

# State-aid for School Capital Projects – Debt & Grant

Alaska Department of Education & Early Development  
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# OUR MISSION

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**An excellent education  
for every student  
every day.**

## OUR VISION

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**All students will succeed in their education and work, shape worthwhile and satisfying lives for themselves, exemplify the best values of society, and be effective in improving the character and quality of the world about them.**

**Alaska Statute 14.03.015**

*Photo courtesy of Anchorage School District. Used with permission.*



## Purpose

DEED exists to provide **information, resources, and leadership** to support an excellent education for every student every day.



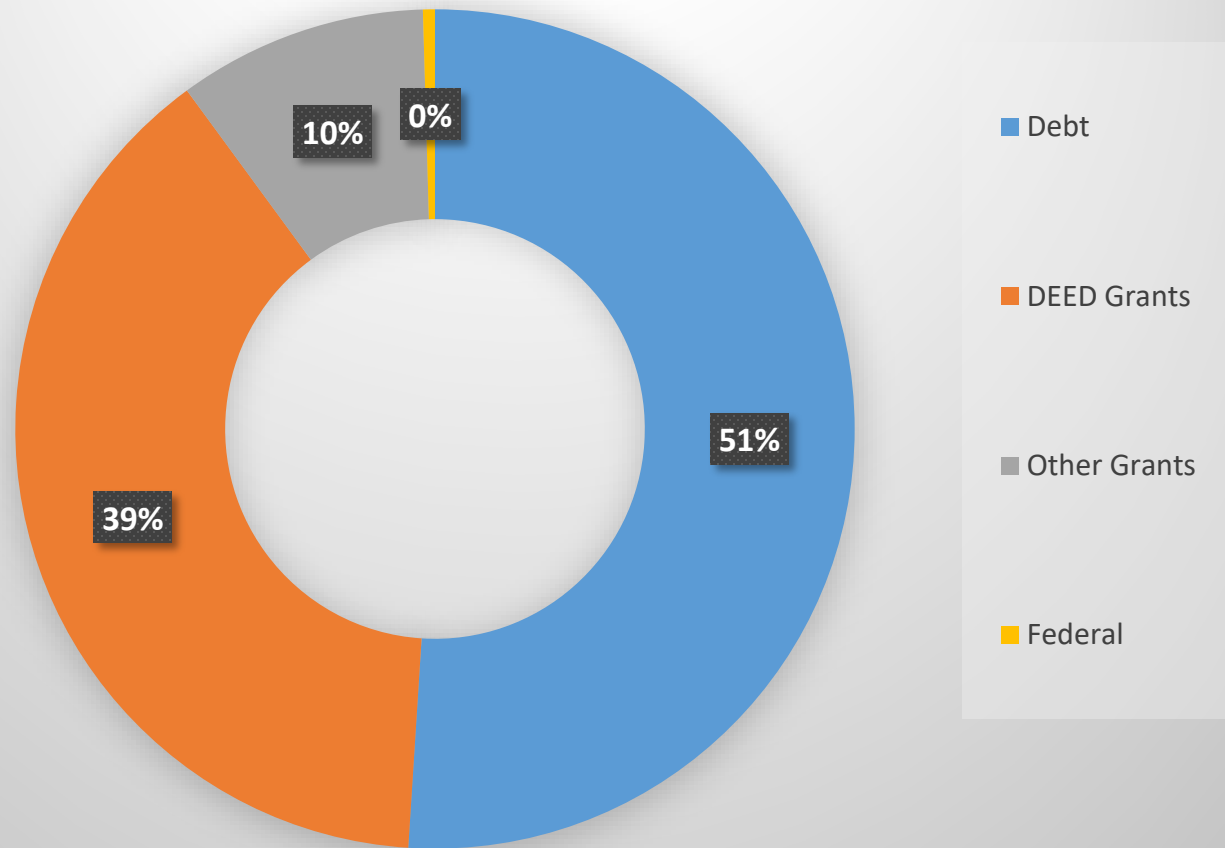
# History of School Capital Funding

- Federal Involvement
- State Funding Mechanisms
  - GF to Grants (1970?)
    - GO Bonds (2003, 2011)
    - AHFC Revenue Bonds (1999, 2001, 2002)
  - GF to Debt Reimbursement (1971)
    - School Fund – AS 43.50.140 (FY99-present)
    - Others (Ex. Insurance Fund – AS 22.55.430)
- Local (LEA)
  - Capital Reserves
  - Muni Debt



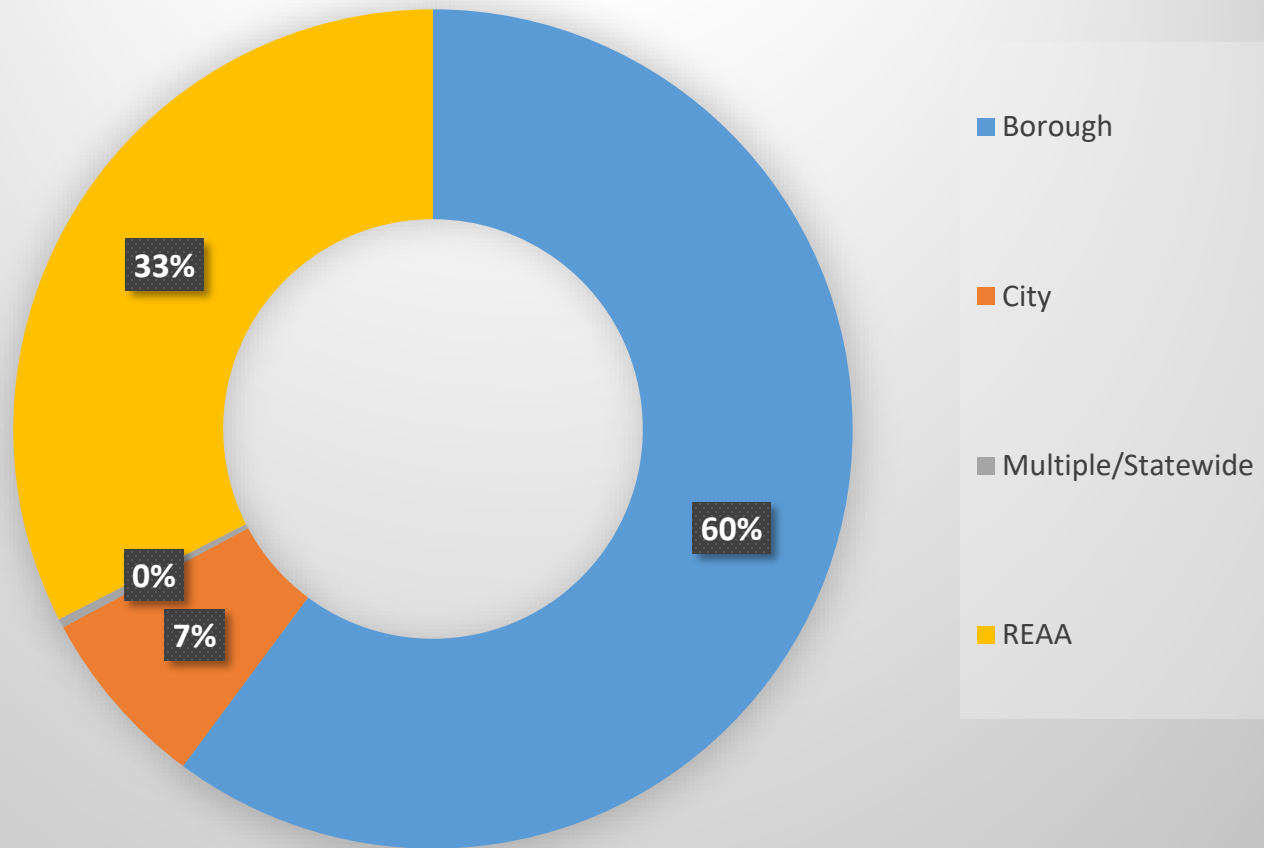
# Historic Funding – All Sources

\$6.1 Billion – By Fund Type



# Historic Funding – All Sources

\$6.1 Billion – By District Type



# Funding in Other States

- 12 States pay nothing toward school capital const.
- Nationally, 82% of capital costs are funded locally
- FY13 Alaska \$10,080/pupil

## Average Long-Term Debt Per Student Ranges From \$700 to \$17,000 by State

District long-term debt, FY 2013, per 2013 student

■ \$0-\$3,400  
 ■ \$3,401-\$6,700  
 ■ \$6,701-\$11,000  
 ■ \$11,001-\$15,000  
 ■ \$15,000 and up

SC \$16,948	NY \$11,643	KS \$9,486	AR \$7,671	RI \$7,628	MO \$7,415	NJ \$9,486	AL \$6,872		
PA \$15,638	OR \$11,511	CO \$9,087	NE \$6,867	IA \$6,688	VA \$6,624	NM \$5,962	SD \$5,900	OH \$5,803	
TX \$13,297	IN \$11,280	WA \$9,078	FL \$5,756	MA \$5,565	ID \$4,795	DE \$4,601	ME \$4,588		
MN \$12,889	IL \$10,128	CA \$8,799	LA \$5,717	WI \$5,260	AZ \$4,534	NH \$4,348	MS \$3,461		
MI \$12,533	AK \$10,080	<b>NATIONAL AVERAGE \$8,467</b>	CT \$5,655	TN \$5,216	ND \$3,442	VT \$3,333	GA \$2,684		
	NV \$9,711	KY \$8,112	NC \$5,607	UT \$4,940	MD \$4,894	MT \$3,428	OK \$2,402	WV \$1,497	WY \$674

Source: National Center for Education Statistics, analyzed by 21st Century School Fund



# School Capital Funding Litigation

- Molly Hootch vs. State Operated School System (1972)
  - Tobeluk Consent Decree 1983
- Kasayulie vs. State (1997)
  - Summary Judgement 1999
  - Consent Decree 2011
- Moore vs. State (2004)
  - Court Decision 2007





# Current Funding Options

- School Construction Grant Fund (1990)
- Major Maintenance Grant Fund (1993)
- REAA and Small Municipal District Fund (2010)
  - Indexed fund
  - DR Funding / % of C/B schools \* .244
- Debt Reimbursement Fund(ing)

*[AS 14.11.015(b) To the extent that money is available in the appropriate fund, the department shall award grants approved under (a) of this section in the order of the projects' priority . . ."]*

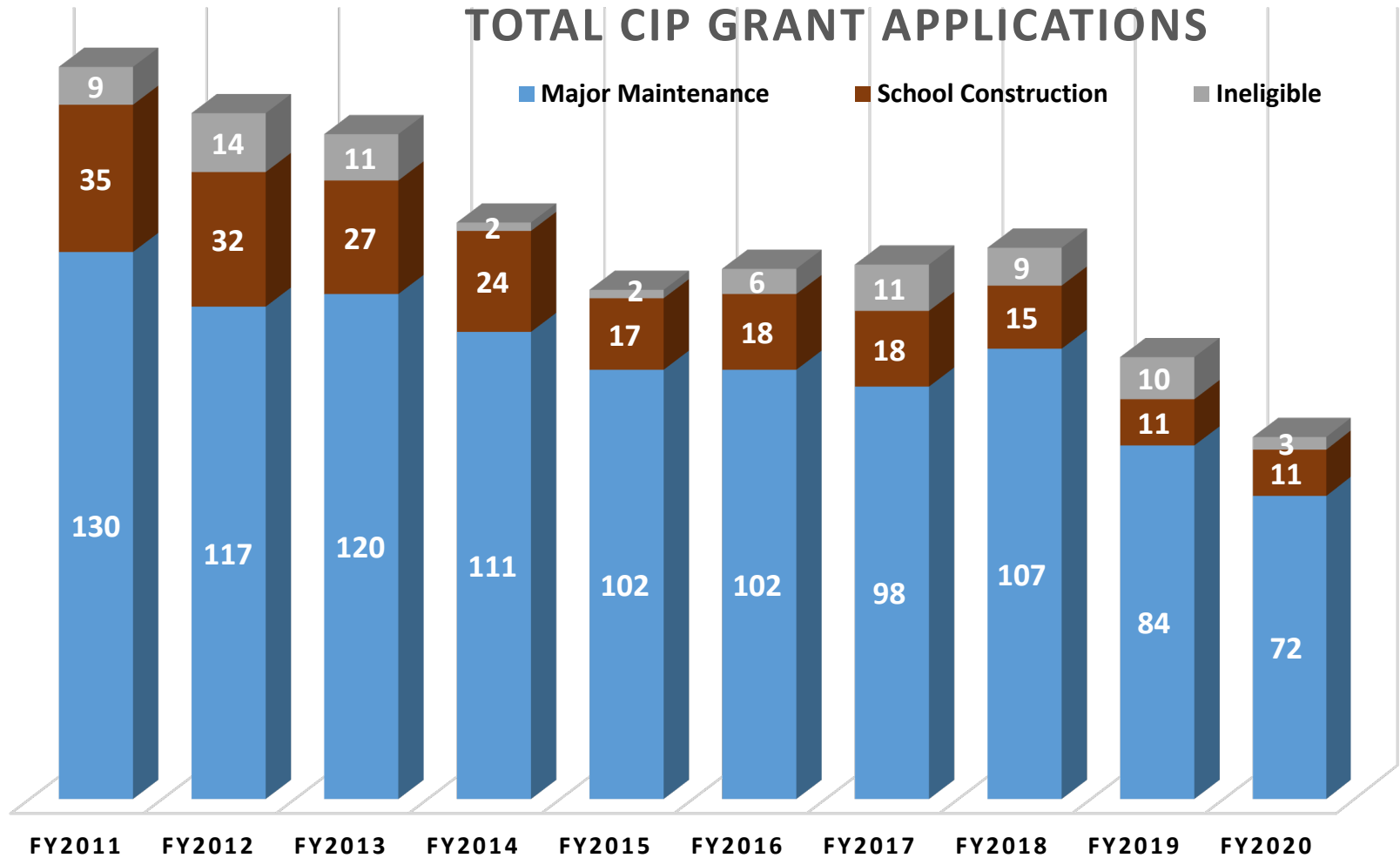


# School Capital Investment Need

- Total Education Related Facilities (40 million SF)
- # of Main Schools (509)
- GSF in Main Schools (33 million SF)
- Average Weighted Age of Main Schools (~'79)
- Total Value of Main Schools (\$13B)



# CIP Participation & Eligibility



# CIP Participation & Eligibility

- Six-year capital improvement plan
- Functioning fixed asset inventory system (FAIS)
- Proof of required property insurance
- Certified PM and Facility Management Program



# Debt Reimbursement Trends

## Percentage of Annual Debt Service

- FY1971 – FY1977            100%
- FY1978 – FY1983           90%
- FY1984 – FY1994           80%
- FY1995 – FY1999           70%
- FY2000 – FY2020           70%/60%\*
- FY2021 – FY20XX           50%/40%

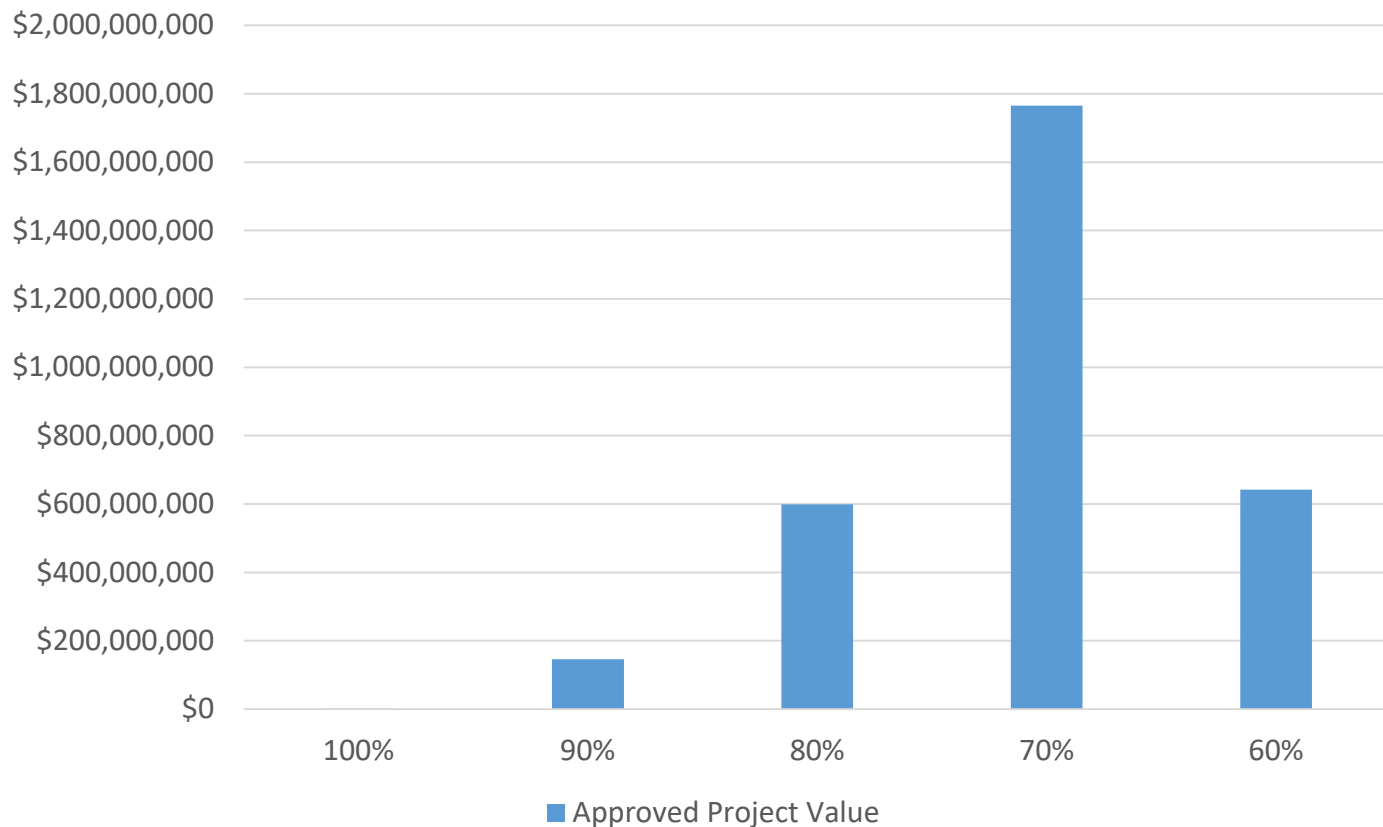
\*NWAB at 90% for bonds between 1990-2006



# Debt Reimbursement Trends

## Project Values by Percent Reimbursement

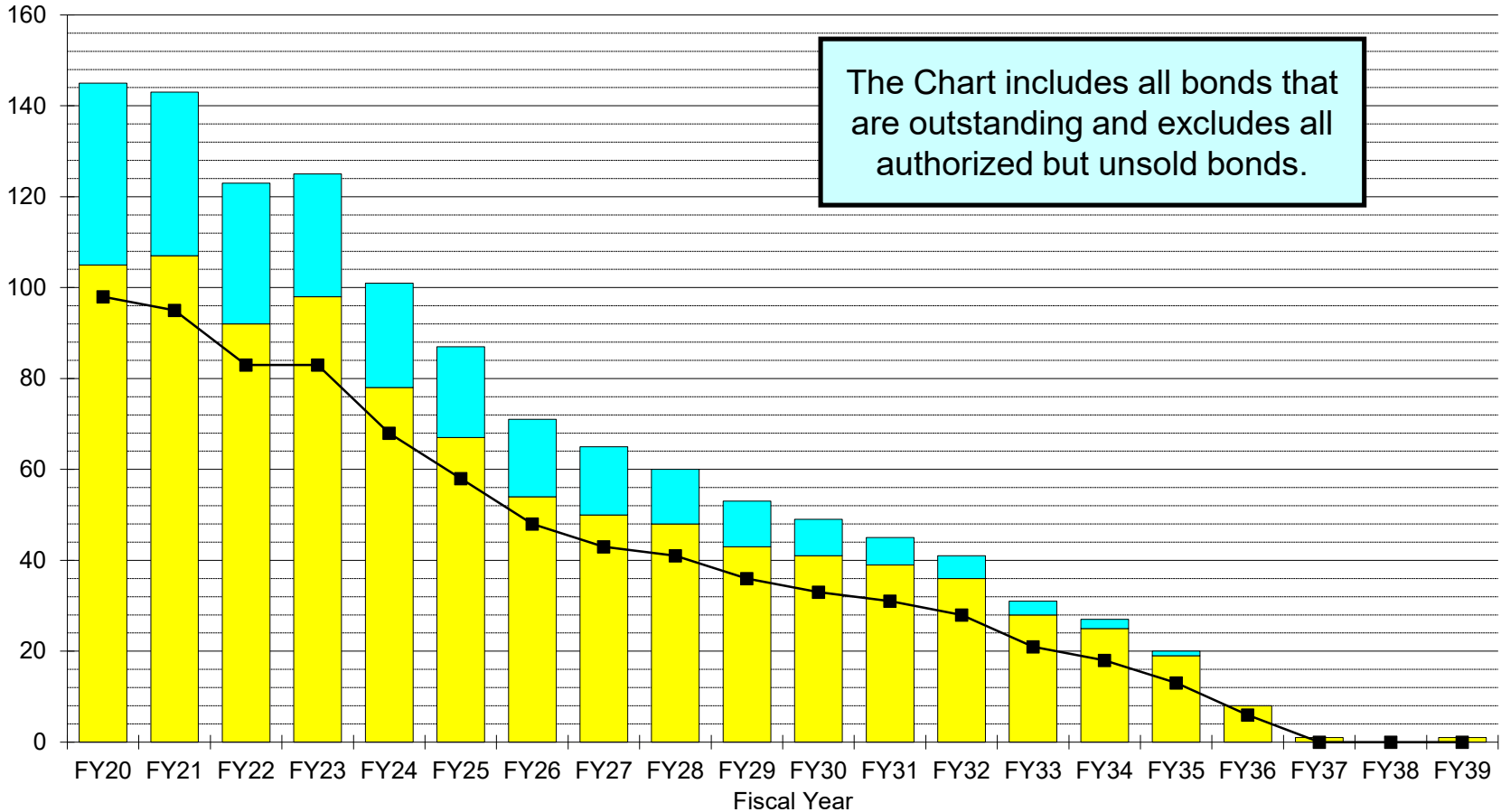
Historic Debt Funding by Reimbursement Rate



# Debt Reimbursement Trends

## SCHOOL CONSTRUCTION ELIGIBLE DEBT

Millions



The Chart includes all bonds that are outstanding and excludes all authorized but unsold bonds.

■ OUTSTANDING PRINCIPAL   
 ■ OUTSTANDING INTEREST   
 ■ STATE LIABILITY



# Debt Reimbursement Trends

- Reimbursement Shortfalls

Fiscal Year	Eligible For Reimbursement	Actual State Aid	State Aid % Aid Provided
FY-76	\$9,242,312	\$8,810,500	95.33%
FY-77	10,107,336	9,051,600	89.55%
FY-78	11,408,304	11,408,304	100.00%
FY-79	27,868,182	22,273,300	79.92%
FY-80	30,823,133	24,081,000	78.13%
FY-81	38,380,174	38,380,174	100.00%
FY-82	38,262,156	38,262,156	100.00%
FY-83	60,772,910	56,169,700	92.43%
FY-84	90,600,074	90,600,074	100.00%
FY-85	93,161,981	93,161,981	100.00%
FY-86	109,707,936	106,315,600	96.91%
FY-87	125,272,615	115,845,000	92.47%
FY-88	118,701,313	109,472,700	92.23%
FY-89	118,469,048	110,193,451	93.01%
FY-90	113,923,479	107,374,886	94.25%
FY-91	123,959,155	116,276,078	93.80%
FY-92	127,245,080	127,245,080	100.00%
FY-93	124,948,218	124,948,218	100.00%
FY-94	98,648,541	98,648,541	100.00%
FY-95	93,742,116	93,742,116	100.00%
FY-96	79,212,669	79,212,669	100.00%
FY-97	62,476,074	62,476,074	100.00%
FY-98	61,639,666	61,639,666	100.00%

Fiscal Year	Eligible For Reimbursement	Actual State Aid	State Aid % Aid Provided
FY-99	61,990,844	61,990,844	100.00%
FY2000	64,349,790	64,349,790	100.00%
FY2001	52,098,690	52,098,690	100.00%
FY2002	54,057,200	54,057,200	100.00%
FY2003	51,969,968	51,969,968	100.00%
FY2004	60,592,525	60,592,525	100.00%
FY2005	71,274,983	71,274,983	100.00%
FY2006	81,695,195	81,695,195	100.00%
FY2007	87,524,109	87,524,109	100.00%
FY2008	91,764,563	91,764,563	100.00%
FY2009	94,017,490	94,017,490	100.00%
FY2010	96,507,492	96,507,492	100.00%
FY2011	100,335,656	100,335,656	100.00%
FY2012	101,678,133	101,678,133	100.00%
FY2013	113,097,206	113,097,206	100.00%
FY2014	109,800,821	109,800,821	100.00%
FY2015	118,025,593	118,025,593	100.00%
FY2016	116,739,477	116,739,477	100.00%
FY2017	114,641,988	90,676,900	79.10%
FY2018	112,824,287	112,824,287	100.00%
Proj FY2019	105,932,022	105,932,022	100.00%





# Debt Proceeds & Refundings

## Initial Bond Sales

- After bonds are sold the department identifies how much of approved projects are funded by the new bond.
- Establish any proration's for bonds based on approved project reimbursement rate. (AS 14.11.100(a))

## Refunding of Bonds

- Refunding of current bonds must follow the requirements in AS 14.11.100(j)(2).
- Department evaluates refundings by comparing the annual debt service of the refunding package to the original annual debt service of the bond(s) that are refunded. The refunding must show an annual savings.



# School Capital Funding Forecast

- No statutory mandate
- 6-Year CIP Plan incomplete (assembled from voluntary data)
- NSCF 12-year estimate for new school construction - \$1.1B (2012 – 2024)
- Capital Renewal (2% CRV)
- Deferred Maintenance (1% CRV)
- Alterations (1% CRV)
- Total state CRV = \$13-20B



# School Capital Funding Forecast

Capital Renewal	Funding “Levers”	Data Support
<ul style="list-style-type: none"> <li>• By School</li> </ul>	<ul style="list-style-type: none"> <li>• Debt Reimbursement Allocations</li> </ul>	<ul style="list-style-type: none"> <li>• # of Schools</li> </ul>
<ul style="list-style-type: none"> <li>• By District</li> </ul>	<ul style="list-style-type: none"> <li>• Debt Reimbursement Percentage</li> </ul>	<ul style="list-style-type: none"> <li>• ADM Projections</li> </ul>
<ul style="list-style-type: none"> <li>• By FY</li> </ul>	<ul style="list-style-type: none"> <li>• Debt Service Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Inflation Rate</li> </ul>
<ul style="list-style-type: none"> <li>• By Fund Elig.</li> </ul>	<ul style="list-style-type: none"> <li>• REAA Fund (GF)</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of Borrowing</li> </ul>
<p>Note: This must be an FCI or R&amp;R based forecast</p>	<ul style="list-style-type: none"> <li>• Major Maintenance Grant Fund</li> </ul>	
	<ul style="list-style-type: none"> <li>• School Construction Grant Fund</li> </ul>	
	<ul style="list-style-type: none"> <li>• Cigarette Tax</li> </ul>	
	<ul style="list-style-type: none"> <li>• Public School Trust Fund</li> </ul>	
	<ul style="list-style-type: none"> <li>• State GO Bonds</li> </ul>	
	<ul style="list-style-type: none"> <li>• Other sources</li> </ul>	
<p><b>New Space</b></p>		
<ul style="list-style-type: none"> <li>• By School</li> </ul>		
<ul style="list-style-type: none"> <li>• By District</li> </ul>		
<ul style="list-style-type: none"> <li>• By FY</li> </ul>		
<p>Note: ADM forecast</p>		



# Talking Points/Key Takeaways

- Alaskans have greatly benefitted from state investment in school facilities - \$6B+ in projects/funding over 5 decades!
- The school capital funding “system” is robust
  - Good variety of funding sources/streams
  - Well developed prioritization process
  - Significant checks and balances for eligibility & execution
- Funding is inconsistent—lacks a clear plan.
- You can’t manage what you can’t measure.





# Contact Information

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