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**Sent:** Fri, 17 Jan 2014 13:02:42 -0900  
**Subject:** Fairbanks School Officials Express Caution About KGB Lawsuit

Mayor and Assembly Members:

Attached is an article that appears in today's *Fairbanks Daily News-Miner*. The article carries the headline "Fairbanks district officials cautious about Ketchikan funding lawsuit," and focuses on concerns that Fairbanks school district officials have expressed about our lawsuit.

There are four points in the article that warrant comment here to foster a better understanding of the complex issue.

**Issue # 1: "[Superintendent] Lewis responded hesitantly to the news that Ketchikan had filed its lawsuit this week, saying that neither a win nor a loss would signal a definite change in funding to municipal districts like FNSBSD."**

Superintendent Lewis is correct; the FNSBSD will receive Basic Need funding regardless of whether the KGB wins or loses the lawsuit. As noted in the article, it is a question who will pay that Basic Need funding. As the reporter, Weston Morrow, states "it's possible the biggest change — to the district — would simply be who pays that portion of its bill." There is nothing "simple" about the prospective changes — especially not in terms of the fiscal impact to the affected municipalities and the State of Alaska.

This is not a new issue, we found those same views expressed by other school district officials and officials from our own district in prior years. It may not matter to school districts who pays the bill. However, it certainly should matter to the FNSB and to the FNSB taxpayers. Currently, the FNSB is paying \$26,940,883 (17.8%) of the FNSBSD's estimated FY 2014 Basic Need of \$151,471,514. If the lawsuit is successful, the FNSB will no longer have to pay that amount.

**Issue #2: "[Superintendent] Lewis expressed concern about how such a large cost increase to the state might further increase the legislature's frenetic move to curtail education spending."**

It is important to note that Superintendent Lewis expresses the belief that the legislature is already engaged in a "frenetic move to curtail education spending."

It is not difficult, therefore, to reach the conclusion — as I have expressed previously — that the most politically expedient means of cutting the State's cost of education funding without cutting education funding itself, is to increase the required local contribution of the 34 municipal governments that operate school districts.

**Issue #3: "The state is expected to pay \$1.4 billion in basic need to districts in 2014."**

This statement reflects a fundamental misunderstanding of education funding. It overstates the cost to the State of Alaska by 25.8 percent.

While FY 2014 Basic Need is projected to be \$1,405,643,065, it is also projected that the State will pay "only" \$1,116,945,938 of that, not the entire \$1.4 billion.

**Issue #4: "[Superintendent] Lewis also raised the concern that some municipalities might elect to not spend additional taxpayer money on education if the required local contribution were removed. For FNSB schools, that would mean a loss of \$22 million."**

The Fairbanks North Star Borough and all municipal governments that operate schools are strictly limited by State law (which is imposed to enforce federal disparity limits) as to how much supplemental aid municipalities can provide their respective districts - i.e., "the cap."

For FY 2014, the FNSB limit on supplemental funding is \$34,838,448. The FNSB budgeted \$21,419,117 in supplemental funding for its district in FY 2014, leaving a margin of \$13,419,331 in supplemental funding under the cap. Thus, by law, the FNSB cannot provide more than an additional \$13,419,331 to its district. If the FNSB saved \$26,940,883 through the elimination of the required local contribution, it would be prohibited by law from providing all of that savings to its district. However, the FNSB could much more easily provide the \$13,419,331 to fully fund its district "to the cap." The difference of \$13,521,552 (\$26,940,883 minus additional \$13,419,331) could be used for taxpayer relief or for other essential local services.

This circumstance doesn't mean that the School District would "lose" \$13,521,552 as might be suggested by the article. In this example, the District would gain \$13.4 million while taxpayers would gain a virtually equal share. The same circumstance would exist here in Ketchikan.

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