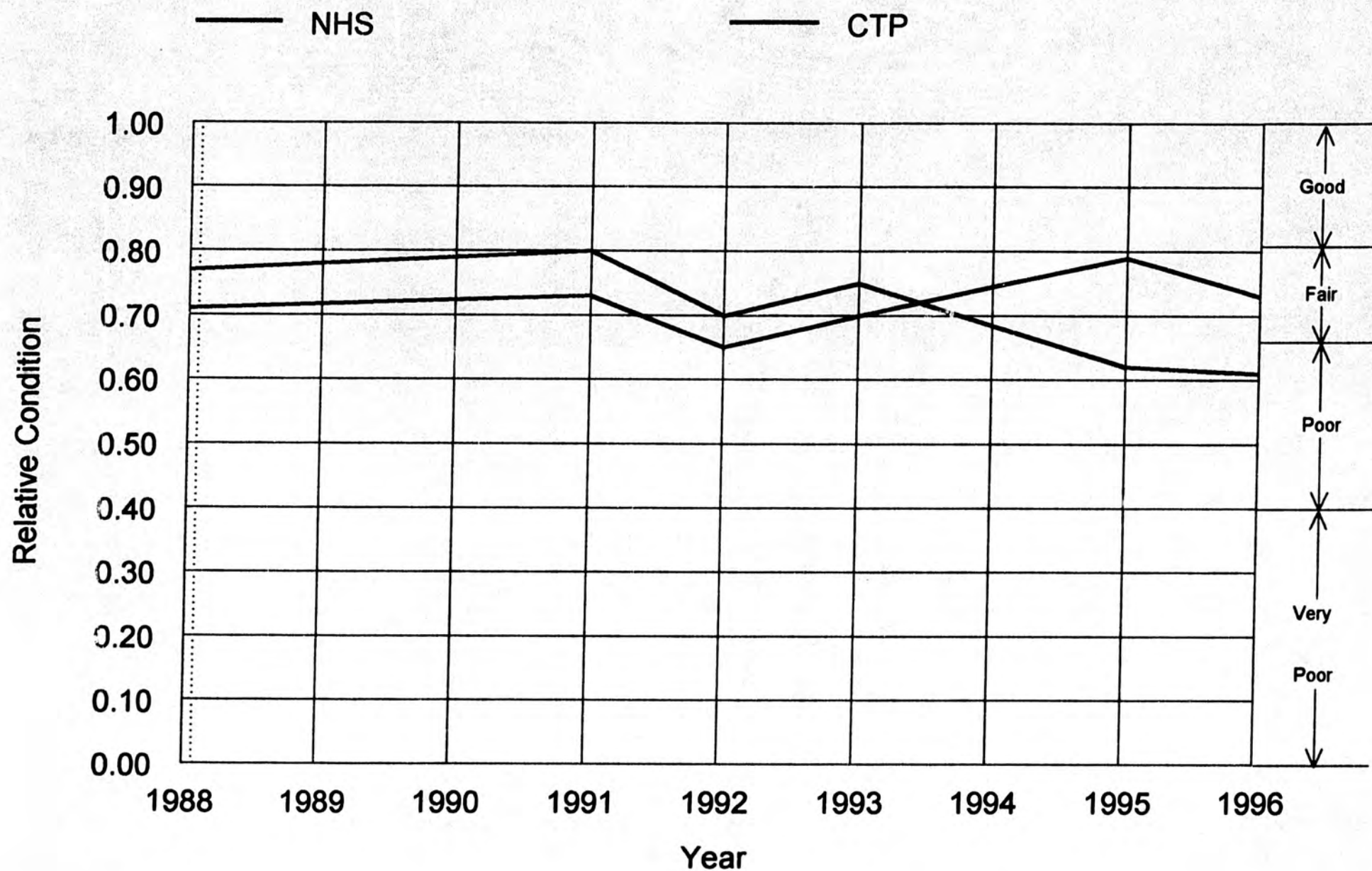
See Appendix B for specific information on NHS routes in the Northern Region. Percentages of the routes that are in the various condition categories are presented along with strip charts of the major routes.

The Alaska Highway, near the Gerstle River, approximately MP 1386 to 1398, is very old pavement, built in 1963. This area is very rutted. It also has localized ride quality and cracking problems. The highway is only 20 feet wide in this area.

A large portion of the Elliott Highway is shown in very poor condition due to poor ride quality. It is known that this route was profiled prior to 1996 Maintenance operations. The 1997 condition data will be more informative on this route.

Over 50% (29 miles) of the Glenn Highway in the Northern Region was in poor and very poor condition at time of the 1996 survey. The data indicates that this was primarily due to many patches. The relative condition uses patching as negative criteria. From MP 157.5 to MP 160.5 the pavement is cracked and

Figure 10: Trends in Pavement Relative Conditions, Northern Region



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there are rough areas. From MP 171 to MP 175.5 fatigue cracking is taking place. These areas will be considered for future projects.

On the Parks Highway, there are many areas with excessive rutting and cracking between MP 267 and MP 284. That is 14 of the 17 miles, south from Anderson Road. Between MP 346 and MP 354 there are some areas with severe fatigue cracking.

From approximately MP 5 to MP 15 and MP 54 to MP 60 on the Richardson Highway there is severe fatigue cracking. Between the Gulkana River and MP 155 there are many areas of very poor ride quality. The surfacing is falling apart in several areas within these limits. Pavement rutting is getting severe between MP 172 and MP 176. In the Whistler Creek area, MP 222 to MP 227, there are fatigue cracking and rutting problems. Similar problem areas occur sporadically from MP 233 to Delta Junction. The pavement is block cracked in areas between North Pole and Fairbanks.

The Tok Cutoff Highway has poor ride quality problems, especially in the first 50 miles on the south end. Most of the problems are subgrade related. There is a continuous stretch between MP 7 and MP 24 with high roughness. Most of the area between MP 39 and MP 50 has very poor ride quality.

The urban NHS routes in the Northern Region, including Airport Way, the Johansen Expressway and the Steese Highway are in relatively good condition. However, from MP 3 to MP 5 on the Steese Highway is getting rough.

Southeast Region Pavement Conditions

Pavement condition surveys in 1988 indicate the Southeast Region averaged in good condition. By 1992, the CTP routes had fallen into poor and the NHS routes into fair average conditions. In 1996 this was still true, but slightly higher in the respective categories. Figure 11 shows these trends. Appendix C shows results of the 1996 pavement condition surveys for the NHS in the Southeast Region.

South Tongass Avenue in Ketchikan was found to be rutted, rough and partially fatigue cracked. The NHS portion of South Tongass Avenue is approximately 2.5 miles in length, starting at the junction with the Ketchikan Ferry Terminal Road and ending at Bawden/Dock Street. A major portion of this is built on pilings. There is an ongoing design project to rehabilitate it.

The Haines Highway is in very poor condition through the city of Haines and near the Canadian Border. Approximately 6 miles through the city has ride quality and rutting problems with the pavement. The last 6 miles before the border have ride quality problems, excess rutting and some block cracking.

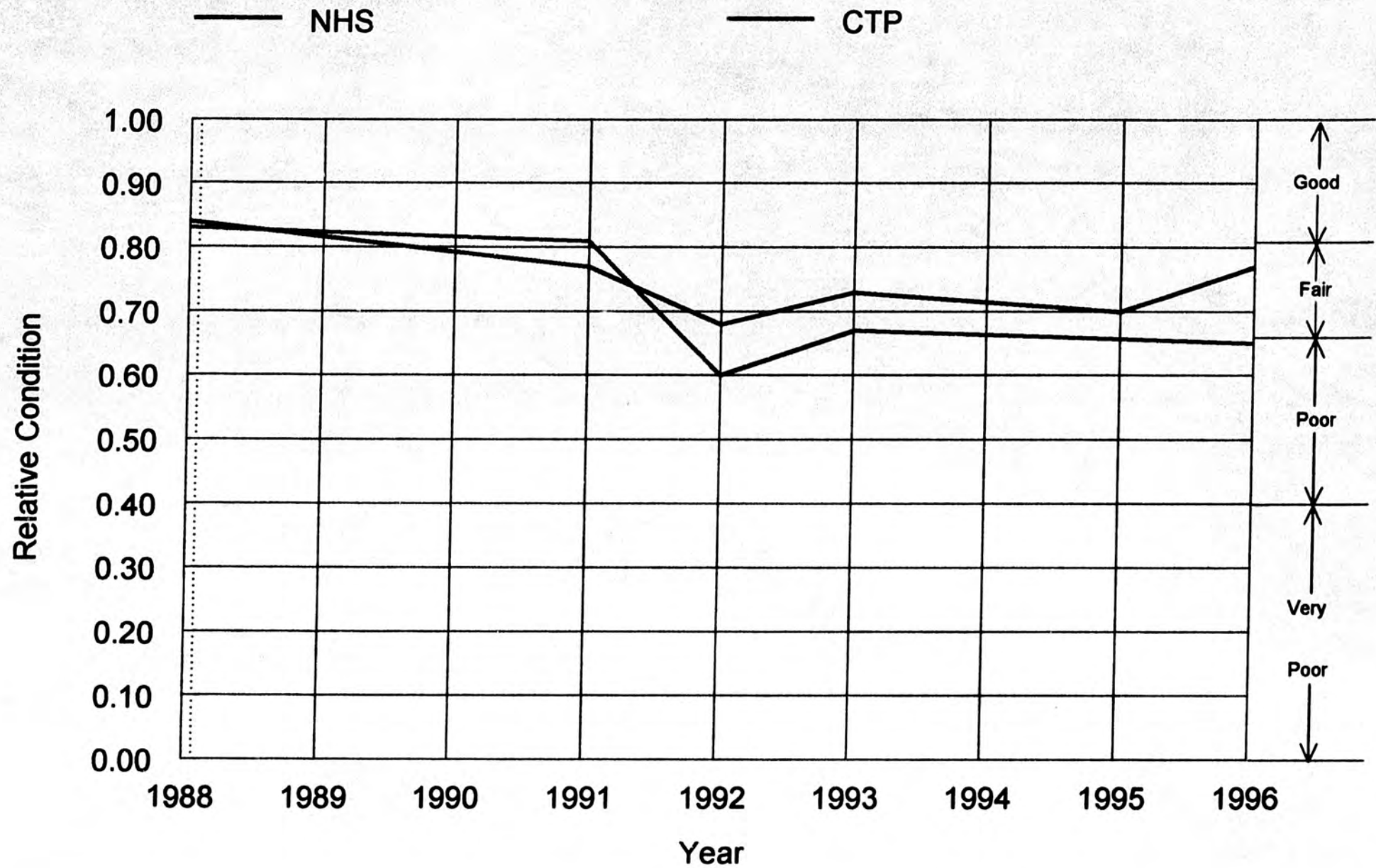
The rest of the NHS routes in Southeast have good to fair pavement conditions with one exception. The first mile of the Klondike Highway tested to be very rough. This needs further investigation.

Improvement Goals

Substantial investments must be made to prevent premature pavement damage. Failure to make the necessary investments will cause an alarming growth in the number of miles deteriorating into the Poor and Very Poor condition. If additional funding is not provided this accelerates the downward pavement condition spiral.

Poorer pavement condition increases the burden on highway maintenance. In the face of continued pressure to reduce the State Operating Budget there is little possibility of meaningful maintenance budget increases. The result is to further accelerate the decline in pavement condition.

Figure 11: Trends in Pavement Relative Conditions, Southeast Region



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Implementing effective pavement management strategies offers significant potential to reverse these trends. The Pavement Management estimates that at present the State should invest approximately \$42 million annually in resurfacing projects to maintain the status quo. The current STIP shows less than this for pavement maintenance and rehabilitation. The \$42 million figure is in current dollars and only includes pavement related costs. Maintenance & Operations project costs come much closer to this figure than Design and Construction project costs. Design and Construction projects often involve many secondary upgrades such as lighting, signals, guard rails, curbs, gutters, sidewalks, bike paths, etc. This makes them cost 2 to 3 times more than the pavement rehabilitation. This is not to say that we should go all to Maintenance & Operations projects. Some roads need other types of upgrades than just paving. Other types of improvements needed must be considered in project selection and funding given to the appropriate Division.

Adjusting our STIP to increase funding for rehabilitation projects to \$42 million annually for the next 5 years would reduce the number of Poor or Very Poor pavement miles and improve the overall condition of the state road system. After that, it is expected that the higher level of service could be sustained with a lower annual rehabilitation investment.

Initially, additional investments would largely be used to address needs on the poorest sections our major highways, including the Parks, Richardson, Glenn, Tok Cutoff, Alaska, Seward, South Tongass, Haines and Sterling Highways. Once these major highways are providing an acceptable level of service, we would turn more of our attention to Community Transportation Program needs.

Maintenance and Operations

The longer repairs are put off, the more they will cost. It is comparable to patching a leaking roof before moisture can cause damage to rafters and other hard to repair items. It is generally far more cost effective to repair pavement before damage reaches into the foundation layers. At low levels of distress or damage, low cost pavement repair strategies may be used, such as chip seals and overlays. If the foundation is allowed to fail, then the repairs will cost much more and in future inflated dollars.

Improvement of our pavement performance results in reduction of ongoing maintenance funding requirements. Total program expenditures following attainment of our performance goal would likely decrease to reflect reduced needs and greater emphasis on maintaining pavements at lower levels of distress. This would allow available funding to be directed at other infrastructure maintenance needs.

New construction continues to add lane-miles of pavement along with other costly installations such as traffic signals and street lighting. Additions to the highway system in recent years have not been matched with commensurate increases in maintenance budgets.

Conclusions

The overall pavement conditions on the Alaska road system are in fair condition. They appear to be slipping towards poor overall condition. This needs to be monitored and projects selected that will benefit the users to the highest degree possible.

The Pavement Management System is intended to provide information on the relative condition of the highway system and provide recommendations for cost effective repairs. Pavement management is the tool which will assist in maintaining the states highways in an acceptable condition. It is not a one man operation. It takes input from all involved to make pavement management work effectively.

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Pavement management can be used to confirm or adjust the STIP. It can be used to predict the results of future projects on the overall pavement conditions.

A new Pavement Management System has been obtained. It has the ability to consider structural criteria as well as pavement condition information in analysis and prediction. The new system also considers user costs, in terms of delays and estimates of their costs of running vehicles depending on the level of service and AADT. This system is brand new and data bases have to be created before output can be obtained. We expect it will take approximately two years for it to come fully on line.

Pavement management has to be dynamic, annually checking pavement conditions and reacting to them as well as political and budgetary situations. The 1997 pavement condition survey is ongoing. It is recommended that this type of report be written annually.

Definitions

Annual Average Daily traffic - AADT- Average daily traffic over an entire year

asphalt cement - a black cement material called Bitumen derived from crude petroleum

AC- Asphalt Concrete, consisting of sand, gravel, and a petroleum binder called bituminous pavement.

Asphalt Concrete Overlay - placing asphalt concrete over an existing roadway. Most appropriately applied before an existing pavement has become too rough, cracked or rutted.

Bituminous Surface treatment (BST) - a BST is a double application of the Chip Seal

crack sealing- Most maintenance crack sealing is done within 3 years after construction. Cracks are sealed in order to prevent the intrusion of water which reduces the strength of underlying materials.

chip seal - single shot asphalt surface treatment of emulsified asphalt with a single sized aggregate rolled immediately into the oil.

emulsified asphalt - a combination of asphalt, emulsifying agents, and water. This product may contain approximately 40% water and cures with the evaporation of the water.

high float emulsion surface treatment - high float emulsion derived its name from the fact that the residue from distillation must satisfy a minimum float test in water at 60 degrees centigrade. High float surface treatments provide the possibility of constructing a surface similar to a double shot chip seal in a single pass of the equipment.

maintenance - use of low level to moderate level of surface treatments to extend the life of the pavement up to 7 years

plane existing pavements - When the existing pavement is greater than 100mm(4inch) and the surface is rough, cracked, or rutted then the surface is rotomilled or planned. Areas with curb and gutter may require this type of rehabilitation.

Reclaim asphalt pavement- The existing pavement is ground up and mixed with the base course or blended at the hot plant with new material. This process is used when the existing pavement has become rough, cracked and is less than 100 mm (4inches)

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rehabilitation - use of moderate to high level treatments to reconstruct the pavement, extending it's life by up to 10 years

seal coat- a sealant applied uniformly to the entire pavement surface, usually embedded with sand or gravel, primarily to prevent water infiltration and improve traction

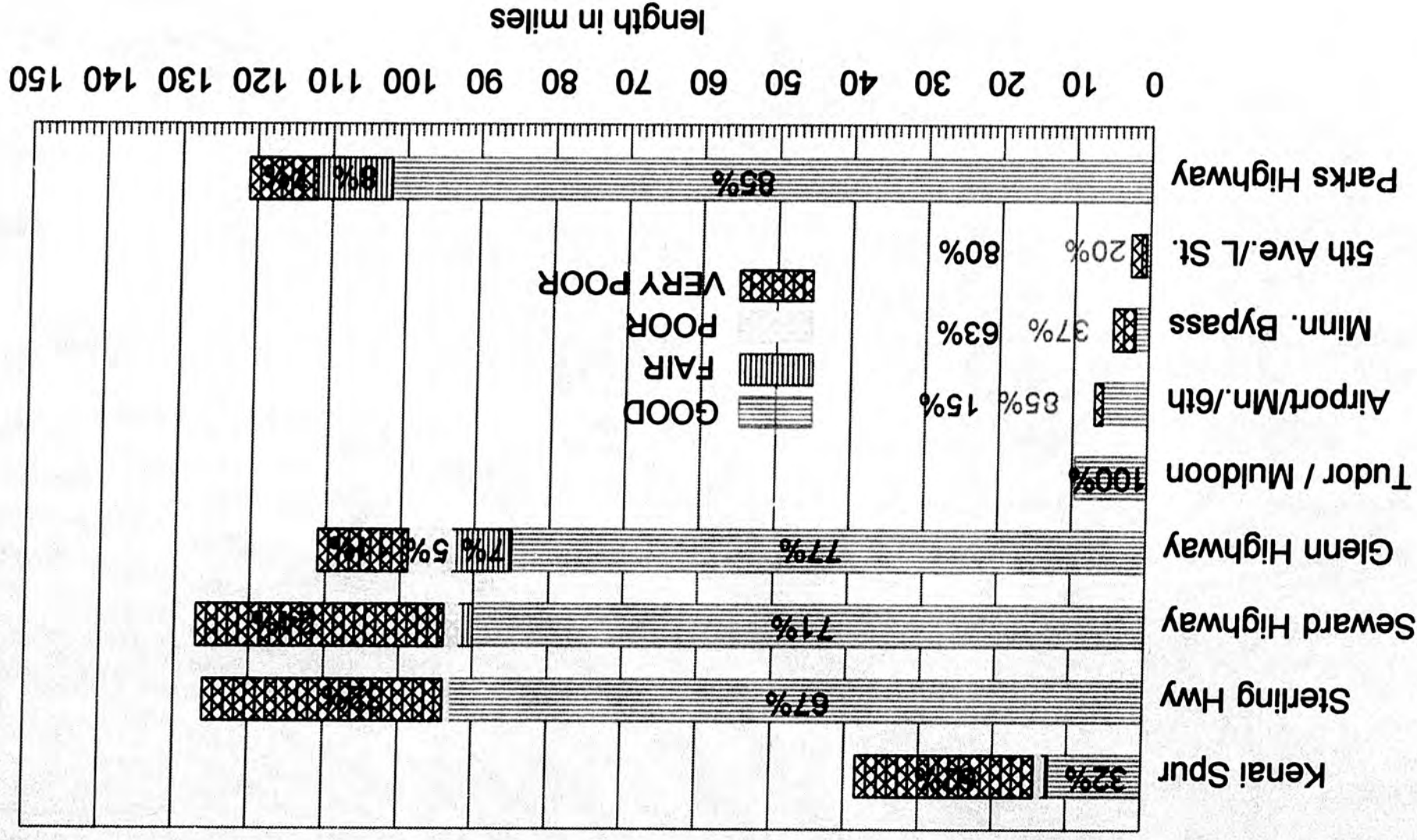
slurry sear1 - a petroleum based emulsion seal coat without sand or gravel

stone mastic asphalt (SMA) - SMA optimizes stone on stone contact in the mix, making it more rut resistant.

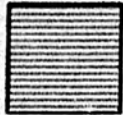
APPENDIX A
1996 PAVEMENT CONDITIONS
NATIONAL HIGHWAY SYSTEM
CENTRAL REGION

Central Region NHS

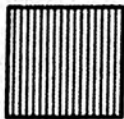
Length of routes and % in pavement condition categories



KEY FOR HIGHWAY CONDITION CHARTS



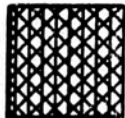
AREAS IN GOOD AND VERY GOOD CONDITION



AREAS IN FAIR CONDITION



AREAS IN POOR CONDITION

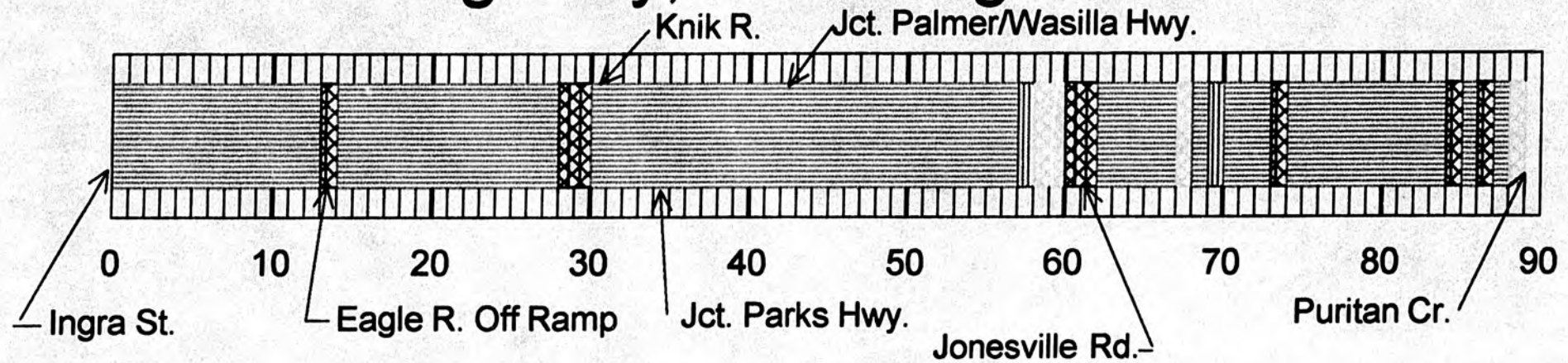


AREAS IN VERY POOR CONDITION

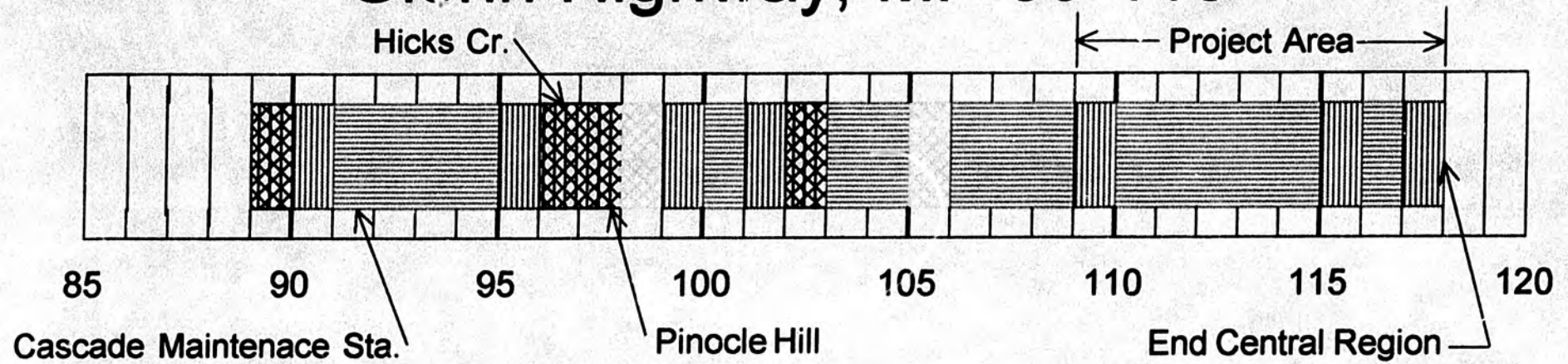
NOTES:

1. ALL CONDITIONS SHOWN ARE BASED ON 1996 SURVEYS.
2. CONDITION CATEGORIES ARE BASED ON MEASURED: ROUGHNESS, RUTTING AND CRACKING.

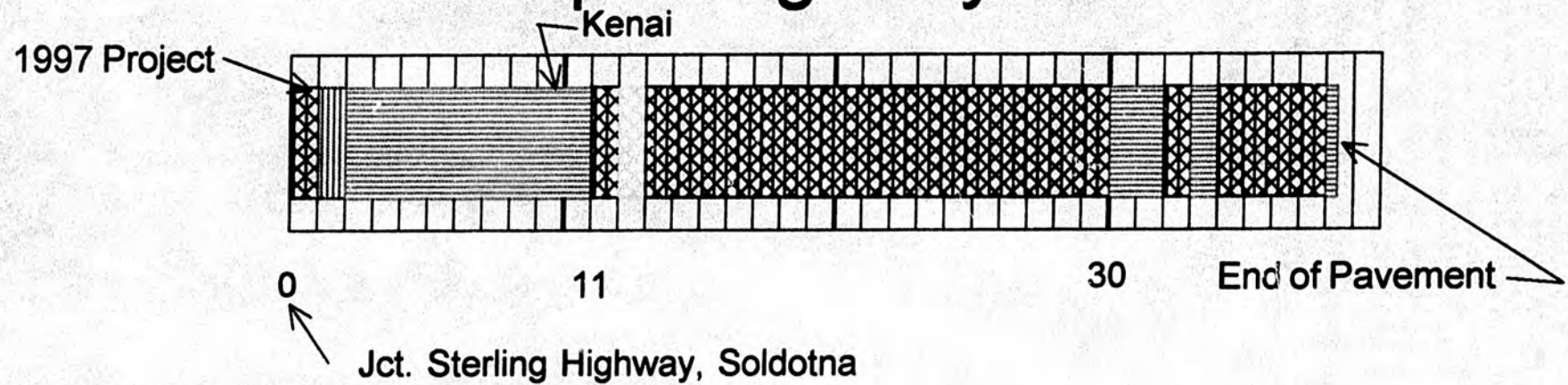
Glenn Highway, Anchorage to MP 89



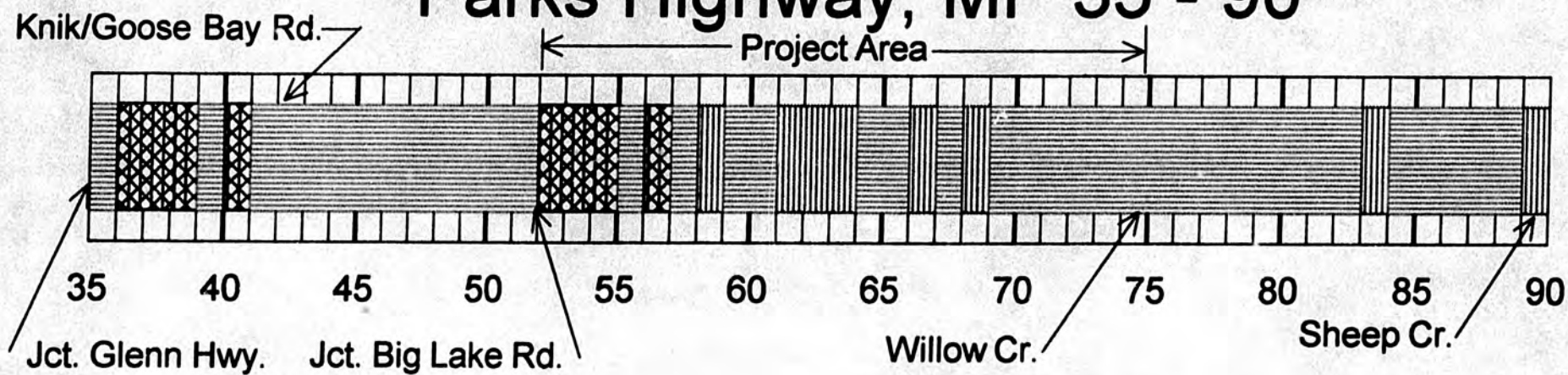
Glenn Highway, MP 89-118



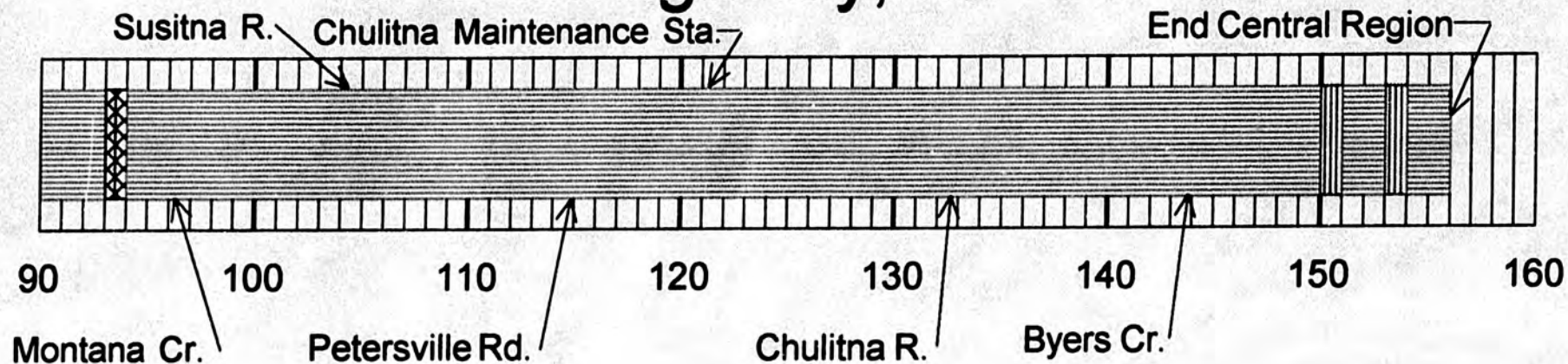
Kenai Spur Highway MP 0-38.4



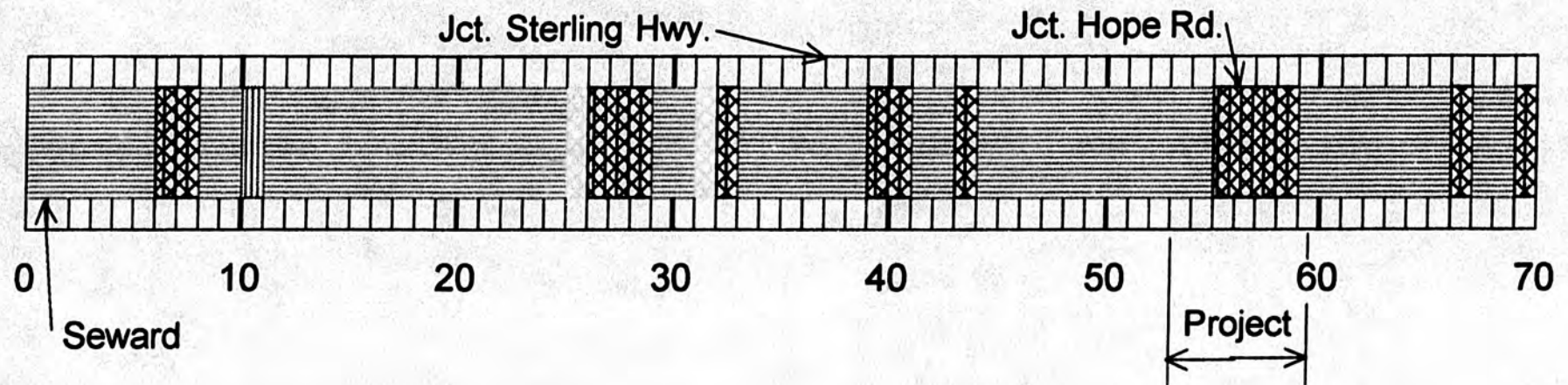
Parks Highway, MP 35 - 90



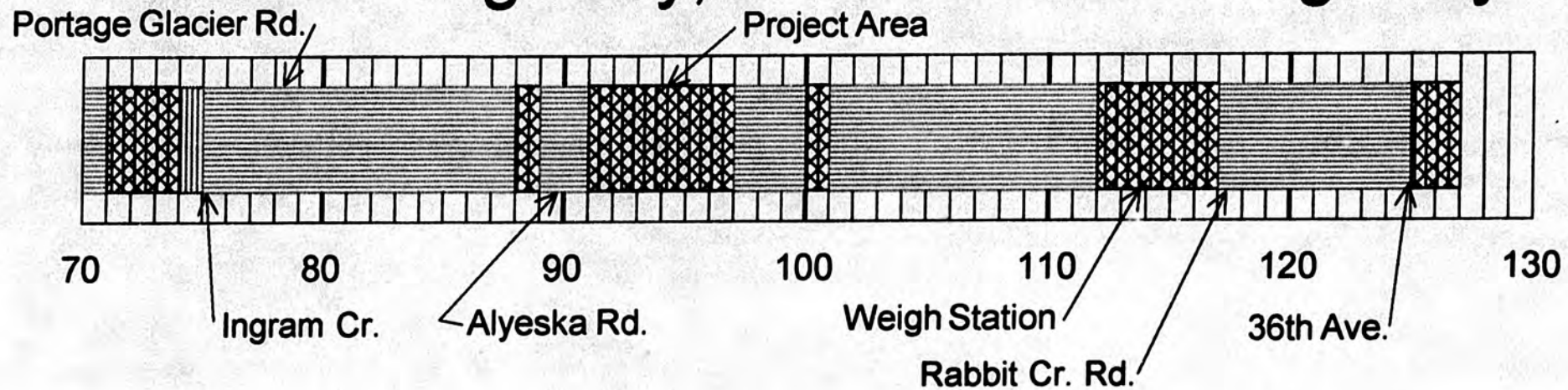
Parks Highway, MP 90-156



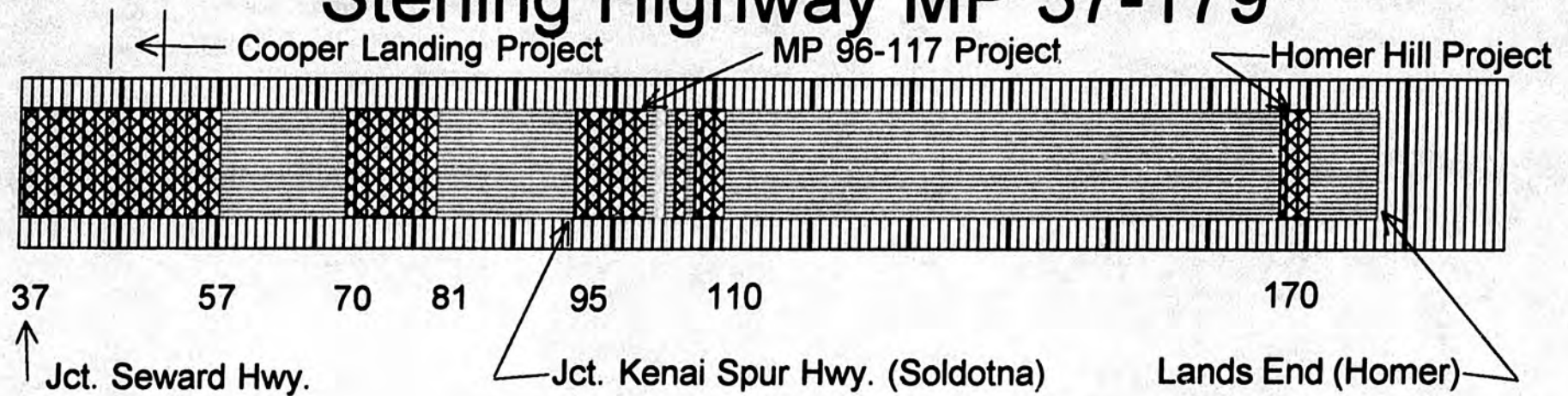
Seward Highway, MP 0 - 70



Seward Highway, MP 70 - Glenn Highway



Sterling Highway MP 37-179



APPENDIX B

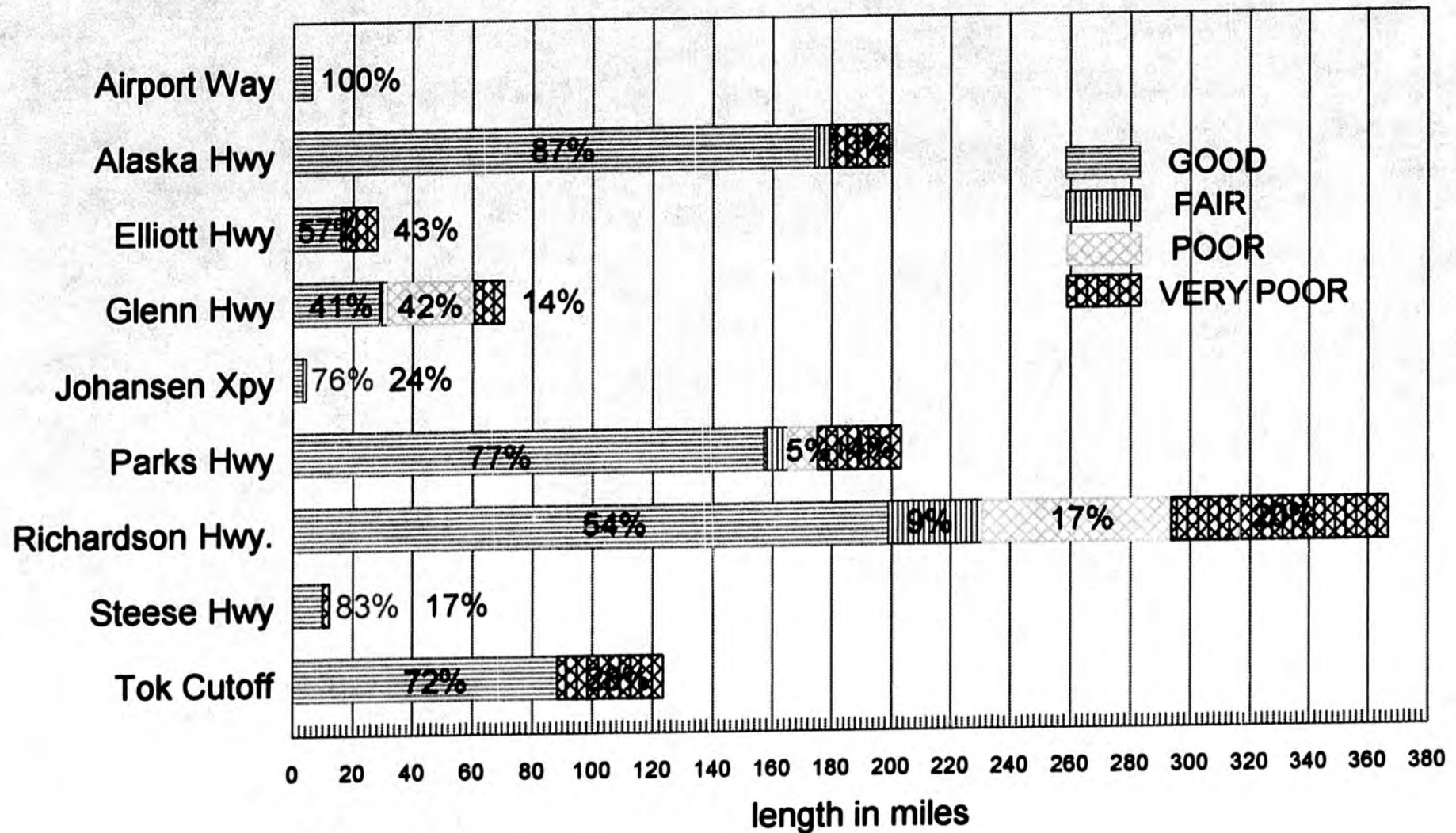
1996 PAVEMENT CONDITIONS

NATIONAL HIGHWAY SYSTEM

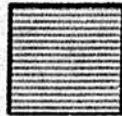
NORTHERN REGION

Northern Region NHS

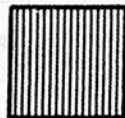
Length of routes and % in pavement condition categories



KEY FOR HIGHWAY CONDITION CHARTS



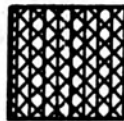
AREAS IN GOOD AND VERY GOOD CONDITION



AREAS IN FAIR CONDITION



AREAS IN POOR CONDITION

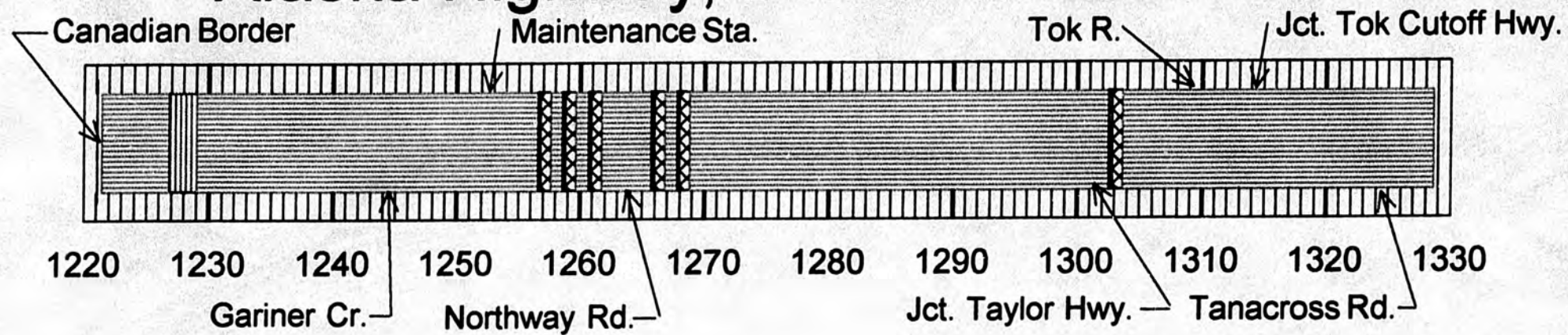


AREAS IN VERY POOR CONDITION

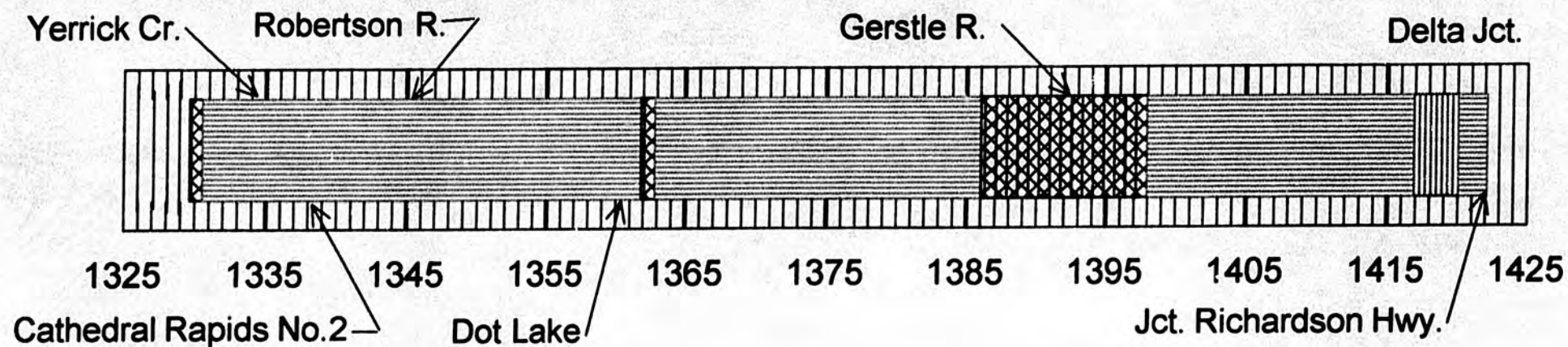
NOTES:

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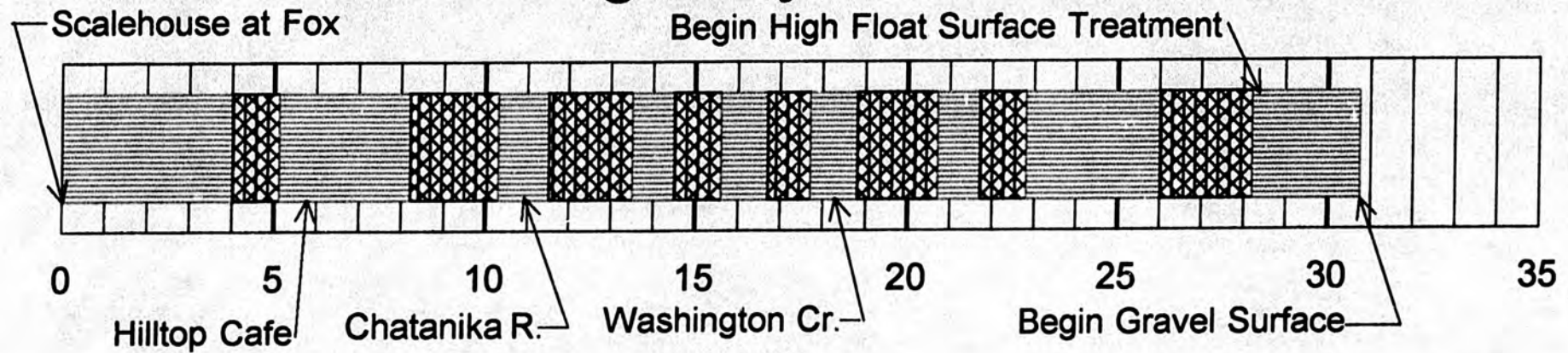
Alaska Highway, Border to MP 1329



Alaska Highway, MP 1329 To Delta Junction

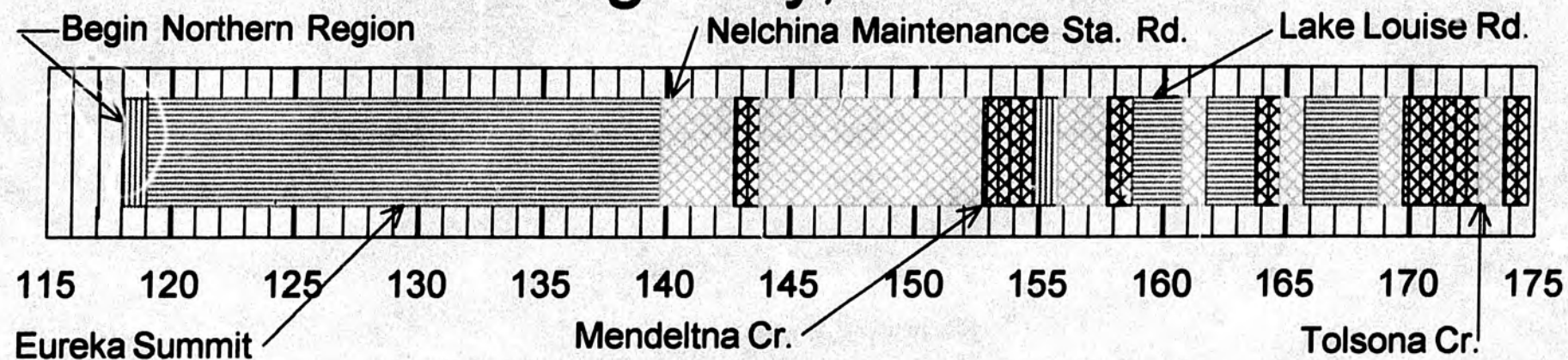


Elliott Highway, MP 0 to 31

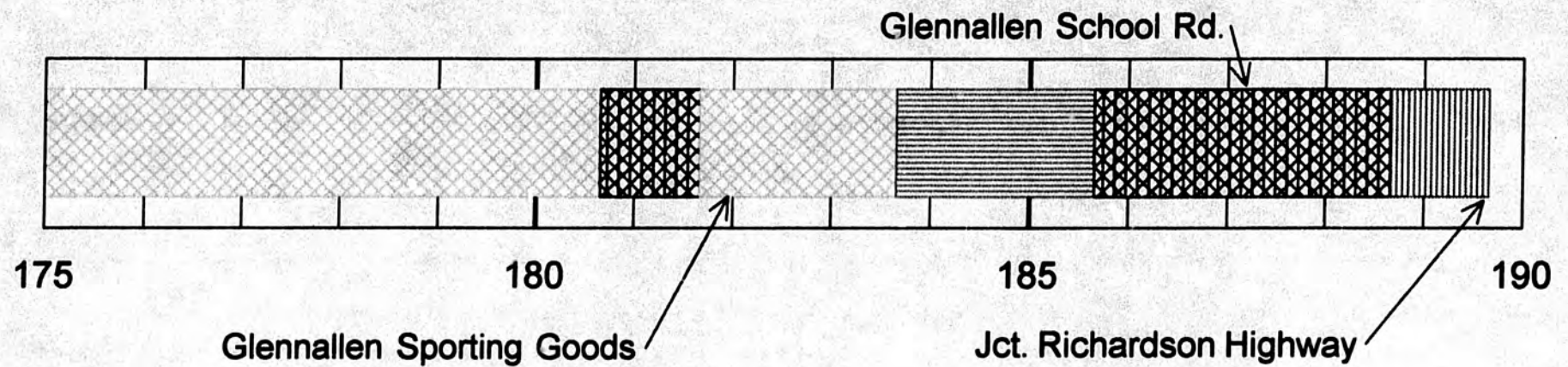


Note: Condition data shown here was collected prior to M&O patching done in 1996.

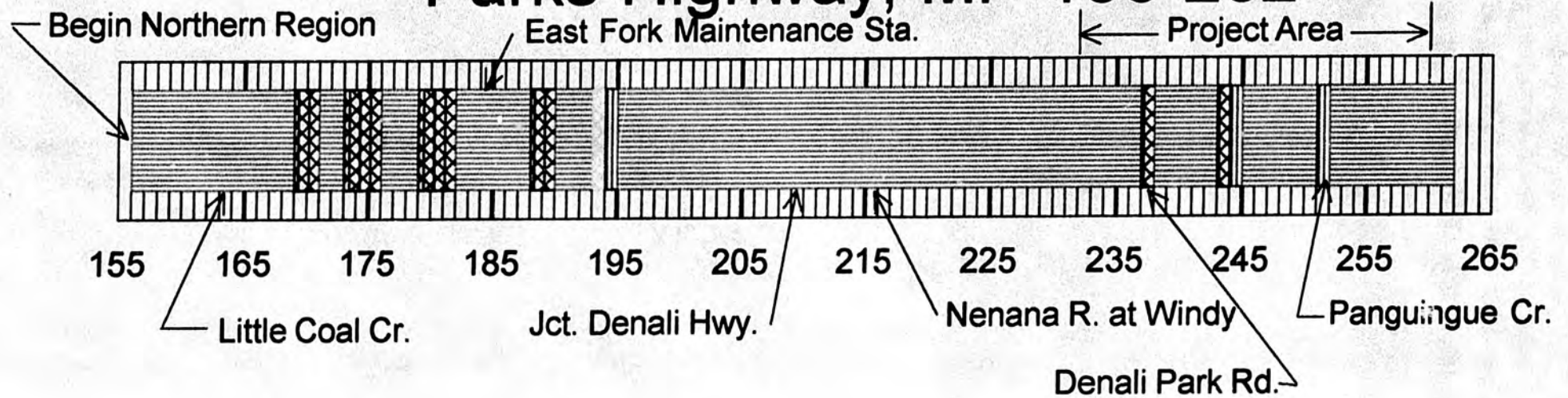
Glenn Highway, MP 118-175



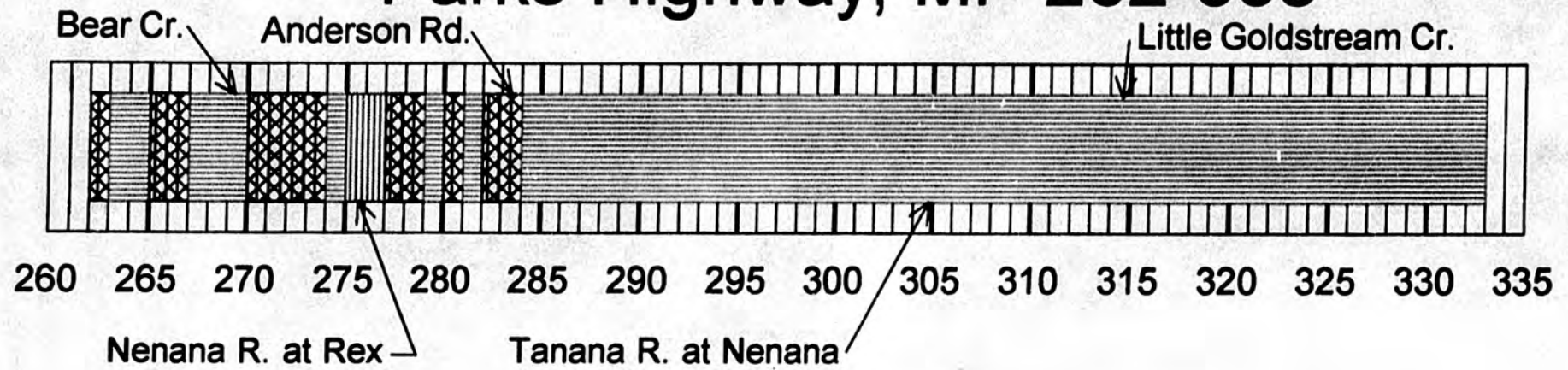
Glenn Highway, MP 175 to Richardson Hwy.



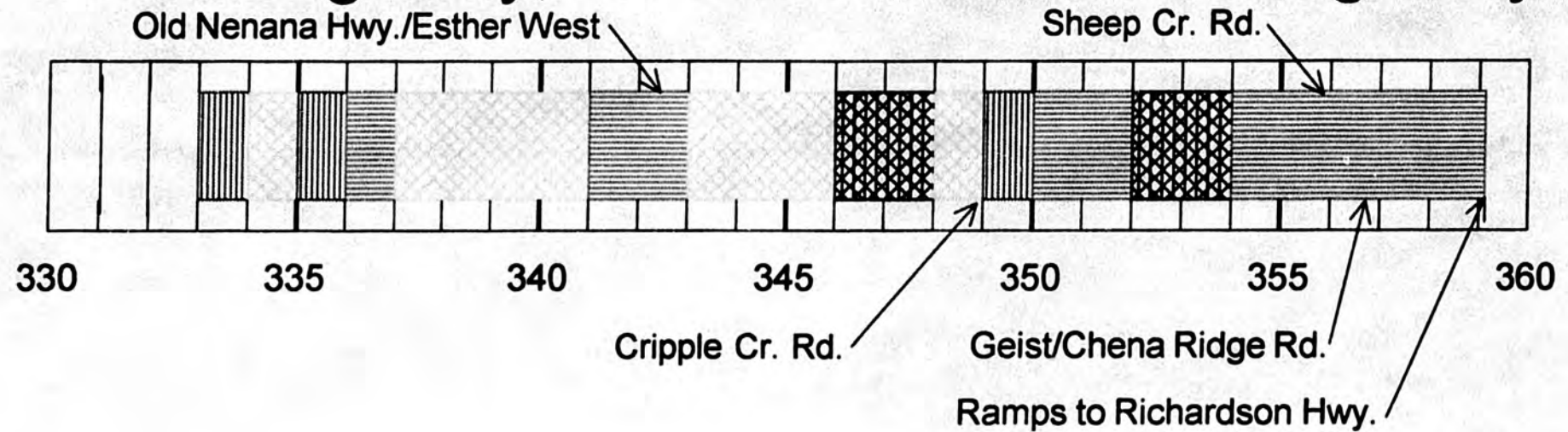
Parks Highway, MP 156-262



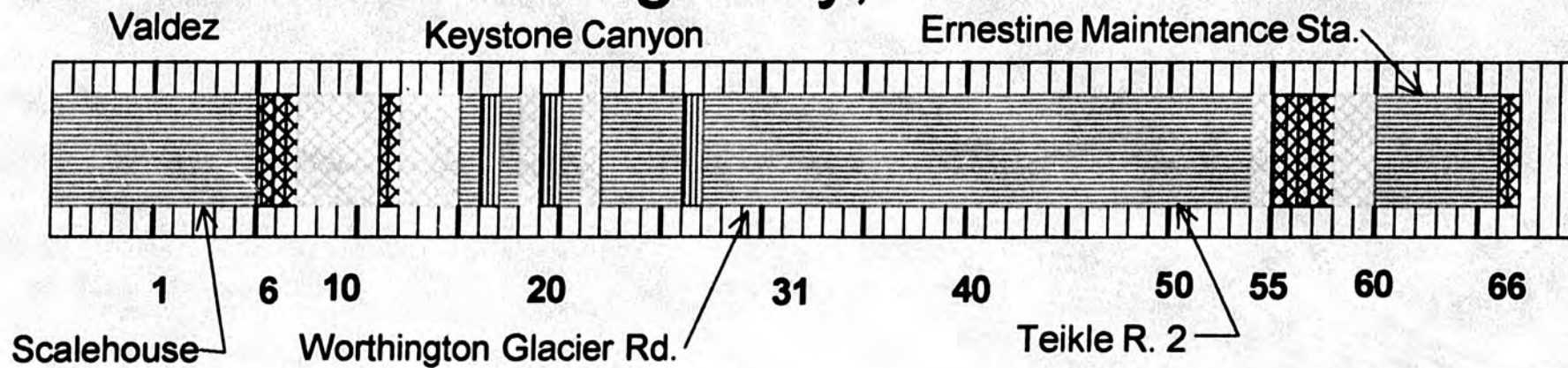
Parks Highway, MP 262-333



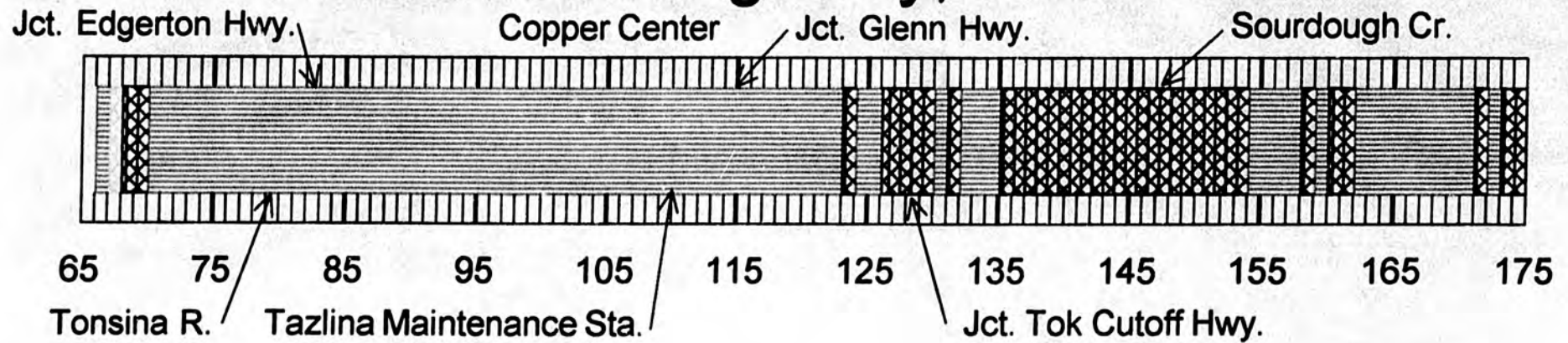
Parks Highway, MP 333-Richardson Highway



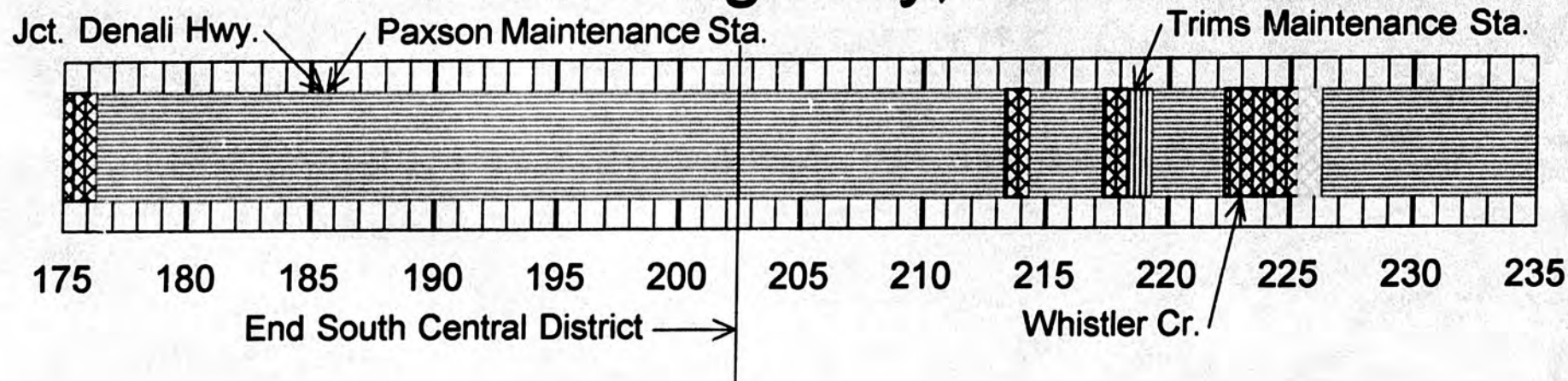
Richardson Highway, Valdez to MP 66



Richardson Highway, MP 66-175



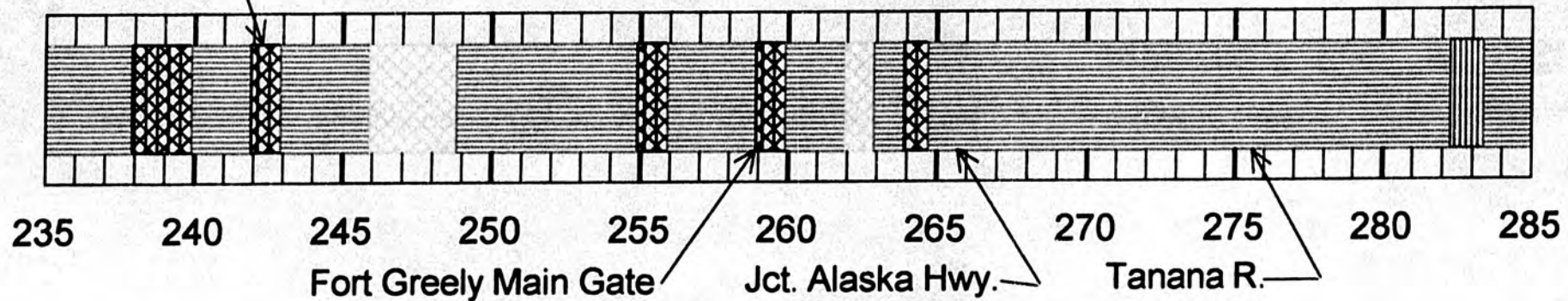
Richardson Highway, MP 175-235



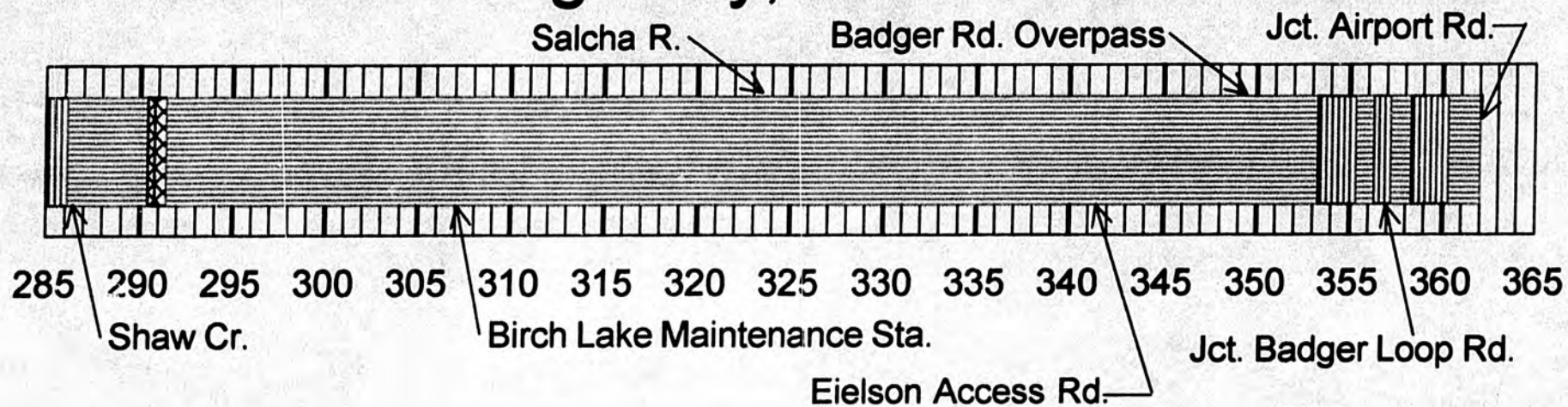
Richardson Highway, MP 235-285

Jct. Coal Mine Rd.

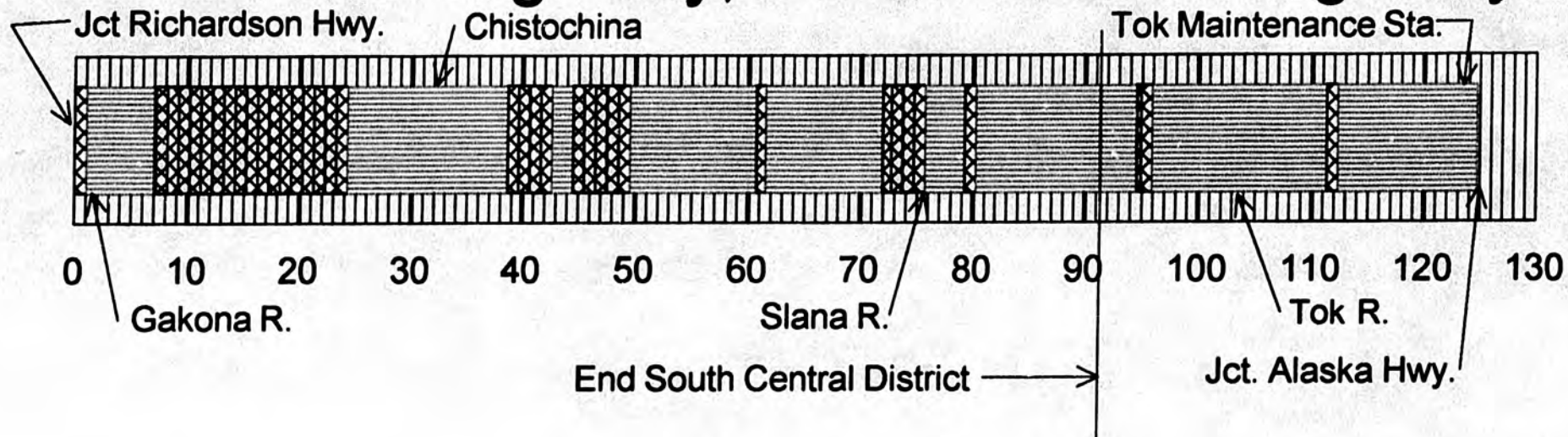
Delta Junction



Richardson Highway, MP 285 to Fairbanks



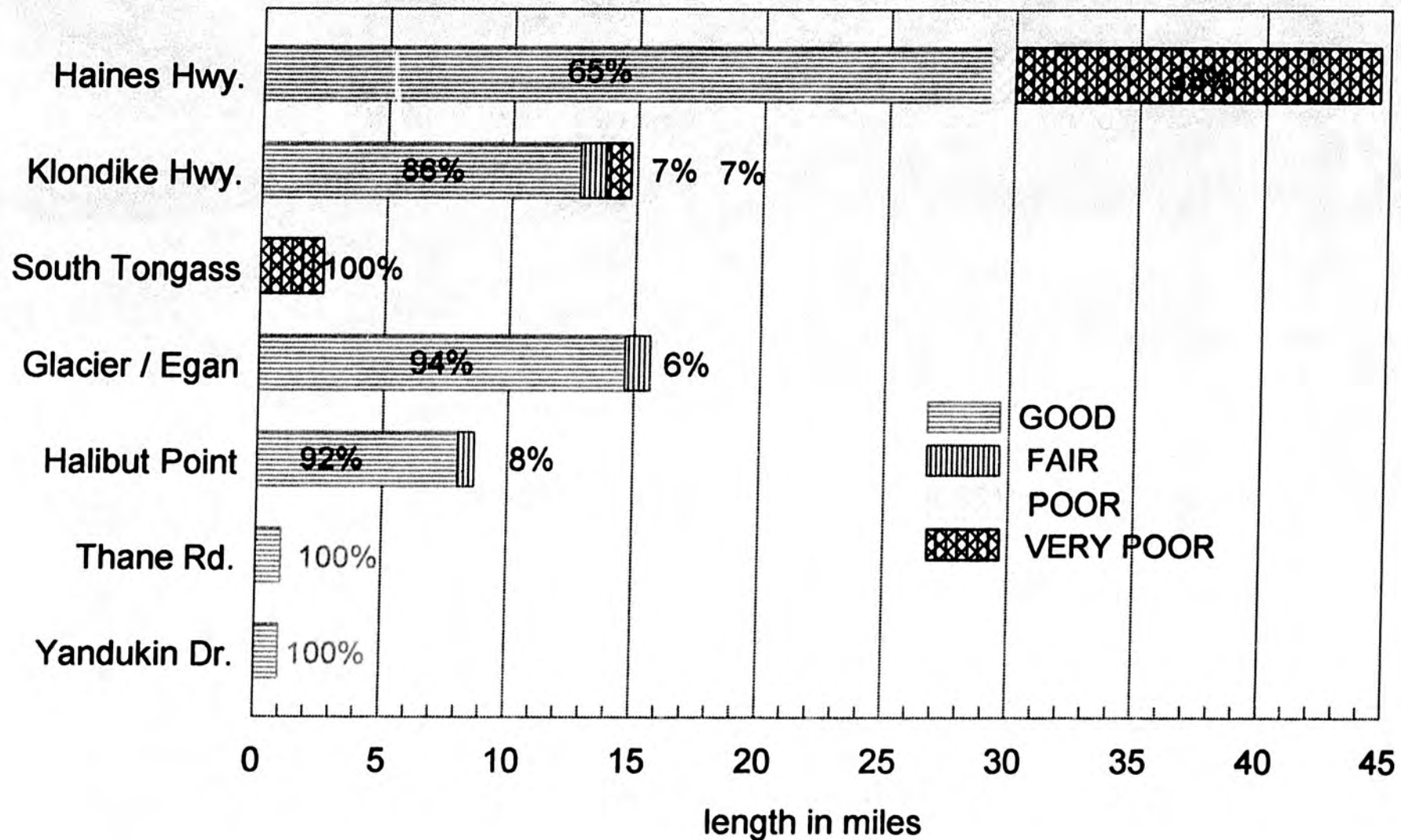
Tok Cutoff Highway, MP 0 - Alaska Highway



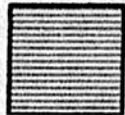
APPENDIX C
1996 PAVEMENT CONDITIONS
NATIONAL HIGHWAY SYSTEM
SOUTHEAST REGION

Southeast Region NHS

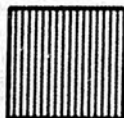
Length of routes and % in pavement condition categories



KEY FOR HIGHWAY CONDITION CHARTS



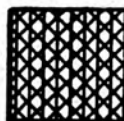
AREAS IN GOOD AND VERY GOOD CONDITION



AREAS IN FAIR CONDITION



AREAS IN POOR CONDITION

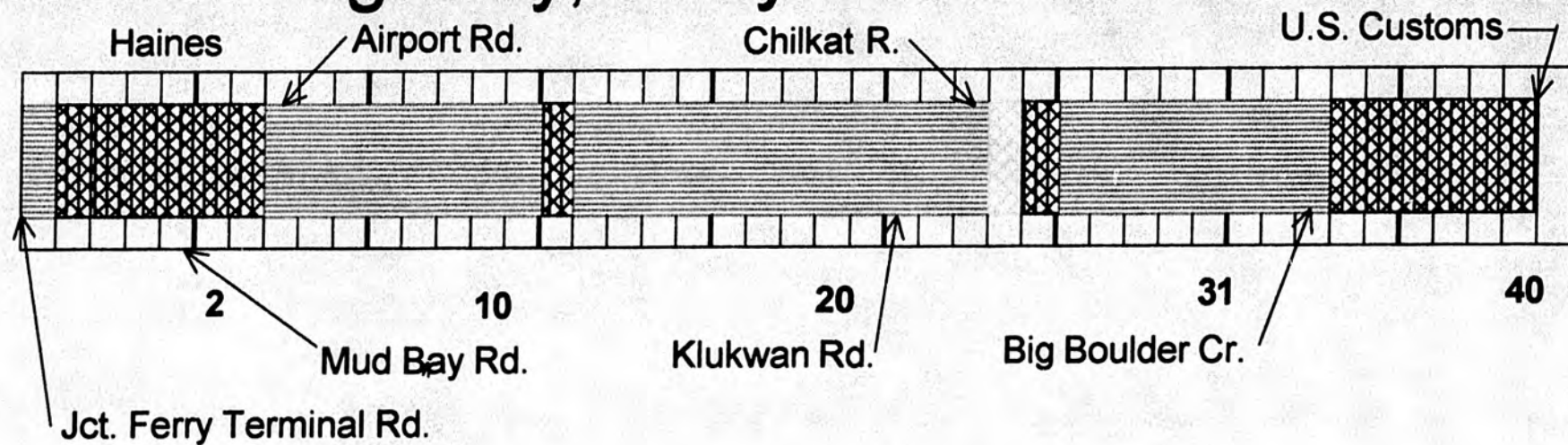


AREAS IN VERY POOR CONDITION

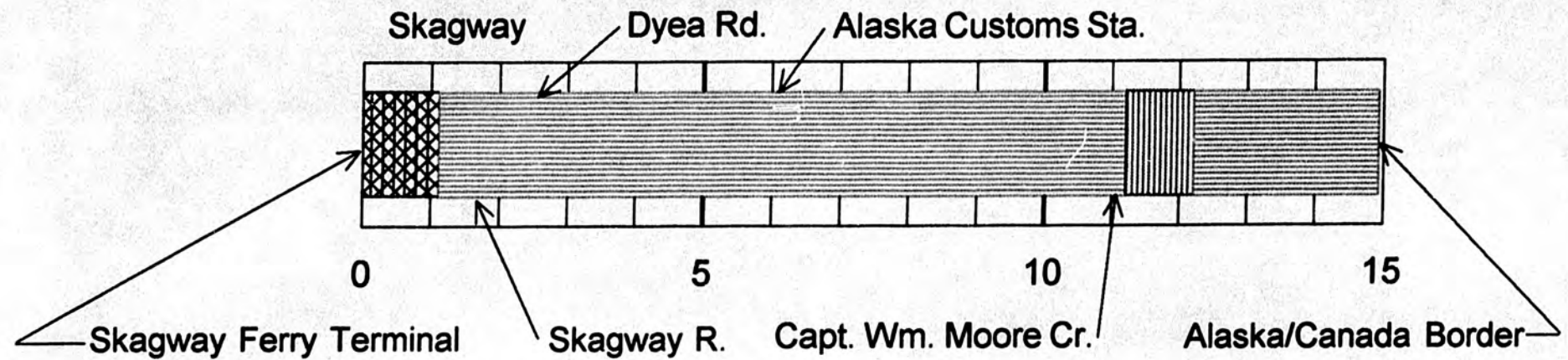
NOTES:

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2. CONDITION CATEGORIES ARE BASED ON MEASURED: ROUGHNESS, RUTTING AND CRACKING.

Haines Highway, Ferry Terminal Road to Border



Klondike Highway, Skagway to Border



SCOMM

111:21

MEMORANDUM

State of Alaska
Department of Education

To: Karen Rehfeld
Director, Education Support Services

Date: February 18, 1997

Phone: 465-1858

From: Michael Morgan
Special Projects Manager
ESS/Facilities

File: g:\mdm\deptmemo\sjh
Facilities Issues
Subject: Facilities Issues

The following is a summary of issues facing school facilities. This paper is segmented into three sections: the issues facing school facilities; the positions, assumptions and beliefs underlying recommendations on how to deal with the issues; and, recommendations on each issue.

- Issues: 1) Existing in the state, currently, is roughly \$3.5 billion worth of school facilities. This includes almost \$750 million in school facilities which the state owns.
- 2) The owners and operators of these facilities have a responsibility to manage the facilities to assure a safe environment which supports the educational program being conducted there.
- 3) Facilities to support K-12 education need a long-term, stable source of funding to provide for capital additions, replacement and renewal.

Department of Education Beliefs and Assumptions Regarding Educational Facilities

- 1) Educational facilities should exist to support continuous learning in children.
- 2) Facilities should provide a safe environment for the educational program.
- 3) The state has a responsibility to provide for the capital needs of state owned facilities.
- 4) Technology is important in facilities to the extent that the use of the technology supports learning.
- 5) Maintenance and construction of facilities should reflect minimum standards established for all schools in the state.

Recommendations Regarding Facilities Issues

- 1) A long-term, stable source of funding for facilities' projects should be developed and implemented.
- 2) Projects should be funded in the priority order established by the statutorily established ranking system.
- 3) The department should continue development, review and adoption of facilities related standards.
- 4) As partnerships are established between family, school, community and business groups, the department should explore non-traditional facilities' plans as alternatives which might enhance student learning and offer this information to districts for their consideration.

ANALYSIS: Continued

There will be no fiscal impact until FY99 because request for an allocation of funds under AS 14.11.100 must be submitted to the department by the school district no later than October 15 of the prior fiscal year for which the request is made.

The table provided below lists the projects that have been approved by the department and the qualified voters.

<u>District</u>	<u>Project Name</u>	<u>Amount Approved By Department</u>
Mat-Su	Talkeetna School Renovation/Addition	\$6,230,474
Mat-Su	Meadow Lakes Elementary School	\$12,904,744
Mat-Su	Alasta Middle School	\$30,500,000

The table provided below lists the projects that have been approved by the qualified voters, but have not been approved by the Department of Education. These projects are potentially eligible for reimbursement.

<u>District</u>	<u>Project Name</u>	<u>Amount</u>
Anchorage	Taku Elementary Addition/Renovation	\$6,200,000
Anchorage	Plarmigan Elementary Renovation	\$2,700,000
Anchorage	Nunaka Valley Elementary Renewal/Upgrade	\$5,400,000
Anchorage	Ocean View Elementary Wall Construction	\$445,000
Anchorage	Scenic Park Elementary Renewal/Upgrade	\$4,000,000
Anchorage	Service High Renewal/Upgrade	\$750,000
Anchorage	Northern Lights ABC Replacement School	\$1,500,000
Anchorage	Fairview Elementary Replacement	\$1,500,000
Anchorage	DW Heating/Ventilation (Ocean View, Baxter, Taku)	\$2,000,000

Section 1 also adds a section 9 to AS 14.11.100(a) which allows up to 50% reimbursement for school construction debt approved by the qualified voters after July 1, 1997. There would be no fiscal impact until FY99 because a request for an allocation of funds under AS 14.11.100 must be submitted to the department by the school district no later than October 15 of the fiscal year before the fiscal year for which the request is made. The department has no approved projects that could be considered under section 9.

The Bill will expand the types of projects that can be approved under AS 14.11.100(j)(4). If a district can demonstrate that the project will reduce operating cost or that it will improve the instructional program the project can be approved under the new subsections.

The first year section 9 could have a fiscal impact is FY99. The department can not project the fiscal impact of the new section 9 until projects are submitted for approval under the new program.

Please see page 3 for continued analysis

Prepared by: Michael Morgan, Facilities Manager

Phone: 465-1858

Division: Education Support Services

Date: _____

Approved by Commissioner: _____

Shirley Holloway, Ph. D., Commissioner

Agency: Education

Date: _____

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FISCAL NOTE

STATE OF ALASKA

BILL NO. CS SB 11(FIN)

1997 LEGISLATIVE SESSION

Revision Date: April 21, 1997

Title: An act relating to state aid for school construction debt; and providing for an effective date.Sponsor: Senator HalfordRequester: Senate HESSDepartment Affected: EducationBRU: K-12 SupportComponent: Debt ReimbursementCOMPONENT SERIAL NO. 153

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0.0	5,967.5 - *	5,798.8 - *	5,630.2 - *	5,461.5 - *	5,292.9 - *
MISCELLANEOUS						
TOTAL OPERATING	0.0	5,967.5 - *	5,798.8 - *	5,630.2 - *	5,461.5 - *	5,292.9 - *

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
--------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	5,967.5 - *	5,798.8 - *	5,630.2 - *	5,461.5 - *	5,292.9 - *
1005 GF/Program Receipts						
1030 School Fund						
Other						
TOTAL	0.0	5,967.5 - *	5,798.8 - *	5,630.2 - *	5,461.5 - *	5,292.9 - *

* There will be future costs for projects that are eligible for 50% reimbursement.

POSITIONS:

The department cannot project the number or value of future requests.

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Section 1 - amends AS 14.11.100(a) by adding section 8 which allows up to 70% reimbursement for school construction debt approved by the qualified voters after July 1, 1995 but before July 1, 1997. The Matanuska - Susitna Borough School District is the only district that has approved projects with the Department of Education that have voter approval. The Anchorage School District has projects that have been approved by the qualified voters, but have not been approved by the Department of Education. The projects total \$74,130,218 in reimbursable debt under section 8 as amended. The dollar amounts in this fiscal note only reflect the approved projects that relate to the retroactive portion of section 8.

Please see page 2 for list of projects and continued analysis

Prepared by: Michael Morgan, Facilities ManagerPhone: 465-1858Division: Education Support ServicesDate: Approved by Commissioner: Shirley Holloway, Ph. D., CommissionerAgency: EducationDate:

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
Internet e-mail address:
legaudit@legis.state.ak.us

MEMORANDUM

TO: Krag Johnson, Legislative Assistant
to Senator Pearce

FROM: Randy S. Welker *Randy*
Legislative Auditor

DATE: February 26, 1997

RE: Public School Fund

You have asked for a financial analysis of the balance in the Public School Fund (PSF). This memorandum and the accompanying schedule is intended to provide that financial analysis. We have also included other various memorandum that address pertinent issues involving the financial condition and potential uses of this fund.

First a little history of the fund. The school land trust began with reservation of federal land "for the support of common schools." The school land trust was created when Alaska became a State in 1959. The Alaska Legislature made major changes to the school trust land in Ch. 182, SLA 1978. Sec. 2 of that act redesignated all school trust land as general grant land which removed it from the trust. In Sec. 4 the commission of the Department of Revenue was directed to deposit one half of one percent derived from the management of state land, including amounts paid to the state as proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments or bonuses into the Public School Fund.

The current Public School Fund is comprised of a principal portion and an income portion. The revenue sources for the principal portion come from; 1) one half of one percent of state land revenues, and 2) capital gains and losses realized on the principal. The principal portion is intended to provide a pool of financial assets from which interest and investment income can be produced to provide financial support for educational programs. The principal portion had a balance at the end of FY 96 of \$ 139 million of which just over \$111 million comes from state land revenues.

The income portion of the fund is used to track the interest and investment income (excluding any capital gains or losses) and the distribution of these earnings to the Department of Education (DOE) for education programs and to the Department of Revenue (DOR) to pay for investment expenses. The balance of the income portion of the PSF at the end of FY 96 is over \$13 million.

The following table summarized the additions and reductions in the Public School Fund from FY 89 through FY 96. The information is segregated into the principal and income portions.

	Principal Portion	Income Portion
<u>Balance July 1, 1988</u>	<u>\$ 74,705,000</u>	<u>\$ 11,431,000</u>
<i>Additions</i>		
Land Revenues	45,523,000	
Capital Gains/Losses	18,732,000	
Interest & Investment Income		61,950,000
<i>Deductions</i>		
DOE Education Programs		(59,333,000)
DOR Operating Expenses		(1,011,000)
<u>Balance June 30, 1996</u>	<u>\$ 138,960,000</u>	<u>\$ 13,037,000</u>

The accompanying schedule identifies by fiscal year the additions to the principal portion of the fund through land revenues and capital gains and losses, and the interest and investment income that accrues to the income portion of the fund. Additionally, the amounts spent by DOE on education programs and by DOR for investment expenses from the income portion of the fund have also been identified.

If you or the Senator would like to discuss the Public School Fund further, please feel free to call at any time.

Attachments

8 Year Analysis of Public School Fund
Additions and Deductions

	Principal Portion	Income Portion
Balance July 1, 1988	\$ 74,705,000	\$ 11,431,000
<i>Additions</i>		
Land Revenues	4,333,000	
Capital Gains/Losses	1,157,000	
Interest & Investment Income		6,934,000
<i>Deductions</i>		
DOE Education Programs		(8,831,000)
DOR Operating Expenses		(160,000)
Balance June 30, 1989	<u>\$ 80,195,000</u>	<u>\$ 9,374,000</u>
<i>Additions</i>		
Land Revenues	5,208,000	
Capital Gains/Losses	1,492,000	
Interest & Investment Income		7,202,000
<i>Deductions</i>		
DOE Education Programs		(7,015,000)
DOR Operating Expenses		(174,000)
Balance June 30, 1990	<u>\$ 86,895,000</u>	<u>\$ 9,387,000</u>
<i>Additions</i>		
Land Revenues	8,331,000	
Capital Gains/Losses	495,000	
Interest & Investment Income		8,041,000
<i>Deductions</i>		
DOE Education Programs		(7,015,000)
DOR Operating Expenses		(87,000)
Balance June 30, 1991	<u>\$ 95,721,000</u>	<u>\$ 10,326,000</u>
<i>Additions</i>		
Land Revenues	6,637,000	
Capital Gains/Losses	8,399,000	
Interest & Investment Income		7,599,000
<i>Deductions</i>		
DOE Education Programs		(7,499,000)
DOR Operating Expenses		(259,000)
Balance June 30, 1992	<u>\$ 110,757,000</u>	<u>\$ 10,167,000</u>

8 Year Analysis of Public School Fund
Additions and Deductions

	Principal Portion	Income Portion
<i>Additions</i>		
Land Revenues	5,748,000	
Capital Gains/Losses	1,074,000	
Interest & Investment Income		6,897,000
<i>Deductions</i>		
DOE Education Programs		(8,309,000)
DOR Operating Expenses		(85,000)
Balance June 30, 1993	<u>\$ 117,579,000</u>	<u>\$ 8,670,000</u>
<i>Additions</i>		
Land Revenues	3,866,000	
Capital Gains/Losses	121,000	
Interest & Investment Income		7,201,000
<i>Deductions</i>		
DOE Education Programs		(8,453,000)
DOR Operating Expenses		(80,000)
Balance June 30, 1994	<u>\$ 121,566,000</u>	<u>\$ 7,338,000</u>
<i>Additions</i>		
Land Revenues	6,177,000	
Capital Gains/Losses	4,471,000	
Interest & Investment Income		9,564,000
<i>Deductions</i>		
DOE Education Programs		(6,816,000)
DOR Operating Expenses		(81,000)
Balance June 30, 1995	<u>\$ 132,214,000</u>	<u>\$ 10,005,000</u>
<i>Additions</i>		
Land Revenues	5,223,000	
Capital Gains/Losses	1,523,000	
Interest & Investment Income		8,512,000
<i>Deductions</i>		
DOE Education Programs		(5,395,000)
DOR Operating Expenses		(85,000)
Balance June 30, 1996	<u>\$ 138,960,000</u>	<u>\$ 13,037,000</u>

School Lands Appraisal Project

Description	Personnel Services (100)	Travel (200)	Contractual Services (300)	Supplies (400)
Title				
NRO II (PCN 10-1757) 16D - 1.5 months	\$7,890			
College intern (20 hrs/week at \$8.50/hr) \$170/week x 30 weeks	\$5,100			
NRO II 16D (1 year)	\$63,120			
NRO II 16D (1 year)	\$63,120			
Administrative Clerk (part-time) 8D	\$20,450			
Pens, paper, & miscellaneous supplies				\$2,800
Travel and per diem to Juneau archives		\$1,660		
2 computers (hardware, software, & networking)			\$9,000	
3 desks & chairs @ \$1,500			\$4,500	
Archive fees (Anchorage & Juneau)			\$2,500	
Sub-total Title	\$159,680	\$1,660	\$16,000	\$2,800
Appraisals				
NRM I (PCN 10-1157) 18L (10 months)	\$62,500			
Cartographer (PCN 10-1362) 15K (80 hours)	\$2,600			
USGS maps, cartography supplies, color reproduction, paper, & miscellaneous office supplies				\$1,800
Initiate Fairbanks panel (NRM I)		\$400		
Aerial photograph			\$19,000	
Private appraisers 220 parcels @ \$175			\$38,500	
Private appraiser travel & per diem 8 trips @ \$300 and 32 days @ \$100		\$5,600		
Computer rental with hardware, software, and networking 2 @ \$1,500 & 1 @ \$500			\$3,500	
Sub-total Appraisal	\$65,100	\$6,000	\$61,000	\$1,800
Support Services				
RSA to repair existing DNR appraisal subsystem & set up rental computers	\$5,000			
Sub-total Support Services	\$5,000	\$0	\$0	\$0
Mining				
DGGS Geologist (6 months)	\$25,000	\$2,500		
Sub-total Mining	\$25,000	\$2,500	\$0	\$0

School Lands Appraisal Project

Description	Personnel Services (100)	Travel (200)	Contractual Services (300)	Supplies (400)
Oil and Gas				
Evaluation to be done by in-house personnel.	\$25,000			
Sub-total Oil and Gas	\$25,000	\$0	\$0	\$0
Forestry				
Photographic analysis & evaluation			\$20,000	
Division of Forestry personnel	\$20,000			
Sub-total Forestry	\$20,000	\$0	\$20,000	\$0
DNR				
Departmental 7% indirect cost personnel services	\$20,985			
Sub-total DNR	\$20,985	\$0	\$0	\$0
Total	\$320,765	\$10,160	\$97,000	\$4,600
Project Total	\$432,525			

To: Bruce M. Botelho, Attorney General
Wilson L. Condon, Commissioner of Revenue

From: G. Thomas Koester

Date: November 27, 1995

Re: Public School Trust Fund (AS 37.14.110)

You asked several questions relating to the public school trust fund, AS 37.14.110. The questions you asked and the short answers are:

1. Does the state have enough information at this time to stop paying the one-half of one percent of state land revenues to the public school trust fund as required by AS 37.14.150? No.
2. If not, what does it still need to know? The state needs to know two things: (1) the fair market value of the school trust land at the time the land was redesignated as general grant land in 1978; and (2) whether the state's payments to the public school trust fund exceed that amount.
3. Should the payments of one-half of one percent of state land revenues to the public school trust fund be considered as including both a contribution to the principal of the fund and a payment of interest on the unpaid balance until the full fair market value has been paid? No. All of the money paid was deposited to the principal of the public school trust fund to be retained in perpetuity and invested to generate income. Interest on the unpaid balance of the fair market value of the school trust land redesignated as general grant land in 1978 would be considered income to the trust available for expenditure for public education. Any state liability to the trust for interest would be subject to a set-off for state expenditures on public education. To the extent state expenditures on public education since 1978 do not equal the amount the trust would have earned on the unpaid balance, the state owes a debt to the trust which, when paid, should be considered income available for appropriation by the legislature for public education in the future.
4. If too much money has been paid to the public school trust fund to compensate the school land trust for the 1978 redesignation of school trust land as general grant land, can the overpayment be recovered and returned to the general fund? Yes.
5. Is the current method of calculating income available for expenditure from the public school trust fund's investments in domestic equity pools, under which increases in share values attributable to dividends are treated as income and increases (or decreases) attributable to capital gains (or losses) are credited (or debited) to principal, consistent with the state's public school trust obligation and the statutes governing administration of the fund? Yes. While perhaps not the

only permissible method of calculating the fund's income available for expenditure for public education, it is certainly a permissible method.

6. What options does the state have for dealing with public school trust fund earnings that exceed projected earnings and, as a consequence, have not been appropriated for school purposes by the legislature? Public school trust fund earnings available for expenditure do not lose that status even though they were not appropriated by the legislature for expenditure in the year in which they were received. They accordingly remain available for expenditure as a matter of trust law, needing only to be appropriated by the legislature for school purposes in a subsequent year.

I. Factual background.

The school land trust began with a reservation of federal land "for the support of common schools" while Alaska was still a Territory. As relevant here, section 1 of the Act of March 4, 1915, 38 Stat. 1214, 43 U.S.C. 353, did four things: (1) it reserved from disposal sections 16 and 36 in the Territory of Alaska; (2) it authorized the Territorial legislature to "provide for leasing" -- but not selling -- the reserved land; (3) it provided that all income and proceeds from the land were "appropriated and set apart as separate and permanent funds in the Territorial treasury, to be invested;" and (4) it required that all of the investment income "be expended only for the exclusive use and benefit of the public schools of Alaska."

Several aspects of the 1915 Act are worth noting. First, it did not actually create a trust. Instead, the land was simply reserved for, and the revenues from the land statutorily dedicated to, school purposes. Neither the reservation of the land nor the dedication of the revenues was made irrevocable, and both could be (and at statehood were) changed by a subsequent Congress. Second, only leasing of the land was authorized; sale was not. Third, unlike a trust where revenues are allocated either to principal which must be preserved or income which may be expended for trust purposes, all income from the land was dedicated to a permanent fund and invested with only the investment earnings available for expenditure.

A public school permanent fund was created in the territorial treasury to which \$153.04 had been deposited by December 31, 1918.¹ The first investment was a \$500.00 U.S. Savings Bond paying 4 1/2 percent interest purchased on January 10, 1923. On June 30, 1958, shortly before the Alaska Statehood Act was enacted on July 7, 1958, there was \$161,700.03 in the public school permanent fund.

The school land trust was created when Alaska became a state in 1959. The public school

¹ The information in this paragraph is taken from E.D. Coon, "The Alaska Public School Fund: A Permanent Fund for Education" (1984) (hereafter "The Alaska Public School Fund"), a paper presented to the American Education Finance Association.

permanent fund was transferred to the new state under section 5 of the Alaska Statehood Act, P.L. 8-508, 72 Stat. 339, 340, which provided that the new state would succeed to the Territory's title to real and personal property. Section 6(k) of the Alaska Statehood Act, 72 Stat. at 343, repealed section 1 of the Act of March 4, 1915, and provided for the conveyance to the new state of the reserved land "for the purposes for which they were reserved" under the 1915 Act — i.e., "for the support of common schools."

In *Wessells v. State, Dept. of Highways*, 562 P.2d 1042, 1051 n. 34 (Alaska 1977) (citations omitted; emphasis added), the Alaska Supreme Court summarized how this created the school land trust:

Two sections in each township of Alaska were reserved for the support of schools by Congressional act. The Alaska Statehood Act provided that those lands were granted to the State of Alaska "for the purposes for which they were reserved." The people of Alaska consented to the terms and conditions of the federal act by art. XII, sec. 13 of the Constitution of the State of Alaska. The grant and its acceptance created a trust.

The Alaska Land Act, AS 38.05, enacted by the First Alaska Legislature in 1959, provided for management and disposal of school trust land (as well as other state land), including for the first time authorizing the sale of that land.² Although no state statute required it, state officials apparently interpreted the requirement in section 6(k) of the Alaska Statehood Act that the lands

² It might be argued that sale of the land was beyond the new state's power in light of the provision in the Alaska Statehood Act that the lands were granted to Alaska "for the purposes for which they were reserved" since the purpose for which they were reserved was to generate income for deposit to a permanent fund and sale was not authorized. That would seem to defeat Congress' intent, since without exception the school land grants to states have included the power of sale and there is no indication that Congress intended a different result for Alaska. A challenge to the sale provision at this late date, moreover, would probably be barred under the doctrine of laches. Finally, as set out below, courts consistently have held that states can take school trust land for their own use by compensating the school land trust for the fair market value of the land taken. In light of the 1978 legislation redesignating school trust land as general grant land, discussed below, any challenge to the 1959 legislation authorizing disposal and sale of school trust land would now be moot. It accordingly is extremely unlikely that a court would hold that the state was precluded from disposing of school land simply because sale of the land was not authorized in section 1 of the Act of March 4, 1915, a section repealed in the Alaska Statehood Act. The better interpretation is that the repeal of that section and the conveyance of the land to the new state included the same powers of administration given to other states as trustees of school trust land, including the power of disposal and sale, subject only to the requirement that the trust be compensated for the fair market value of the land. That is what the 1959 state legislation provided.

Bruce M. Botelho, Attorney General
Wilson L. Condon, Commissioner of Revenue

November 27, 1995
Page 4

were granted to the state "for the purposes for which they were reserved" as mandating that all revenues from school land continue to be deposited in the public school permanent fund, for (with only minor exceptions subsequently determined to be possible improper) all receipts from sales of the land as well as from leases and rentals and the sale of timber and materials were deposited in the fund.³

The Alaska Legislature made major changes to the school land trust in ch. 182, SLA 1978.⁴ First, sec. 2 of that act redesignated all school trust land as general grant land, thereby removing the land from the trust. Second, sec. 4 of that act enacted a comprehensive statutory scheme for the trust, codified at AS 37.14.110-37.14.170. The public school trust fund was statutorily established in AS 37.14.110,⁵ to consist of (1) the balance of what had been the public school permanent fund as of July 1, 1978 (the effective date of the relevant sections of ch. 182), and (2) additional payments to the new fund under AS 37.14.150 of one-half of one percent of all state land revenues (including federal mineral revenue sharing payments) to compensate the trust for the land removed from it.

A number of 1988 amendments established the current administrative requirements for the fund. Under AS 37.14.160, the commissioner of revenue is the treasurer of the fund and must,

(1) in carrying out investment duties under this section, exercise the same powers and duties established for the Alaska State Pension Investment Board in AS 14.25.180(c);

(2) deposit the principal and income from investments in separate principal and income accounts for the fund;

(3) invest and maintain accounting records that distinguish between the principal and income of the fund; and

(4) provide reports to the board established under AS 37.14.120⁶ on the

³ "The Alaska Public School Fund," *n. 1 supra*, at 6-8.

⁴ *Id.* at 8-9.

⁵ The 1978 law established the public school fund as a separate fund; that fund was characterized as an "endowment trust" fund and the word "trust" was added to its name in sec. 21 of ch. 141, SLA 1988.

⁶ The Public School Fund Advisory Board was created in AS 37.14.120 as part of the 1978 legislation. As a result of the 1988 amendments, its primary responsibility now is to "have prepared an annual accounting of the principal and interest of the fund. AS 37.14.130(2).

condition and investment performance of the fund.

AS 37.14.170 provides that the commissioner is the "fiduciary" of the fund and establishes additional investment guidelines. AS 37.14.110(c) provides:

(c) The commissioner of revenue shall determine the net income of the fund in accordance with investment accounting principles and in a manner that preserves the distinction between principal and income and that excludes capital gains or losses realized on principal. The principal of the fund and the capital gains or losses realized on principal shall be perpetually retained in the fund for investment purposes.

II. Analysis

Before turning to your specific questions, it may be helpful to address several more basic legal questions raised by the facts surrounding the conversion of the school land trust to a monetary trust. Many cases hold that, while states can take public trust lands for non-trust purposes, the trust must be compensated for the full fair market value of the lands under principles similar to those governing private trusts.⁷

When the state takes land from private parties for its own use, it generally pays the full fair market value at that time. See, e.g., AS 09.55.360 (court "shall" set aside and annul

⁷ See, e.g., *Lassen v. Arizona ex rel. Arizona Highway Dept.*, 385 U.S. 458, 465-70 (1967); *State v. Weiss*, 706 P.2d 681, 683 (Alaska 1985); *State v. University of Alaska*, 624 P.2d 807, 813-14 (Alaska 1981). Courts increasingly are recognizing, however, that public trust obligations must be accommodated with other public interests. See, e.g., *National Parks and Conservation Association v. Board of State Lands*, 869 P.2d 909, 920-921 (Utah 1993) (state may consider non-economic factors in management of public trust lands); *id.* at 923 (Durham, J., concurring) (same); *Colorado State Board of Land Commissioners v. Colorado Mined Land Reclamation Board*, 809 P.2d 974, 987 (Colorado 1991) (same); *Price v. State of Hawaii*, 921 F.2d 950, 955-56 (9th Cir. 1990) (same). The United States Supreme Court has made clear in the context of the United States' trust relationship with Native Americans that governmental trust obligations must be accommodated with other governmental obligations. *Nevada v. United States*, 463 U.S. 110, 128 and 141-43 (1983). And it is clear that not all private trust principles apply to public land trusts. For example, general private trust law principles flatly prohibit a private trustee from purchasing trust land. See *Restatement (Second) of Trusts* § 170 comment b (1959) (a trustee "is under a duty not to sell [trust property] to himself either by private sale or at auction" and "[i]t is immaterial that the trustee acts in good faith in purchasing trust property for himself, and that he pays fair consideration"). *Lassen* and numerous other cases make clear that a state as trustee of a public land trust may permissibly sell land to itself as long as it pays fair market value.

condemnation proceeding and restore possession to private landowner if money to compensate landowner not obtained). In AS 37.14.150, however, the legislature took a different approach to compensating the school land trust for redesignating school land as general grant land. AS 37.14.150 requires that one-half of one percent of all state land revenues (including federal mineral revenue-sharing payments) be deposited in the public school trust fund annually -- i.e., the legislature chose to compensate the school land trust over time instead of with a single lump sum payment. In *Lassen*, n. 6 *supra*, the Court stated that "deferred payment arrangements" could be made when a state takes school trust land. 385 U.S. at 461 n. 21. There accordingly is no legal problem under public land trust law with the legislature choosing to compensate the school land over time instead of with a single lump-sum payment. There accordingly is no legal problem under public land trust law with the 1978 legislation that redesignated the school trust land as general grant land.⁸

AS 37.14.150 is a statute of indefinite duration. In other words, it remains in effect until amended or repealed. As a result, payments to the public school trust fund either have exceeded, or at some point in the future will exceed, the fair market value of the land removed from the school land trust by the 1978 redesignation legislation.

The certainty that the public school trust fund either has or will receive more money under AS 37.14.150 than is required to compensate the trust for the fair market value of the school trust land redesignated as general grant land presents a legal problem under the Alaska Constitution's prohibition on dedicated funds.⁹ The problem was summarized in 1985 Inf. Op. Atty Gen.

⁸ The same 1978 legislation also redesignated mental health trust land as general grant land and provided that the mental health trust would be compensated by dedicating one and one-half percent of state land revenue to a mental health fund. Unlike the statutory dedication to the public school trust fund, however, the statutory dedication to the mental health fund was made "subject to legislative appropriation of sufficient funds." AS 37.14.050, enacted as part of sec. 4, ch. 182, SLA 1978. The legislature never appropriated any funds to the mental health fund, and the Alaska Supreme Court held that the portion of the 1978 legislation redesignating mental health trust land as general grant land without compensation was a breach of the federally-created trust and invalid, and directed that the mental health land trust be reconstituted. *State v. Weiss*, 706 P.2d 681, 683-84 (Alaska 1985). Because the school land trust is automatically compensated through the statutory dedication of one-half of one percent of state land revenues with no requirement that the legislature appropriate the funds, the Department of Law has concluded that "there are no legal problems [with the redesignation of school trust land] similar to those raised in the mental health lands litigation." 1988 Inf. Op. Atty Gen. (April 28; file no. 663-88-0306) at 1.

⁹ Article IX, sec. 7 of the Alaska Constitution provides:

Dedicated Funds. The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in Section 15 of this article [the Alaska

(August 13; file no. 366-403-85), at 3-4 (footnote omitted):

Under AS 37.14.150, the commissioner of the Department of Revenue is to transfer one-half of one percent of state land revenues, as well as federal mineral revenue-sharing payments, to the public school fund. This has been construed by your department as authorizing the transfer without appropriation by the legislature. 2/ This is a clear example of a dedicated fund. Dedicated funds are unconstitutional under article IX, section 7, of the Alaska Constitution unless "required by the federal government for state participation in federal programs" or in the event "the dedication for special purposes exist[ed] upon the date of ratification of this section by the people of Alaska."

Here, the legislature has removed the lands from a federally-created trust and substituted a monetary fund. We believe the exceptions to the prohibition on dedicated funds contained in article IX, section 7, of the Alaska Constitution -- i.e., for dedicated funds "required by the federal government" or "existing upon the date of ratification of this section by the people of Alaska" -- authorize the dedication of revenues to the public school fund, since the dedication of revenues is an alternate form to the pre-statehood federal dedication of lands. However, the dedication is authorized only to the extent it is necessary to fully compensate the trust for the fair market value of the lands removed. Any continued dedication of funds over and above the fair market value of the lands removed would go beyond the requirements of federal law and would exceed the dedication existing at the time the constitution was ratified (i.e., the dedication of the lands).

Accordingly, the proper approach is to assess the fair market value of the lands as of 1978. That amount could then be paid over time by the automatic deposit of revenue as provided in AS 37.14.150. At the time the debt is completely retired, the automatic deposit under AS 37.14.150 should cease. Additional deposits beyond that point would conflict with the dedicated fund prohibition in that they no longer would be required by federal law as compensation for the pre-existing dedication of lands.

In short, the dedication is permissible until the amount deposited in the public school fund equals the fair market value of the lands.

This brings us to your questions.

Permanent Fund provision] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section b the people of Alaska.

Bruce M. Botelho, Attorney General
Wilson L. Condon, Commissioner of Revenue

November 27, 1995
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Question 1: Does the state have enough information at this time to stop paying the one-half of one percent of state land revenues to the public school trust fund as required by AS 37.14.150?

No. As stated in 1985 Inf. Op. Atty Gen. (August 13; file no. 366-403-85) at 4,

the proper approach is to assess the fair market value of the lands as of 1978. That amount could then be paid over time by the automatic deposit of revenue as provided in AS 37.14.150. At the time the debt is completely retired, the automatic deposit under AS 37.14.150 should cease.

(Footnote omitted.) As the fair market value of the land as of 1978 has not been determined and Department of Revenue staff advises that there is some remaining question about how much has been paid to the public school fund, the state does not have enough information at this time to stop paying the one-half of one percent of state land revenues to the public school trust fund.

Question 2. If not, what does it still need to know?

The state needs to know two things before stopping payments to the public school fund: (1) the fair market value of the school trust land at the time the land was redesignated as general grant land in 1978; and (2) whether payments to the public school fund equal or exceed that amount.

The background materials that your staff provided include two memoranda from Department of Natural Resources staff outlining three options for making that determination through procedures similar to those used to value mental health trust land. All three approaches described in those memoranda would seem to comply with basic legal requirements for such determinations under *Lassen v. Arizona ex rel. Arizona Highway Dept.*, 385 U.S. 458 (1967). At issue in *Lassen* was a school land trust established in the Arizona and New Mexico Enabling Act, 36 Stat. 557, the Act admitting those states to the Union. The Act specified that school trust land be sold or leased only to "the highest and best bidder at public auction." Despite that restriction, the Court held that Arizona did not have to follow that procedure when taking the land for its own use. Because Arizona could condemn the land through its power of eminent domain even if the land were first sold at auction, the Court recognized that requiring it to follow the auction procedure "would sanction an empty formality." 385 U.S. at 464. The Court concluded:

The trust will be protected, and its purposes entirely satisfied, if the State is required to provide full compensation for the land it uses. We hold, therefore, that Arizona need not offer public notice or conduct a public sale when it seeks trust lands for its highway program. The State may instead employ the procedures established in the Commissioner's rules, or any other procedures reasonably calculated to assure the integrity of the trust and to prevent misapplication of its

lands and funds.

385 U.S. at 465. Accordingly, the state may use any valuation procedures "reasonably calculated to assure the integrity of the trust and to prevent misapplication of its lands and funds." The procedures outlined in the Department of Natural Resources' memoranda appear to meet those criteria.

The state also will need to determine whether the total payments to the public school fund equal or exceed the fair market value of the land. Department of Revenue staff is in the process of determining precisely how much has been paid to the public school fund since the 1978 redesignation legislation.

If it is determined that amounts paid to the public school fund equal or exceed the fair market value of the school trust land redesignated as general grant land by the 1978 legislation, it would be legally permissible as a matter of trust law to stop payment of the one-half of one percent of state land revenues to the public school fund under AS 37.14.150. And, for the reasons set out in 1985 Inf. Op. Atty Gen. (August 13; file no. 366-403-85), stopping payment of the one-half of one percent of state land revenues to the public school fund under AS 37.14.150 is required under art. IX, sec. 7 of the Alaska Constitution if amounts paid to the fund equal or exceed the fair market value of the school trust land redesignated as general grant land in 1978.

Question 3: Should the payments of one-half of one percent of state land revenues to the public school trust fund be considered as including both a contribution to the principal of the fund and a payment of interest on the unpaid balance until the full fair market value has been paid?

No. Under AS 37.14.110(b)(2), all of the money transferred to the public school fund under AS 37.14.150 was deposited to the principal of the fund which, under AS 37.14.110(c), must be "perpetually retained in the fund for investment purposes."

That is not to say, of course, that the trust was not entitled to interest on the unpaid balance. Indeed, that was the conclusion in 1985 Inf. Op. Atty Gen. (August 13; file no. 366-403-85) at 4, n. 3:

2/ Under Lassen, 385 U.S. at 469 n.21, "deferred payment arrangements" would seem to be permissible. However, general principles regarding trust management - e.g., the duty to preserve the trust property (see Restatement (Second) of Trusts § 176 (1959)) and the duty to make the trust property productive (see Restatement (Second) of Trusts § 181 (1959)) - would seem to require that the public school fund also receive an amount equal to what the unpaid balance would have earned, probably calculated at the same rate at which the general fund earns income (since otherwise the general fund would benefit from earnings properly attributable to the

Bruce M. Botelho, Attorney General
Wilson L. Condon, Commissioner of Revenue

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public school fund).

In this context, it also is worth noting that "[t]he trustee is accountable for any profit made by him through or arising out of the administration of the trust, although the profit does not result from a breach of trust." *Restatement (Second) of Trusts* § 203 (1959) at 455.

Under the facts here, however, it is unlikely that the state has any current liability for such amounts because of the state's large annual appropriations for public education. Generally speaking, "interest on debts payable on demand" is considered income to a trust, and therefore available for expenditure for trust purposes, and not principal to be retained for investment. *Restatement (Second) of Trusts* § 235, comment a (1959) at 568. AS 13.38.020(a)(2) similarly provides that "interest on money lent" is considered trust income and not principal. Interest on the unpaid balance of the fair market value of the school trust land redesignated as general grant land in 1978 accordingly would be considered income to the trust which, if paid, would be available for expenditure for public education.¹⁰

Any determination of state liability to the trust for failure to pay interest that would then have been available for expenditure for public education, however, would take into account the substantial state expenditures for public education during the same period. Indeed, under *State v. Weiss*, 706 P.2d 681 (Alaska 1985), and *Southwest Region School District v. Department of Education*, 723 P.2d 636 (Alaska 1986), the state would be entitled to set off money it has appropriated for public education against any liability it might have for interest owed on the unpaid balance to the public school fund. *Weiss* held that the state was entitled to a set-off for mental health expenditures when calculating the state's liability to the mental health trust for mental health trust land that it had sold where the federal law creating the trust required the state

¹⁰ As noted above, under AS 37.14.110(c) the commissioner of revenue "shall determine the net income of the [public school trust fund] in accordance with investment accounting principles and in a manner that preserves the distinction between principal and income and that excludes capital gains or losses realized on principal." Department of Revenue staff advise that there are no general "investment accounting principles" governing that determination. In determining net income in a manner that "preserves the distinction between principal and income," accordingly, it is entirely appropriate to look to general trust law principles as found in the *Restatement (Second) of Trusts* and the state statutes defining principal and income for the purpose of administering trusts. See *State v. Weiss*, 706 P.2d 681, 683 n. 3 (Alaska 1985) ("reliance on basic trust law principles finds ample support in the precedents of this court and the United States Supreme Court"). While that statement must be taken with some caution, see n. 7 *supra*, such reliance is appropriate here in the absence of specific "investment accounting principles" for making the required determination.

Bruce M. Botelho, Attorney General
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to spend sale proceeds for mental health purposes.¹¹ 706 P.2d at 684. In *Southwest Region School District*, the Court relied on *Weiss* to hold that the state could assert public school expenditures as an offset against any liability it might have to a school district for failing to pay over funds as required by law during a given year. 723 P.2d at 637.

Thus, to the extent that amounts spent on public education in any given year since 1978 equal or exceed the amount the public school fund would have earned during that year on the unpaid balance owed the public school fund, the state has no liability to the trust for unpaid interest. It is my understanding that state public school expenditures since 1978 have been so large that it is extremely unlikely, regardless of what the 1978 fair market value of the school trust land ultimately is determined to be, that the state would have any liability to the trust for unpaid interest. To the extent amounts spent on public education in any given year since 1978 do not exceed the amount that the fund would have earned on the unpaid balance owed the trust, however, the state owes a debt to the trust which, when paid, should be considered income available for appropriation by the legislature for public education in the future.

Question 4. If too much money has been paid to the public school trust fund to compensate the school land trust for the 1978 redesignation of the school trust land as general grant land, can the overpayment be recovered and returned to the general fund?

Yes. A similar situation arose in the 1980s with the improper deposit in the public school trust fund of a portion of federal mineral revenue sharing payments from oil and gas leasing in the National Petroleum Reserve - Alaska ("NPRA"). In *Barrow v. State*, 1JU-85-2634 CI (Alaska Super., March 18, 1986), the Court concluded that the deposit of federal mineral revenue sharing payments from NPRA in the public school trust fund was improper because the federal statute under which the state received the funds, 42 U.S.C. § 6508, required that the state in allocating those funds "give priority" to the use by political subdivisions impacted by NPRA leasing before using them for any other purpose. See 1986 Inf. Op. Atty Gen. (May 28; file no. 883-86-0126) at

¹¹ Unlike the school land trust where either the land or its monetary equivalent must be retained in perpetuity with only the income spent for public school purposes, sec. 202(e) of the Alaska Mental Health Enabling Act, P.L. 84-830, 70 Stat. 709 (1956), required that sale proceeds as well as income from the land "first be applied to meet the necessary expenses of the mental health program of Alaska." It was apparently for that reason that the Court authorized a set-off of state mental health expenditures against liability to the trust for mental health land that had been sold and thus could not be returned to trust status. Because there is no authorization in federal law for the state to spend the proceeds from the sale of school trust land, *Weiss* provides no authority for the state to set off state public education expenditures against liability to the school trust for the fair market value of school trust land redesignated as general grant land in 1978. It does, however, provide authority for the state to set off state public education expenditures against liability to the trust for interest which, if paid, would have been considered income available for expenditure for that purpose.

2-4. In a series of memoranda, the Department of Law advised that such allocation errors may be corrected administratively. See 1986 Inf. Op. Atty Gen. (August 8; file no. 663-87-0003) at 4-5; 1987 Inf. Op. Atty Gen. (June 22; file no. 663-87-0003) at 5-7 (cautioning, however, that "the safest approach, both legally and politically, is to seek explicit legislative authority (through an appropriation) when dealing with state funds"); 1990 Inf. Op. Atty Gen. (September 6; file no. 663-90-0175) at 2. Such an administrative approach to correcting any over-allocation to the public school trust fund may be followed here.¹²

Question 5: Is the current method of calculating income available for expenditure from the public school trust fund's investments in domestic equity pools, under which increases in share values attributable to ordinary dividends are treated as income and increases (or decreases) attributable to capital gains (or losses) are credited (or debited) to principal, consistent with the state's public school trust obligation and the statutes governing administration of the fund?

Yes. At the outset, it should be noted that under private trust law principles there is no fixed definition of "income" that cannot be changed: "[T]he gift of 'income' does not confer a right that the definition of the term be immutably fixed as that which existed under the law at the testator's death." *Manufacturers Hanover Trust Co. v. Bartram*, 255 A.2d 828, 833 (Conn. 1969). Defining income available for expenditure, as a matter of general trust law, accordingly requires only that the state act consistently with its basic obligation to preserve the principal of the trust and use the earnings from the trust solely for public education. The current method of allocating increases in share values to both principal and income is certainly consistent with that obligation as it balances the duty to preserve the principal of the trust¹³ with the goal of generating income to be expended to support public schools.

It also seems consistent with the statutes governing administration of the fund. Under AS 37.14.110(c), "[t]he commissioner of revenue shall determine the net income of the fund in accordance with investment accounting principles and in a manner that preserves the distinction between principal and income and that excludes capital gains or losses realized on principal." There are rather detailed provisions in general trust law for allocating corporate distributions of stock or cash. See *Restatement (Second) of Trusts* § 236 (1959) and AS 13.38.050. They are not particularly helpful here because the domestic equity pools under discussion do not make actual

¹² For reasons set out in the Conclusion below, however, you may wish to consult with various individuals or groups or seek judicial guidance before taking unilateral action administratively.

¹³ In *Weiss*, the Court made clear that the state has a duty "to preserve the corpus" of a public land trust. "Corpus" is Latin for "body" or "substance," and as used here means "[t]he principal or capital, as distinguished from the interest or income, as of a fund or estate." *The American Heritage Dictionary of the English Language* (3d Ed. 1992) at 421.

distributions. Instead, receipts from the pools' domestic equity holdings -- whether they would be attributable to principal or income under general trust law -- are simply credited to the value of the shares in the pools. According to Department of Revenue staff, there are no published "investment accounting principles" governing this situation, and there are no cases directly on point.

Under AS 37.14.110(c), however, the procedure currently being followed is a reasonable approach to implementing the dual goals of generating income to support the state's public education program while preserving the principal of the public school trust fund. Were the domestic equity pools' investment earnings distributed similarly to mutual fund earnings -- i.e., as dividends and short- and long-term capital gains -- the dividends would be ordinary income and the capital gains would be principal under AS 13.38.050(c).¹⁴ It would elevate form over substance to conclude that the manner in which the domestic equity pools handle investment earnings -- both ordinary dividends and long- and short-term capital gains -- governs the determination of the fund's net income.

Indeed, attributing all of the increase in share values to principal without considering the source of the increase (i.e., whether the underlying source of the increase was attributable to principal or income under general trust law) might be found to violate the requirement in AS 37.14.110(c) that the commissioner of revenue determine the net income of the public school trust fund "in a manner that preserves the distinction between principal and income and that excludes capital gains or losses realized on principal." Failing to consider the source of the increases in share values, it could be argued, would not preserve the required "distinction" between principal and income. It might also be found to violate the requirement in AS 37.14.170 that the commissioner "invest the fund to provide increasing net income over long-term periods to the fund's income beneficiaries."

At the same time, the provisions of AS 37.14.110(c) and 37.14.170 give the commissioner considerable flexibility in investing and determining net income from the fund, and treating increases in the share values of domestic equity pools in other ways might be legally permissible. Suffice it to say that, in light of that considerable flexibility, it appears consistent with the statutes governing the public school trust fund to treat as income increases in the share values of the fund's investments in domestic equity pools that are attributable to dividends and to credit (or debit) increases (or decreases) in share values that are attributable to capital gains (or losses) to principal.

Question 6: What options does the state have for dealing with public school trust fund income that exceeds projected income and, as a consequence, has not been appropriated

¹⁴ Under AS 13.38.050(e), the trustee "may rely upon a statement of the distributing corporation as to a fact relevant under a provision of this chapter concerning the source or character of dividends or distributions of corporate assets."

Bruce M. Botelho, Attorney General
Wilson L. Condon, Commissioner of Revenue

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for school purposes by the legislature?

Public school trust fund earnings that are available for expenditure do not lose that status even though they were not appropriated by the legislature. It accordingly remains available for appropriation for public school purposes. That result follows directly from AS 37.14.140, which provides in part that "[t]he commissioner of revenue shall invest realized net income that has not been appropriated or that has been appropriated but not expended until the income is appropriated and expended."

In the event it is determined that state public education expenditures do not exceed whatever interest the state may have owed the trust as a result of compensating the school land trust over time (see question 4 above), any payments now made would be considered income and therefore would be available for appropriation by the legislature for public education purposes.

III. Conclusion

I hope the foregoing answers your questions. In light of the controversy that arose over the mental health land trust, however, it might be prudent to discuss the foregoing and any actions you contemplate as a result with the Public School Fund Advisory Board created under AS 37.14.120, the state Board of Education, and members of the legislature. To the extent you find that actions you would like to take encounter opposition, AS 13.36.035(a)(3) authorizes the courts to "determine any question arising in the administration or distribution of any trust including questions of construction of trust instruments, instruct trustees, and determine the existence or nonexistence of any immunity, power, privilege, duty or right." An appropriate action could be filed to determine the permissibility of any action you would like to take.

Please contact me at your convenience if I can be of any further assistance.

TONY KNOWLES, GOVERNOR

DEPARTMENT OF EDUCATION
EDUCATION SUPPORT SERVICES / FACILITIES

GOLDBELT PLACE
801 WEST 10TH STREET, SUITE 200
JUNEAU, ALASKA 99801-1894

(907) 465-1858
FAX (907) 463-5279

November 4, 1997

Sheila Peterson, Staff Assistant
Senator Gary Wilken
Capital Room 510
Juneau, AK

REFERENCE: Preventive Maintenance

Dear Sheila:

You recently posed several questions regarding the Department of Education's position regarding preventive maintenance and schools.

As a prelude to answering the questions posed, it will be useful to have a working definition of preventive maintenance. The department, in its *Preventive Maintenance Handbook* defines preventive maintenance as:

All activities which can be regularly scheduled to prevent premature failure or maximize or extend the useful life of a facility and its components. This will include items such as roof inspections, repainting, and door hardware adjustments as well as more traditional items such as bearing lubrication and belt replacements on HVAC equipment.

The Handbook also notes that "it is essential that school boards, school district administration and staff make a commitment to this philosophy when considering their responsibilities in managing district facility assets. Preventive maintenance should be a key element of a school board's mission statement."

Utilizing this definition, the following addresses the questions you posed.

Question: What is the department doing to assure districts have and are following a program of preventive maintenance?

Districts are encouraged to implement a preventive maintenance program and their efforts are evaluated as part of the capital improvement project(CIP) evaluation process which prioritizes school construction and major maintenance projects. The evaluation of these projects includes two scoring elements which focus on preventive maintenance. One looks at the amount spent on maintenance compared to the current valuation of the

facilities. The other evaluates, on a subjective basis, the preventive maintenance program and its effectiveness.

The standard for reviewing a district's program of preventive maintenance is the department's Preventive Maintenance Handbook. The Handbook defines preventive maintenance and covers the full range of building systems which should be included in a comprehensive program. Providing this standard gives a basis for determining whether a district's program covers all systems in the facility. The department sees preventive maintenance as part of an integrated system for addressing the needs of a facility. As part of the department's commitment to assisting districts this is planned as the first volume in a planned set of publications which will address the components of an integrated facility management system. Additional topics will include: emergency and corrective maintenance; renovation and renewal; life cycle cost analysis; and, cost benefit/cost effectiveness analysis.

Question: How is the department recognizing those districts who have a effective preventive maintenance program and are making an on-going commitment to maintaining a program of preventive maintenance?

This is currently recognized through points awarded to projects submitted by districts for CIP funding. Districts making a greater commitment in funds toward a maintenance program receive more points. Districts are also rewarded for having a comprehensive program presented and demonstrating its effectiveness.

Question: What suggestions would the department have which might assure that districts provide appropriate attention to preventive maintenance needs?

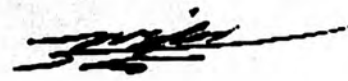
One of the ways to promote adequate preventive maintenance programs is to assure adequate funding is available. There is a body of research which clearly indicates that the two major components of facility management, preventive maintenance and renovation and renewal, take a yearly allocation of approximately 5% of the current facility value. The split between these two varies, but commonly runs 2% to preventive maintenance and 3% to renovation and renewal. It is important to note that if increases in funding do not rise at at least the same rate as the replacement cost of the facilities, it would not be possible to fully fund this without other sacrifices in the district operating budget.

Letter, Sheila Peterson
November 4, 1997
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The department has also considered offering districts an on-site preventive maintenance program review. There are certainly districts in need of assistance in more effectively directing their efforts. However, this service has not been offered due to staff and budgetary limitations.

I hope this provides the information you needed. If you have additional questions, please do not hesitate to call.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael D. Morgan", with a long horizontal flourish extending to the right.

Michael D. Morgan
School Facilities Manager

ALASKA'S SCHOOL DISTRICTS AND THEIR LEGISLATORS TWENTIETH ALASKA STATE LEGISLATURE - FIRST SESSION 1997

<u>SCHOOL DISTRICT NAME</u>	<u>NAME OF LEGISLATOR</u>
ALASKA GATEWAY SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE
ALEUTIAN REGION SCHOOLS	HOFFMAN, LYMAN MOSES, CARL
ALEUTIANS EAST BOROUGH SCHOOLS	HOFFMAN, LYMAN MOSES, CARL
ANCHORAGE SCHOOLS	BARNES, RAMONA BERKOWITZ, ETHAN BLUNDE, CON COWDERY, JOHN CROFT, ERIC DONLEY, DAVE DYSON, FRED ELLIS, JOHNNY GREEN, JOSEPH HALFORD, RICK HANLEY, MARK KELLY, TIM KEMPEN, ALLEN KOTT, PETE LEMAN, LOREN MARTIN, TERRY MILDER, ELDON PARNELL, SEAN PEARCE, DRUE PHILLIPS, RANDY PORTER, BRIAN ROKEBERG, NORMAN RYAN, JOE SANDERS, JERRY WARD, JERRY
ANNETTE ISLAND SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
BERING STRAIT SCHOOLS	ADAMS, AL FOSTER, RICHARD JOLE, PEGGIE

Date	9/5/97	# of pages	5
From	Shilg		
Co.	Sealinker		
Phone #	465-3709		
Fax #	465-4714		

Post-It Fax Note	7671
To	Denny Deluff
Co.	Rep Mulder
Phone #	258-8123
Fax #	258-5511

<u>SCHOOL DISTRICT NAME</u>	<u>NAME OF LEGISLATOR</u>
BRISTOL BAY BOROUGH SCHOOLS	HOFFMAN, LYMAN MOSES, CARI
CHATHAM SCHOOLS	KOOKESH, AL MACKIE, JERRY
CHUGACH SCHOOLS	KUBINA, GENE LINCOLN, GEORGIANNA
COPPER RIVER SCHOOL DISTRICT	KUBINA, GENE LINCOLN, GEORGIANNA NICHOLIA, IRENE
CORDOVA CITY SCHOOLS	KUBINA, GENE LINCOLN, GEORGIANNA
CRAIG CITY SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
DELTA GREELY SCHOOL DISTRICT	KUBINA, GENE LINCOLN, GEORGIANNA
DENALI BOROUGH SCHOOLS	JAMES, JEANNETTE MILLER, MIKE
DILLINGHAM CITY SCHOOLS	HOFFMAN, LYMAN IVAN, IVAN
FAIRBANKS NORTH STAR BOROUGH SCHOOLS	BRICE, TOM DAVIES, JOHN JAMES, JEANNETTE KELLY, PETE MILLER, MIKE SHARP, BERT THERIAULT, GENE VEZEY, AL WILKEN, GARY
GALENA CITY SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE
HAINES BOROUGH SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY

<u>SCHOOL DISTRICT NAME</u>	<u>NAME OF LEGISLATOR</u>
HOONAH CITY SCHOOLS	KOOKESH, AL MACKIE, JERRY
HYDABURG CITY SCHOOLS	KOOKESH, AL MACKIE, JERRY
IDITAROD AREA SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE
JUNEAU CITY SCHOOL DISTRICT	DUNCAN, JIM ELTON, KIM HUDSON, BILL
KAKE CITY SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
KASHUNAMIUT SCHOOLS	ADAMS, AL FOSTER, RICHARD
KENAI PENINSULA BOROUGH SCHOOLS	DAVIS, GARY HODGINS, MARK TORGERSON, JOHN WARD, JERRY
KETCHIKAN GATEWAY BOROUGH SCHOOLS	TAYLOR, ROBIN WILLIAMS, BILL
KLAWOCK CITY SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
KODIAK ISLAND BOROUGH SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
KUSPUK SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE
LAKE AND PENINSULA BOROUGH SCHOOLS	HOFFMAN, LYMAN LINCOLN, GEORGIANNA MOSES, CARL NICHOLIA, IRENE

SCHOOL DISTRICT NAME

NAME OF LEGISLATOR

LOWER KUSKOKWIM SCHOOL
DISTRICT

ADAMS, AL
FOSTER, RICHARD
HOFFMAN, LYMAN
IVAN, IVAN

LOWER YUKON SCHOOL DISTRICT

ADAMS, AL
FOSTER, RICHARD

MATANUSKA-SUSITNA BOROUGH
SCHOOLS

GREEN, LYDA
HALFORD, RICK
KOHRLING, VIC
KUBINA, GENE
LINCOLN, GEORGIANNA
MASEK, BEVERLY
OGAN, SCOTT

NENANA CITY SCHOOL DISTRICT

JAMES, JEANNETTE
MILLER, MIKE

NOME CITY SCHOOLS

ADAMS, AL
FOSTER, RICHARD

NORTH SLOPE BOROUGH SCHOOL
DISTRICT

ADAMS, AL
JOLE, REGGIE

NORTHWEST ARCTIC BOROUGH
SCHOOLS

ADAMS, AL
JOLE, REGGIE

PELICAN CITY SCHOOLS

KOOKESH, ALBERT
MACKIE, JERRY

PETERSBURG CITY SCHOOLS

GRUSSENDORF, BEN
TAYLOR, ROBIN

PRIBILOF SCHOOLS

HOFFMAN, LYMAN
MOSES, CARL

ST. MARY'S SCHOOL DISTRICT

ADAMS, AL
FOSTER, RICHARD

<u>SCHOOL DISTRICT NAME</u>	<u>NAME OF LEGISLATOR</u>
SITKA BOROUGH SCHOOL DISTRICT	GRUSSENDORF, BEN TAYLOR, ROBIN
SKAGWAY CITY SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
SOUTHEAST ISLAND SCHOOL DISTRICT	KOOKESH, ALBERT MACKIE, JERRY
SOUTHWEST REGIONAL SCHOOL DISTRICT	HOFFMAN, LYMAN IVAN, IVAN
TANANA SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE
UNALASKA CITY SCHOOLS	HOFFMAN, LYMAN MOSES, CARL
VALDEZ CITY SCHOOLS	KUBINA, GENE LINCOLN, GEORGIANNA
WRANGELL CITY SCHOOLS	GRUSSENDORF, BEN TAYLOR, ROBIN
YAKUTAT CITY SCHOOLS	KOOKESH, ALBERT MACKIE, JERRY
YUKON FLATS SCHOOL DISTRICT	LINCOLN, GEORGIANNA NICHOLIA, IRENE
YUKON-KOYUKUK SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE
YUPIIT SCHOOLS	LINCOLN, GEORGIANNA NICHOLIA, IRENE

Group Definitions

Reimbursement Rates
State Share/Local Share

		<u>State Share</u>	<u>Local Share</u>
GROUP 1		95%	5%
5 Hoonah	5 Klawock		
5 Hydaburg	36 Nenana		
5 Kake	36 Tanana		
GROUP 2		90%	10%
36 Galena			
40 Lake & Peninsula			
37 Northwest Arctic			
GROUP 3		70%	30%
40 Aleutians East	1 Ketchikan		
10-25 Anchorage	6 Kodiak		
35 Cordova	22 Mat-Su		
5 Craig	38 Nome		
34 Denali	5 Pelican		
29 Dillingham	2 Petersburg		
24-34 Fairbanks	2 Sitka		
5 Haines	2 Wrangell		
3-4 Juneau	5 Yakutat		
79 Kenai Peninsula			
GROUP 4		65%	35%
39 Bristol Bay			
37 North Slope			
5 Skagway			
40 Unalaska			
REAA		98%	2%
36 Alaska Gateway	Kuspuk 36		
1 Annette Island	Lower Kuskokwim 38+		
38 Bering Strait	Lower Yukon - 36+38		
5 Chatham	Pribilof 40		
35 Chugach	Southeast Island 5		
35 Copper River	Southwest Region 39		
35 Delta/Grady	Yukon Flats 36		
36 Iditarod	3 Yukon/Koyukuk 36		
38 Kashunamiut	Yupit 29		

Post-it® Fax Note	7671	Date	12/19	# of pages	1
To	Denny Danitt		From	Mr. Morgan	
Co./Dept.			Co.		
Phone #			Phone #	1858	
Fax #	3518		Fax #		

State of Alaska
Department of Education
Capital Improvement Program
School Construction Grant Fund

Issued December 15, 1997
Reconsideration List

Dec. 15	Nov. 1					DOE			
Pri. #	Pri. #	District Name	Project Name	Amount Requested	Eligible Amount	Recommended Amount	Participating Share	State Share	Aggregate Amount
1	1	Kashunamiut	Chevak School Replacement	\$25,998,000	\$23,122,324	\$23,122,324	\$462,446	\$22,659,878	\$22,659,878
2	2	Chatham	Recovery of Funds - Hobart Bay School Building Purchase	\$59,373	\$59,373	\$59,373	\$1,187	\$58,186	\$22,718,063
3	3	Lower Yukon	Pilot Station K-12 Replacement	\$18,489,792	\$16,659,195	\$856,720	\$17,134	\$839,585	\$23,557,648
4	4	Lower Yukon	Kotlik K-12 Expansion	\$19,016,828	\$16,727,285	\$867,273	\$17,345	\$849,928	\$24,407,576
5	5	Southwest Region	Replacement of Togiak School	\$28,508,384	\$23,772,540	\$897,970	\$17,959	\$860,011	\$25,287,587
6	6	Copper River	Kenny Lake Elementary School Replacement	\$4,920,150	\$4,154,361	\$4,154,361	\$83,087	\$4,071,274	\$29,358,861
7	9	Northwest Arctic	Buckland School Remediation Project, Phase II	\$16,949,223	\$13,706,823	\$13,706,823	\$1,370,682	\$12,336,141	\$41,695,002
8	7	Bering Strait	Golovin School Upgrade and Addition	\$15,134,493	\$10,174,667	\$416,550	\$8,331	\$408,219	\$42,103,221
9	8	Bering Strait	Elim School Upgrade and Addition	\$19,124,218	\$11,534,940	\$467,560	\$9,351	\$458,209	\$42,561,430
10	10	Bering Strait	Teller Elementary Gym Renovation and Expansion	\$16,250,185	\$11,171,830	\$453,944	\$9,079	\$444,865	\$43,006,294
11	13	Craig	New Craig Secondary School	\$13,168,594	\$12,498,809	\$12,498,809	\$3,749,643	\$8,749,166	\$51,755,461
12	11	Yukon Flats	Circle K-12 School Replacement	\$2,245,628	\$2,245,628	\$84,211	\$1,684	\$82,527	\$51,837,987
13	12	Lower Kuskokwim	Newtok New School	\$8,667,487	\$4,259,120	\$4,259,120	\$85,182	\$4,173,938	\$56,011,925
14	14	Yukon Flats	Arctic Village Addition/Renovation	\$2,821,475	\$2,821,475	\$2,821,475	\$56,430	\$2,765,046	\$58,776,971
15	15	Bering Strait	White Mountain School Addition and Gym Renovation	\$15,821,770	\$12,329,695	\$497,364	\$9,947	\$487,416	\$59,264,387
16	16	Bering Strait	Koyuk New K-12 School	\$13,793,777	\$11,366,160	\$461,231	\$9,225	\$452,006	\$59,716,393
17	17	Mat-Su	Talkeetna Elementary School Addition and Renovation	\$7,568,327	\$7,126,600	\$7,126,600	\$2,137,980	\$4,988,620	\$64,705,013
18	18	Southeast Island	Howard Valentine School Construction	\$2,848,827	\$2,848,827	\$2,848,827	\$56,977	\$2,791,850	\$67,496,864
19	19	Denali	Tri-Valley High School Addition	\$6,582,913	\$5,058,654	\$189,700	\$56,910	\$132,790	\$67,629,653
20	20	Southeast Island	Naukatli School Construction	\$2,972,124	\$2,972,124	\$2,972,124	\$59,442	\$2,912,682	\$70,542,335
21	21	Lower Yukon	Sheldon Point K-12 Expansion	\$11,035,675	\$8,465,085	\$447,441	\$8,949	\$438,492	\$70,980,827
22	22	Delta/Greely	Healy Lake New School Construction Project	\$127,770	\$127,770	\$127,770	\$2,555	\$125,215	\$71,106,041
23	28	Northwest Arctic	Noorvik K-12 Expansion Project	\$13,295,607	\$13,295,607	\$546,585	\$54,659	\$491,927	\$71,597,968
24	26	Craig	Craig Elementary School Addition and Reroof	\$3,181,568	\$3,181,568	\$3,181,568	\$954,470	\$2,227,098	\$73,825,066
25	23	Southwest Region	Remodel and Expansion of Manokotak K-12 School	\$12,278,994	\$10,657,534	\$399,658	\$7,993	\$391,664	\$74,216,730
26	24	Iditarod	McGrath Vocational Education Expansion	\$1,494,515	\$1,494,515	\$1,494,515	\$29,890	\$1,464,625	\$75,681,355
27	25	Yupik	Akiachak Elementary School Replacement and Renovation	\$15,324,793	\$12,882,672	\$483,100	\$9,662	\$473,438	\$76,154,793
28	27	Southwest Region	Remodel and Expansion of New Stuyahok K-12 School	\$16,210,988	\$14,523,340	\$594,625	\$11,893	\$582,733	\$76,737,526
29	n/a	Copper River	Glennallen Elementary School Replacement	\$9,972,771	\$9,972,771	\$373,979	\$7,480	\$366,499	\$77,104,025
30	29	Kake	Elementary School Addition	\$2,598,872	\$2,598,872	\$2,598,872	\$129,944	\$2,468,928	\$79,572,953
31	30	Yukon/Koyukuk	Minto Addition/Renovation	\$2,805,597	\$2,805,597	\$105,210	\$2,104	\$103,106	\$79,676,059
32	31	Iditarod	McGrath Handicap Van & Bus Storage	\$307,503	\$307,503	\$307,503	\$6,150	\$301,353	\$79,977,412
33	32	Lower Kuskokwim	Chief Paul Memorial School Addition	\$11,064,755	\$10,106,588	\$378,997	\$7,580	\$371,417	\$80,348,829
34	33	Lower Kuskokwim	Atmautluak Elementary School	\$5,310,053	\$5,445,688	\$244,213	\$4,884	\$239,329	\$80,588,158
35	34	Southeast Island	Hollis School Construction	\$1,589,539	\$1,589,539	\$1,589,539	\$31,791	\$1,557,748	\$82,145,906
36	35	Pribilof	Remodel and Expansion of St. George School	\$8,664,017	\$6,554,307	\$245,787	\$4,916	\$240,871	\$82,386,777
37	36	Craig	Craig Elementary School Renovation/Multipurpose Addition, Phase II	\$4,609,130	\$3,287,580	\$123,284	\$36,985	\$86,299	\$82,473,076
38	37	Iditarod	Takotna Training Center Addition and Improvements	\$1,122,562	\$1,122,562	\$1,122,562	\$22,451	\$1,100,111	\$83,573,187
39	38	Lower Kuskokwim	Nightmute School Addition	\$3,459,347	\$3,459,347	\$169,726	\$3,395	\$166,331	\$83,739,518
40	39	Lower Kuskokwim	Kwethluk School Addition	\$8,028,749	\$8,003,838	\$300,144	\$6,003	\$294,141	\$84,033,659
41	40	Yukon/Koyukuk	Kaltaq Addition/Renovation	\$4,491,150	\$4,491,150	\$168,418	\$3,368	\$165,050	\$84,198,709