

*Legislative Fiscal Analyst's Overview of the Governor's FY2015 Request*

## Department of Education and Early Development

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
<b>FY14 Conference Committee (GF Only)</b>	<b>\$1,304,153.6</b>			
FY14 Fiscal Notes	2,080.9			
CarryForward	81.6			
Misc Adjustments	563.2			
Agency Transfers	93.7			
Vetoed	-			
<b>FY14 Management Plan (GF only)</b>	<b>\$1,306,973.0</b>	<b>\$2,819.4</b>	<b>0.2%</b>	
One-time Items Removed	(27,675.3)			
Agency Transfers	(4,791.4)			9
Temporary Increments (IncTs)	-			
FY15 Health Insurance & Working Reserve Reductions	(48.5)			5
FY15 Contractual Salary Increases	134.6			
<b>FY15 Adjusted Base Budget (GF only)</b>	<b>\$1,274,592.4</b>	<b>(\$32,380.6)</b>	<b>-2.5%</b>	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	9,434.8			
FY15 Governor's GF Increments/Decrements/Fund Changes	31,372.8			
<b>FY15 Governor's Agency Request (GF only)</b>	<b>\$1,315,400.0</b>	<b>\$40,807.6</b>	<b>3.2%</b>	
<b>FY15 Governor's Increments, Decrements, Fund Changes and Language</b>	<b>FY15 Adjusted Base Budget (GF Only)</b>	<b>FY15 Governor's Request (GF only)</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
<b>Allocation</b>			<b>\$40,807.6</b>	
Foundation Program	1,126,248.0	1,158,874.9	32,626.9	1,6
Pupil Transportation	75,466.0	76,773.9	1,307.9	6
Boarding Home Grants	3,749.5	4,710.8	961.3	2
Special Schools	3,691.7	3,693.3	1.6	
School Finance & Facilities	1,854.0	1,636.2	(217.8)	5
Student and School Achievement	12,389.3	12,011.2	(378.1)	5
Pre-Kindergarten Grants	-	2,000.0	2,000.0	7
Mt. Edgecumbe Boarding School	4,674.3	4,680.1	5.8	
Program Administration & Operations	4,000.0	5,500.0	1,500.0	3
Alaska Performance Scholarship Awards	8,000.0	11,000.0	3,000.0	3
<b>Non-General Fund Agency Summary</b>	<b>FY15 Adjusted Base Budget</b>	<b>FY15 Governor's Request</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
Other State Funds (all allocations)	26,387.6	26,887.6	500.0	4,8
Federal Funds (all allocations)	233,937.0	233,890.6	(46.4)	5
<b>Total Non-General Funds (all allocations)</b>	<b>\$260,324.6</b>	<b>\$260,778.2</b>	<b>\$453.6</b>	
<b>Position Changes (From FY14 Authorized to Gov)</b>	<b>367</b>	<b>363</b>	<b>(4)</b>	<b>5</b>
PFT	335	332	(3)	
PPT	14	14	-	
Temp	18	17	(1)	
<b>Governor's Capital Request</b>	<b>State Funds (GF + Other)</b>	<b>Federal Funds</b>	<b>Total</b>	<b>See Note:</b>
Planning and Research	-	-	-	
Maintenance and Repairs	1,700.0	-	1,700.0	
Remodel, Reconstruction and Upgrades	31,516.9	-	31,516.9	
New Construction and Land Acquisition	15,000.0	-	15,000.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	5,000.0	-	5,000.0	
<b>TOTAL CAPITAL</b>	<b>\$53,216.9</b>	<b>\$0.0</b>	<b>\$53,216.9</b>	

## **Department of Education and Early Development**

The Department of Education and Early Development (DEED) is committed to ensuring quality standards-based instruction to improve academic achievement for all students. The department is responsible for funding and regulating the state's K-12 schools as well as administering school debt reimbursement and grants for school construction/major maintenance. Core services include the following:

- distribute public school funding to school districts and other educational institutions;
- provide fiscal accountability, compliance and oversight;
- develop, implement and maintain school effectiveness programs; and
- maintain active partnerships for Pre-K through 20 and lifelong learning.

The department also houses commissions and boards (including the Professional Teaching Practices Commission, the Alaska State Council on the Arts and the Alaska Postsecondary Education Commission) and is responsible for Mt. Edgecumbe Boarding School, EED State Facilities Maintenance, and Alaska Library and Museums.

### **BUDGET SUMMARY**

The FY15 Department of Education and Early Development general fund operating budget submitted by the Governor is \$40.8 million above the FY15 Adjusted Base [\$36,803.5 Unrestricted General Funds (UGF) and \$4,004.1 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column of the preceding spreadsheet.

### **NEW PROGRAMS/PROGRAM EXPANSION**

- 1. K-12 Foundation Program – Additional State Aid to School Districts for Fixed Cost Increases: \$25 million UGF.** For FY15, the Governor requested a fourth year of funding outside the Foundation formula to provide additional resources for school districts to manage high energy costs and rising expenditures related to fixed costs. This will help school districts maintain services at the current level. As with previous appropriations (\$20 million in FY12 and \$25 million in both FY13 and FY14), the requested funding would be disbursed in the same manner as state Foundation formula aid to districts. The amount approximates a base student allocation (BSA) of \$100.
- 2. K-12 Support Boarding Home Grants – Addition of Four New Statewide Residential Programs: \$961.3 UGF.** Per AS 14.16.200, certain districts that have been approved to operate a statewide residential education program are eligible to receive reimbursement for the costs incurred by the district in operating that program. The initial FY07 legislation pertained to three programs -- the Galena City School District, Nenana City School District, and Lower Kuskokwim School District. Chapter 48, SLA 2013 (SB 47) amended this statute for the existing three programs and provided an approval process for the addition of new programs. The FY14 fiscal note added \$1.66 million in base funding for increased stipends. The Governor's FY15 request reflects an increment of \$961.3 for four new programs that have been approved by the department. New funding is for the monthly stipend reimbursements and for one round-trip ticket per student, at the least expensive means, beginning in FY15.

**3. Alaska Higher Education Investment Fund Increases—\$4.5 Million Total (DGF).**

- **Alaska Commission on Postsecondary Education / Program Administration & Operations: \$1.5 Million - Alaska Higher Education Investment Fund (DGF); and**
- **Alaska Performance Scholarship Awards: \$3.0 Million - Alaska Higher Education Investment Fund (DGF)**

Chapter 74, SLA 2012 (HB 104) established the Alaska Higher Education Investment Fund, the earnings of which will pay for Alaska Performance Scholarships (APS) and AlaskAdvantage Education Grants (AEG). In addition to establishing the fund, AS 37.14.750 delineates that one-third of the appropriation be allocated for AlaskAdvantage Education Grants and two-thirds of each year's appropriation be allocated for Alaska Performance Scholarship Awards. In FY14, those amounts were \$4 million and \$8 million, respectively. The Governor's FY15 request is based on \$11 million for scholarships and \$5.5 million for grants.

- **AlaskAdvantage Education Grant** recipients receive an average award of \$1,878. The awards are made relative to the pool of applicants specific to a given academic year. The applicant pool is ranked in order of greatest to least financial need and AlaskAdvantage Education Grants are awarded until available funds are exhausted or all eligible applicants are awarded, whichever occurs first.
- **Alaska Performance Scholarship Award** assumptions are based on an average award level of \$3,548 for each recipient. The total request is based on FY14 eligibility and utilization rates plus estimated participation levels, including an allowance for 2011 through 2013 graduates who elect to begin or continue their postsecondary training in Alaska in FY15.

**Legislative Fiscal Analyst Comment:** On September 1, 2012, the Alaska Higher Education Investment Fund was capitalized with a \$400 million deposit from receipts of the Alaska Housing Capital Corporation [Chapter 5, FSSLA 2011, (SB 46), Sec. 20, p. 159]. The Department of Revenue has invested Higher Education Investment Fund monies to achieve a long-term investment return objective of 6.25% and, to date, has met that objective. At current projected utilization rates, annual funding for scholarships and grants is expected to be less than 4% of the current fund balance, which at December 31, 2013 was approximately \$443 million.

**4. Alaska State Council on the Arts (ASCA) – Rasmuson Foundation Harper Arts Touring Program: \$160.0 Statutory Designated Program Receipts (Other).**

The Governor's request includes base funding to allow for increased management and administration of the Harper Arts Touring Program sponsored by the Rasmuson Foundation. A new program—the Youth Cultural Heritage program—is also being added to support strategies for youth that focus on cultural heritage within arts education. The program provides grants to eligible nonprofit organizations and school-based programs to directly engage youth in cultural heritage programs and events, and to provide exposure to cultural materials, traditional instruments, and tools associated with cultural celebration and practice. This program helps to provide access to high quality performing arts in communities throughout Alaska, including traveling arts and cultural exhibits. The Rasmuson Foundation has notified the Alaska State Council on the Arts of its interest in renewing ASCA's services for the Harper Arts Touring grant administration for the foreseeable future. No general fund match requirement and no new positions are needed with this added responsibility.

## FUNDING REDUCTIONS AND MAINTENANCE OF SERVICES

### 5. Unspecified Reductions in Expenditure Levels, Vacant Position Deletions, and Health Insurance and Working Reserve Rate Decreases.

The Governor's FY15 budget request contains several reductions common to all agencies. Reductions for the Department of Education and Early Development are shown below.

Description	Funding Amount	Fund Group
Unspecified Reductions in Expenditure Levels	(\$435.6)	UGF
Position Deletions	(\$164.4)	UGF
<ul style="list-style-type: none"> <li>2 PFT positions/ 1 Temp position</li> </ul>	(\$46.4)	Fed
Health Insurance and Working Reserve Rate Decreases	(\$46.8)	UGF
<ul style="list-style-type: none"> <li>Health Insurance decrease from \$1,389 to \$1,371 per month (a decrease of \$18/month)</li> </ul>	(\$1.7)	DGF
	(\$64.7)	Other
<ul style="list-style-type: none"> <li>Working Reserve Rate (i.e., leave cash-in, terminal leave and unemployment insurance) decrease from 3.94% to 3.56%</li> </ul>	(\$21.1)	Fed

### 6. K-12 Education Formula Funding.

Because education funding changes are likely to come through legislation rather than subcommittee action, the discussion here is brief and general. The \$1,123,874.9 UGF for the Foundation Program and \$76,773.9 UGF for Pupil Transportation reflect the statutory formula. Total funding for K-12 education formula programs is increasing by \$8.9 million. The increase includes legislative changes passed in Chapter 69, SLA 2013 (SB 57) which adjusts the pupil transportation per student amount available to a school district under AS 14.09.010(a) annually on October 1 in fiscal years 2014, 2015, and 2016 according to changes in the Consumer Price Index.

Beginning in FY09, the legislature adopted a multi-year education plan presented by an Education Task Force. The recommendations [adopted in Chapter 9, SLA 2008 (HB 273)]:

- increased the Base Student Allocation (BSA) by \$100/student/year for FY09, FY10, and FY11;
- increased the geographic differential paid to school districts with high operating costs; and
- increased the amount paid to school districts for approximately 2,400 intensive-needs students who experience health conditions and disabilities requiring daily monitoring and assistance with their school day activities.

The Governor's request reflects the same Base Student Allocation for FY15 (\$5,680) that applied in FY11 through FY14.

Section 26(e) of the Governor's operating budget bill appropriates \$1.2 billion from the general fund to the Public Education Fund (PEF). The appropriation to the PEF is to fund FY16 K-12 Foundation Program and Pupil Transportation costs.

**Legislative Fiscal Analyst Comment:** Under the concept of forward funding, the amount appropriated in a given year is the amount projected to be needed in the following year. A

continuation of the concept of forward funding requires an appropriation of projected FY16 costs to the Public Education Fund while withdrawing FY15 costs from the fund.

7. **Pre-Kindergarten Grants – Restore Pre-Kindergarten Program to Current Level of Service: \$2 million UGF.** This request restores the Pre-Kindergarten grant program for FY15 to the \$2 million one-time funding level of FY14. This program continues to serve eight school districts and approximately 350 students in 15 communities. According to the department, this preschool program provides a voluntary, comprehensive, half-day for four-year olds and early five-year olds based on the standards set forth in the Alaska Early Learning Guidelines. Participating school districts are funded through a competitive grant process. The FY15 program will continue to focus on connections across classroom, school, and communities systems. Eventually, it is anticipated that this project will provide the framework and guidance for the creation of local programs in a variety of urban, rural, and remote sites.
8. **Student and School Achievement – Mental Health Trust Authority Grant for the Alaska Autism Resource Center: \$100.0 MHTAAR (Other).** The Alaska Autism Resource Center (AARC) provides information, resources, and training about autism to individuals in rural, remote, and urban areas. The AARC supports all Alaskans, birth through life, whether directly affected by autism, living with someone with autism, community members (first responders, service providers, caregivers, medical providers), and others wanting to learn more about autism. The AARC provides information about available services, referral information, newly diagnosed support, training, and consultation. MHTAAR funding is used to continue building partnerships with agencies across the State, to develop new training and coursework, to assist families in connecting with each other, and to work toward building relationships with more tribal entities.
9. **Alaska Challenge Youth Academy: Agency Transfer-Out (\$4,791.4) UGF.** Chapter 72, SLA 2013 (HB 180) established the Alaska Military Youth Academy (AMYA) within the Department of Military and Veterans' Affairs as part of the National Guard Youth Program established under 32 U.S.C. 509. It also repealed AS 14.30.740 [the funding formula for the Alaska Challenge Youth Academy (ACYA) that was in the Department of Education and Early Development (DEED)]. In FY15, instead of appropriating funding to DEED to be transferred to AMYA using a statutory funding formula, the funding is being directly appropriated to AMYA. All general funds within the department's ACYA allocation are being transferred to the Department of Military and Veterans' Affairs Alaska Military Youth Academy allocation.

**Legislative Fiscal Analyst Comment:** In future budgets, AMYA will be required to request changes to the level of funding through increments and decrements in the budget process, instead of receiving changes automatically through the funding formula.

## **ORGANIZATIONAL CHANGES**

Other than the transfer out of the Alaska Challenge Youth Academy which eliminates that allocation in the Department of Education and Early Development, there are no significant organizational or structural changes requested.

## **CAPITAL REQUEST**

The Department of Education and Early Development's FY15 capital budget includes \$53.2 million in general funds for the following projects:

- **State Library, Archives and Museum Facility Construction Funding: \$15 million UGF.** This request is for partial funding for the remaining construction phase of the new State Library,



Archives and Museum combined facility. Funding will be used for construction completion, exhibits, furnishings, and landscaping. A total of \$102.95 million has been appropriated in past years. It is anticipated that occupancy and move-in will begin January 2016;

- **Kwethluk K-12 Replacement School – Kasayulie: \$31.5 million REAA Fund (DGF).** Kwethluk is the number one project on the current School Construction Grant Fund list, for the design and construction of a K-12 replacement school. The 34,576 square feet of facilities, built from 1956-1986, plus two portables, built in 1998 and 2002, will be replaced. In accordance with the Consent Decree and Settlement Agreement for Kasayulie v. State, Kwethluk K-12 Replacement was designated to be included in the FY15 budget request. In FY14, \$25 million was also appropriated from the REAA Fund which allowed for the design, planning and foundation work to begin on this project;
- **Alaska Digital Teaching Initiative Three-Year Demonstration Project: \$5 million UGF.** This request is designed as a state demonstration project to build on Alaska's strengths in digital teaching. Supplementary funding for ten school districts, selected over the three-year period, will emphasize collaboration and expansion of technology-based, interactive courses. A focus on delivering science, technology, engineering, and math (STEM) courses at the high school and middle school levels will be the primary emphasis for the demonstration project with the ultimate goal of increasing the statewide high school graduation rate to 90% by 2020; and

**Legislative Fiscal Analyst Comment:** This project proposes operating grants to school districts similar to the Pre-Kindergarten grant process. Rather than being proposed as a capital project, this funding should be changed to a multi-year increment in the language section of the operating budget bill.

- **Mt. Edgecumbe High School (MEHS) Deferred Maintenance: \$1.7 million UGF.** Deferred maintenance is an ongoing necessity at MEHS, which was constructed in 1940 as a boarding school and includes 13 buildings covering 100,000 square feet. Projects will be addressed according to the Capital Improvement Projects (CIP) Master Plan, or as MEHS facility management identifies health and safety priorities. The remaining deferred maintenance projects on the current MEHS CIP Master Plan are estimated to cost \$22.5 million, which is approximately \$4.5 million each year from FY15 through FY20, not including cost escalation factors that are experienced as a result of inflation.

## **SCHOOL DEBT REIMBURSEMENT**

The school debt reimbursement program is shown in a separate section of the FY15 Overview book that addresses debt obligations.