



Kodiak Island Borough School District
722 Mill Bay Road
(907) 481-6200

August 14, 2013

SENATE EDUCATION & EARLY DEVELOPMENT
Finance Subcommittee

Dear Chair Senator Dunleavy,

KIBSD budgets and spends funds using a "performance budget" approach. This is where our budgets are reviewed and built around allocating available funds with target needs based on student performance needs. Put simply, the money follows the needs. The purpose of this letter and presentation is to inform what education costs in the Kodiak Island Borough and why it costs. In the last ten years total expenditures have increased 88.7%.

During the last ten years the primary drivers of increased cost are:

- PERS/TERS 71.69% increase
- Health Insurance 158.98% increase
- Base Salaries increased 26.85% increase
- Top Salaries Increased 21.83% increase
- Total Salaries increased 41% increase (due to retention and longevity of senior staff on the salary schedule)
- Communications (technology, bandwidth) 343.96% increase
- Utilities 84.5% increase
- Inflation 27.31% increase

The student enrollment for KIBSD has decreased 5.4% in the last decade. Due to available funds, reductions in personnel are 13.41% (more than twice the reduction of student enrollment). Schools are a business run on people and the tools of communication. We need to buy people, bandwidth, and the technology to prepare students for their future. The buying power of the dollar has been shrinking and the cost of buying people and technology is not. People must be trained and retrained. Instructional materials and technology must be renewed and replaced. These are unavoidable expenses.

Schools are facing a steep cliff of underfunded or unfunded Federal and State mandates that require an increased number of people and training to meet these requirements. Superintendent McDonald and Chief Business Officer Pearce will be available to discuss details during a presentation to the Subcommittee.

Sincerely,

Stewart McDonald