

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE EDUCATION STANDING COMMITTEE
HOUSE EDUCATION & EARLY DEVELOPMENT FINANCE SUBCOMMITTEE**

February 10, 2012

8:01 a.m.

MEMBERS PRESENT

HOUSE EDUCATION STANDING COMMITTEE

Representative Alan Dick, Chair
Representative Lance Pruitt, Vice Chair
Representative Eric Feige
Representative Paul Seaton
Representative Peggy Wilson
Representative Sharon Cissna
Representative Scott Kawasaki

HOUSE EDUCATION & EARLY DEVELOPMENT FINANCE SUBCOMMITTEE

Representative Tammy Wilson, Chair
Representative Alan Dick
Representative Cathy Munoz
Representative Paul Seaton
Representative Peggy Wilson
Representative Pete Petersen
Representative Sharon Cissna

MEMBERS ABSENT

HOUSE EDUCATION STANDING COMMITTEE

All members present

HOUSE EDUCATION & EARLY DEVELOPMENT FINANCE SUBCOMMITTEE

All members present

COMMITTEE CALENDAR

PRESENTATION: EDUCATION FUNDING FROM SCHOOL DISTRICTS'
PERSPECTIVES

HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

LUKE FULP, Chief Financial Officer
Kodiak Island School District (KIBSD)
Kodiak, Alaska

POSITION STATEMENT: Presented the funding perspectives from KIBSD.

LAURA HYLTON, Business Manager
Lake & Peninsula Borough School District (LPSD)
King Salmon, Alaska

POSITION STATEMENT: Presented the funding perspectives from LPSD.

DAVID ARP, Business Manager
Sitka School District
Sitka, Alaska

POSITION STATEMENT: Presented the funding perspectives from Sitka School District.

MIKE FISHER, Chief Financial Officer
Fairbanks North Star Borough School District
Fairbanks, Alaska

POSITION STATEMENT: Presented the funding perspectives from the Fairbanks North Star Borough School District.

ACTION NARRATIVE

[8:01:45 AM](#)

CHAIR ALAN DICK called the House Education Standing Committee meeting to order at 8:01 a.m. Representatives Dick, Seaton, and Feige were present at the call to order, and present from the House Education & Early Development Finance Subcommittee were T. Wilson, Munoz, Dick, and Seaton. Representatives Kawasaki, P. Wilson, Pruitt, Cissna, and Peterson arrived as the meeting was in progress.

Education Funding from School Districts' Perspectives

[8:02:24 AM](#)

CHAIR DICK announced that the only order of business would be a presentation and discussion regarding education funding from school districts' perspectives.

8:05:04 AM

LUKE FULP, Chief Financial Officer, Kodiak Island School District (KIBSD), presented an overview of the school district which includes: approximately 2,500 students, 420 employees, 14 brick and mortar schools, one correspondence program, with services in nine communities. Six of the largest schools are in the Kodiak City vicinity, and eight are rural. He proceeded with the budget assumptions for fiscal year (FY) 13, which have four focal points regarding revenue and four regarding expense. He said revenue is expected to reflect the following: student count reduction of 7; city borough funding reduction, based on recent notification; flat BSA (base student allowance) remaining at \$5,680 per; and no increase in pupil transportation funding. He pointed out that transportation is a unique fund, in Kodiak, and in FY 13 \$500,000 will be transferred from the operating budget to cover this account. The expense side of the budget indicates the following: no salary schedule increases outside of the contractually negotiated increments; 7.2 percent estimated increase to health insurance; utilities including augmented diesel heat costs; a 5 percent estimated increase to property/general liability insurance. Outside of these estimates he said the known factors are that the governor's budget includes no new increases for K-12 education. The final HB 273 area cost differential payment will be received for \$476,950, but the 2012, single energy funding payment under HB 108, of \$425,298, will represent an offset. The other known is that salary costs will increase as a result of the salary schedule increments and existing contractual agreements. The unknowns include: whether or not the assumptions will hold true; the outcome of collective bargaining, which begins in the coming weeks; and the actual level of funding from Kodiak Island Borough (KIB) and the State of Alaska. He provided a chart of the revenue versus expense operating budget projected totals for a comparison of on-behalf and without on-behalf receipts. On-behalf is the PERS/TRS (Public Employees' Retirement System/Teachers' Retirement System) relief that districts are currently receiving.

8:12:43 AM

MR. FULP presented a list of factors that contribute to the projected deficit, which are: loss of one-time state aid, \$452-

298; reduced local funding, \$348,500; elimination of ARRA (American Recovery & Reinvestment Act of 2009) Education Jobs bill funding, used to continue positions that might have been cut in FY 12, \$346,488; use of fund balance (reserves) last year, a one-time draw, \$891,419; salary increases, \$316,979; health insurance increase of 7.2 percent, \$366,928; increase in transfer to pupil transportation, \$305,938; increase in Worker's Compensation, \$57,022; increase for in-kind services (property, general liability), \$38,500; utility services, \$82,304; and other \$309,146. Using a pie chart, he indicated percentages of state, local, federal, and other indirect income shares that contribute funding to the district; 70.28, 21.70, 4.55, and 3.42 respectively. The indirect funding includes special revenue funds, facility use fees, and student fees. He continued with pie charts to illustrate percentage shares of the four largest expense areas, which are: certified salaries and non-certified salaries, 32 and 12 respectively; employee benefits, 37; and utilities, 11. He noted percentages of the remaining expense areas as: professional/technical services 1/2; travel 1; supplies 3; transfer to other funds 2; and equipment less than 1; and other expenses less than 1.

[8:17:18 AM](#)

MR. FULP referred to the committee handout, page 6, to review the expense breakout specific to employee benefits. He said approximately \$6 million is for insurance, and over \$10 million for PERS/TRS, out of a total employee benefits cost of \$18 million. The expense history was also reviewed using a bar graph to highlight the progressive cost of benefits and utilities from FY 09 through the projections for FY 13. It is important to incorporate the historical aspects of the budget in order to project future needs, he said. The Anchorage CPI-U (Consumer Price Index for All Urban Consumers) [as established by the U.S. Department of Labor] effects the KISD budget, he said, and directed attention to the charted increase spanning the years 1976-2009, as well as a chart titled "Selected Components of Anchorage CPI, 1982-2010. The district bases the student transportation contract on the Anchorage CPI-U, which increases each year by .75 percent of the CPI, and the major contributing factors to the CPI are also the factors that comprise the district's deficit, as previously discussed. Two line charts were presented titled "Major Benefits" and "Major Benefits Without On-Behalf," followed by a bar graph titled "Historical Utilities Chart" to highlight the steep rises in these cost areas. He further underscored the increased cost for heating the buildings with a line graph titled "Heating Fuel

History," spanning the period from FY 03 through the projected FY 13 budget. The price of heating fuel has risen by 76 percent. The benefits and utilities are being funded by directing money away from the classrooms, he finished.

[8:24:13 AM](#)

REPRESENTATIVE FEIGE asked why KIB is reducing school fund contributions.

MR. FULP said the school budget is based on the preliminary projections received from the city, which indicate no increase to the schools.

REPRESENTATIVE FEIGE inquired whether the district is considering reduction of insurance costs through risk management strategies, or other means.

MR. FULP answered that the facilities unit ensures that the pathways are cleared, sanded, and safe, to minimize slips, trips, and falls, which represent the largest exposure for Workmen's Compensation claims. Health insurance cost savings may be possible via plan design changes; a discussion anticipated in the up-coming collective bargaining negotiations. However, he opined, any mitigation will result in minimal effects, due to the steep rise in premium costs.

REPRESENTATIVE FEIGE pointed out that collective bargaining is negotiated on a three year cycle, versus the annual cycle of the budget, and asked how this lack of alignment allows employee contracts to be entered into when there can be no certainty for them to be fulfilled.

MR. FULP said that from a finance perspective, the current pay-as-you-go system does not allow strategic forward planning, even on a yearly basis. The district is provided no budgetary certainty from the state or city appropriation methods, which makes it difficult all the way around.

[8:29:02 AM](#)

REPRESENTATIVE CISSNA acknowledged the forward funding problems, and asked for further clarity regarding the financial impact of the state contributions.

MR. FULP said the state appropriations comprise 70 percent of the district's funding. The state assistance for the TRS/PERS results in a net of zero.

[8:31:26 AM](#)

REPRESENTATIVE T. WILSON noted that the district has nine schools that are below capacity, and asked for capacity numbers and whether each school has a principal.

MR. FULP responded that each school was designed for approximately 100 students, and reported that 1.5 administrators over-see eight schools. One full-time itinerant principal supports the schools from an office based in the city of Kodiak, and flies to each village location on a regular basis. Oak Harbor is the largest village school, and does have a half-time principal. The district has organized a staffing formula to ensure that when a school population dips below a certain point, staff is cut in order to maintain a balanced budget.

[8:33:07 AM](#)

REPRESENTATIVE SEATON returned to the PERS/TRS history and the on-behalf information to point out that if the state had not capped the costs to the district at 22 percent and assumed the remainder, KIBSD would be faced with a cost of \$10 million.

MR. FULP said the Department of Administration sets the actuarial rate, and in years prior to 2008 a rate was established that did not reflect the need appropriately. Thus, today there is a need to catch-up with the benefit, and the state is funding the on-behalf difference between the employer rate and the actuarial rate. Without the state's payment, the districts would be liable for the entire amount. The on-behalf funding helps the district keep school programs intact.

[8:35:27 AM](#)

LAURA HYLTON, Business Manager, Lake & Peninsula Borough School District (LPSD), began with a demographic of the 32,000 square mile area. The district has 13 schools in 14 communities, and a correspondence program. The communities are small and remote with school year access limited to air service at 13 of the locations; one community has year round barge service. She said that enrollment peaked in 1999, at approximately 550, and has since continually declined to the current 325 students, resulting in the closure of two schools. The buildings were

built for a capacity of 75, but some have as few as 10 students, which keeps the building maintenance costs high throughout the district. She reported that 10 years ago, LPSD adopted a standards based system, and the benchmarks attained, in math, reading and writing, indicate significant improvement. Other factors that contribute to student success include: individual education plans (IEPs) as part of the standards based system; recruitment and retention of quality teachers - in 2010 LPSD implemented a longevity bonus for teachers; targeted professional development and research-based curriculum; early literacy programs distribute age appropriate books to children from birth-three years of age; literacy coaches providing classroom instructional support; and certified tutors providing intensive individual instruction for students. She reviewed the revenue assumptions, which are: no base student allocation (BSA) increase; federal impact aid program reduction by 8-10 percent; increase in borough funding due to increase in property valuation; ISER (Institute of Social and Economic Research) increase from 1.941 to 1.994; hold harmless payment for Pedro Bay School closure reduced by 5 percent; reduction in federal grant funding and other grants ending; and E-Rate subsidies decreasing from 86 to 81 percent. She moved onto the revenue sources, listed as: borough appropriation, local revenue, state foundation formula, one-time energy funding, and federal impact aid and E-Rate. The anticipated reductions are: \$356,704 in general funds and \$873,925 in federal grants, totaling an anticipated overall FY 13 program shortfall of \$844,387. She directed attention to the committee handout, page 5, and the document titled "The Lake and Peninsula School District Expenditures by Function," to point out that energy costs have skyrocketed. Options are being explored, and hydro power is used when available, along with the waste heat from the community boilers, but she opined, it remains difficult to keep pace with the cost increases. The food service program is also expensive but has proven to be key to student achievement levels. The contributing factors to the overall budget shortfall are: expected reductions in impact aid, no anticipated increase in the BSA, continued increases in utility and energy costs, the expected loss of the one-time FY 12 energy funding, expiring federal grants, and increases in general transportation and postal expenses for transporting staff and shipping educational material due to the districts reliance on airplane service. ' : outsourcing the food service; reduce the number of principals by 1 full-time employee (FTE), from 5 to 4; reduce the number of teachers by 5.26 FTE, from 48 to 43.74; reduce reading coach positions by 1.5 FTE, from 2.64 to .5; eliminate district counselors, 2 FTE; reduce supplies and materials by

\$100,000; reduce travel of district itinerant staff; and reduce professional development travel. Despite reduced usage, the increasing costs of utilities and energy is burdensome, she said, and noted that fuel costs have spiked to \$8.00 per gallon. The district continues to work on means for minimizing expenses; however, rising inflationary costs require cutting classroom staff and reducing educational programs, which will result in fewer opportunities for students. Finally, she stressed that LPSD strives to operate as effectively as possible and absorb budget reductions in non-instructional areas. With anticipated reductions necessary for FY 13, the core of the instructional program will be impacted.

[8:46:55 AM](#)

REPRESENTATIVE P. WILSON asked how LPSD applied the federal American Recovery and Reinvestment Act of 2009 (ARRA) funds.

MS. HYLTON said the ARRA money was focused on one-time expenses, such as purchase of curriculum, replacement and updates of technology items, as well as targeted tutoring opportunities and in 2011-12 it provided part the salary for a counselor.

REPRESENTATIVE P. WILSON noted that the required budget cuts will have a major effect on the students, and she asked whether contract negotiations will include discussion of salary freezes to maintain positions.

MS. HYLTON answered that the principal contract was recently completed and the teacher contracts will be negotiated in the spring of 2013. The contracts call for an annual two percent increase. One saving has been in the area of employee health insurance benefits, and the January 2012 renewal cost was maintained at 2011 rates. The coming teacher negotiations will include health care coverage, and she said the costs may change.

REPRESENTATIVE P. WILSON asked what the incremental step increase is for teachers.

MS. HYLTON responded that it is 2 percent on the salary scale.

[8:51:29 AM](#)

REPRESENTATIVE CISSNA asked if school space can be rented out when enrollment is low; such as to a clinic. Also, she queried if the district has resources which could be leveraged to create revenue.

MS. HYLTON said that schools are not currently renting out space, as the communities being served are small and cannot support full-time services; however, itinerant health care providers are allowed to conduct clinics in the facilities. Teacher housing is leased on a long-term basis for community work projects when housing is needed for workers. She described economic developments that have doubled the borough valuation between FY 10-11.

REPRESENTATIVE CISSNA inquired about commercial fishing in the area.

MS. HYLTON replied that the borough does levy fish tax to some of the communities.

[8:57:06 AM](#)

REPRESENTATIVE FEIGE asked where the hydro plant is located.

MS. HYLTON said it is in Iliamna.

REPRESENTATIVE FEIGE referred to the bypass mail movement being proposed in Congress, and asked what impact it might have on the district.

MS. HYLTON stressed that the effect would be immense, and explained how the bypass mail system is utilized, which includes: all food service operations, school supplies, and janitorial goods.

[8:58:29 AM](#)

REPRESENTATIVE MUNOZ directed attention to the committee handout titled "Presentation to House Education Committee and House Finance Subcommittee for Education, February 10, 2012" page 4, to note the anticipated FY 13 shortfall of \$844,387, and asked if that includes the planned cost savings that are projected.

MS. HYLTON said, yes.

REPRESENTATIVE MUNOZ inquired what the BSA level would need to be raised to in order to curb the shortfall, and what the average is for base and mid-career teacher salaries.

MS. HYLTON answered that the BSA would need to be increased by \$320.00 per student per year. Further, the base teacher salary

is \$42,000, costing the district about \$75,000, and a mid-range teacher makes up to \$60,000, at a district cost of about \$100,000.

REPRESENTATIVE MUNOZ turned to page 5, of the handout, and asked what the \$791,000 for transfers represents, and, also whether board members are paid.

MS. HYLTON said the transfer amount is money that goes to other funds, such as food service. Further, she said the school board members receive a stipend of \$100.00 for attending a board meeting, as well as \$90.00 per diem.

[9:01:01 AM](#)

REPRESENTATIVE T. WILSON asked her to provide the committee with the cost for operating each of the district schools. Further, she reminded the committee that the BSA varies between districts. She asked what precise benefit the \$320.00 would represent to LPSD.

MS. HYLTON said she would forward the details to the committee.

[9:02:29 AM](#)

DAVID ARP, Business Manager, Sitka School District, began with the demographics of the Sitka area. All of the schools are located on the island and within the City and Borough of Sitka. The major industries are commercial fishing, tourism, health care, education, and government agencies. Access is via the Alaska State Ferry system or through jet and small airplane services. The population has remained at a steady 8,800 since the year 2000, with 1,306 students. The district employs approximately 200 full-time staff in five school locations, and supports one home school program based out of one of the elementary schools. He said that all of the schools are centrally located, which has managerial advantages. Mr. Arp addressed the question regarding renting school facilities for profit, and suggested that because of the municipal dollars provided to the district, it would seem incongruent to charge the local citizens a use rental fee. The swimming pool does have a use fee attached, but the revenues collected are not enough to cover the heating bill, or other maintenance costs. The district does pursue revenue opportunities and attention is currently being brought to the educational tax credit. The district expects a decline in enrollment of 11 students, including 3 intensive need individuals, but an increase in the

ISER percentage allowance, from 17.5 to 19 will help offset the adjusted enrollment. Another decrease is the one-time energy assistance, provided through HB 108, which boosted the FY 12 budget. He said the district anticipates that the city will continue funding education at the same level as 2012. Finally, the largest loss to the district budget is the loss of the \$500,000 from the timber receipts provided under the Secure Rural Schools and Community Self-Determination Act [of 2000]. The bottom line indicates a total revenue decrease in FY 13 of approximately \$850,000. Directing attention to the committee handout, titled "Sitka School District FY2013 Preliminary Operating Budget," page 3, he indicated the pie chart illustrating the FY 13 revenues and approximated the funding in percentages as: state 70, local 30, and federal .17. He moved on to the projected employee costs, which comprise 81 percent of expenses, and said education is a personnel driven industry. The teacher contracts will be negotiated next winter. Referring to Representative Wilson's question regarding elimination of increment and step increases, he said it is important to maintain a competitive wage system, but the increases have not exceeded three percent in the last several years. Reviewing the employee expense chart, page three of the handout, he indicated that the benefits cost have been kept in check by partnering with the city for health care; however, one expensive medevac flight per year can crush the insurance rate. The classified staff has undergone a 22 percent increase, which is due to the intensive need program, he explained, and indicated how the enrollment count has risen in 10 years from 15 to 37. The total increase in employee costs is expected to be about \$324,000, or 2.2 percent, over the FY 12 budget, and he provided a pie chart to illustrate the cost distribution in percentages: teachers 50, benefits 27, classified employees 12, administration 9, and substitutes 2.

[9:11:02 AM](#)

MR. ARP reviewed the non-employee expenses, totaling approximately \$3.5 million. Utility costs dominate taking half of the budgeted funds. Although hydroelectric is the primary energy source, diesel is once again going to be used to make-up for the deficit in the burgeoning power needs of the community. The ARRA Education Jobs funding was used entirely for technology upgrades and purchases. The board worked with the district to create a five year technology plan, which then requires maintenance, as indicated by the two line items in the projection chart totaling about \$500,000. He reported that the bottom line indicates a drop in non-employee costs of

approximately \$42,000, or 1.2 percent. Reviewing the pie chart illustration, the non-employee percentages are: maintenance 47, school/program 19, district administration 13, technology 12, contract 4, activities 3, transfers 1, and school board 1. He reviewed the final pie chart illustrating total expenditures in percentages, which are: salaries and benefits 81, maintenance 9, other 4, program 3, and district administration 3. The school activities program is funded for \$600,000, but the budget contribution is only \$100,000, as \$500,000 will be deposited from private fund raising efforts within the community. Referring to a previous committee question, he said the board members are volunteers and receive no compensation. In summary, he said that the bottom line budget figure shows a \$1.29 million deficit. The district maintains a reserve fund, with a current estimated balance of \$1.2 million. To soften the blow of the expected deficit, a \$500,000 draw down is anticipated in FY 13, which equates to maintaining 14 teaching positions. He explained that the district's process will be to submit the projected FY 13 budget to the community and stakeholders for review, and receive feedback prior to making final cuts. Turning to the final chart, page 6, he reviewed the differences in the FY 12 actual, versus the FY 13 projected budgets. Finally, he recalled Representative Cissna's question regarding PERS/TRS on behalf funding and said it was used to pay the unfunded aspect, and indicated that the district assumes payment to the level of 22 percent.

[9:17:29 AM](#)

REPRESENTATIVE CISSNA noted the high cost of utilities in every community and suggested how it can negatively impact students when they arrive at school from a home that may not be able to afford heat or adequate food. She referred to the expenditures for the upgraded communication technology and asked how it has helped in uniting the community and expanding learning opportunities for students. Also, does the telecommunication network provide a benefit between Sitka and other districts; possibly lowering travel costs.

MR. ARP described the technological upgrades and the support costs involved, including Skype capabilities which have proven especially helpful for interviewing employee candidates. Additionally, he reported that Google Earth has allowed the students to walk through Europe, which is a great experience compared to the traditional canvas map. Finally, he stressed that nothing replaces face-to-face communication, but using the technology and reducing travel costs has been helpful.

[9:22:10 AM](#)

REPRESENTATIVE P. WILSON inquired whether the property values have risen, and whether the changes in the mill rate, as connected to the property taxes, has any influence on the school budget.

MR. ARP responded that the school foundation formula is affected by property value increases, and said that the City of Sitka funds the schools above the required amount, but not to the cap. The process is negotiated each year with the city, and many factors influence the outcome including: property evaluations, sales tax, and revenues. He reported that the city is experiencing declining revenues, primarily due to a decrease in the tourism industry.

[9:23:57 AM](#)

REPRESENTATIVE PRUITT questioned why the volunteer school board budget nearly doubled in one year, from \$37,000 in 2011 to \$57,000 in 2012.

MR. ARP assured the committee that it is a volunteer school board; however media costs for promotional materials and hiring advertisements are also accounted for under this heading. Additionally, he said that the board members recently received new computer devices, and noted that all travel costs are paid, save per diem. He pointed out that the board is budgeted for \$10,000 less in FY 2013.

[9:25:26 AM](#)

REPRESENTATIVE T. WILSON asked about the average class size, estimating it to be between 6 and 14, and acknowledged that intensive special needs students would skew the number.

MR. ARP estimated it to be about an 11:1 ratio.

REPRESENTATIVE T. WILSON recalled that the budget deficit represents 14 teacher positions and queried what the ratio would become if staff is cut and classes reconfigured.

MR. ARP said information would be provided to the committee.

REPRESENTATIVE P. WILSON interjected a reminder to committee members that Sitka has a high number of intensive needs students.

9:28:05 AM

MIKE FISHER, Chief Financial Officer, Fairbanks North Star Borough School District, described the district as follows: encompasses 7,361 square miles, serves a population of 98,660, supporting an enrollment of 14,300 students with 35 schools. The schools range in size from an elementary with 88, to a high school of about 1,200 students. The dropout rate has been on a steady decline for several years, decreasing from 7.3 percent in 2005, to 3.9 percent in 2011; for students less than 16 years of age it is .6 percent. The four year cumulative graduation rate has increased from 54.4 percent, in 2007, to 71.1 percent for 2011. He said students are encouraged and supported to complete high school, and as such the five year cumulative graduation rate for 2011 is 75.5 percent. He continued to report 2011 percentages, and other statistics that are not directly attached to a monetary value, which included: 92.8, the average daily attendance (ADA) for all students; 90.0, the ADA rate for the Class of 2011 graduating seniors; 2.9, the average cumulative GPA for the Class of 2011 graduating seniors; 80.0, the Class of 2011 seniors who rated the overall quality of their education at their school as good or very good; 90.0, parents satisfied with the quality of their elementary child's education in language arts; 86.0, parents satisfied with the quality of their elementary child's education in mathematics; 54.0, teachers who have at least a master's degree; and 25.0, teachers who have achieved National Board Certification. He reported that district students have scored at or above the national average in reading, language, math, science, and social studies on the Terra-Nova national standardized tests, and have yielded higher average results on the Scholastic Achievement Test (SAT) and American College Testing (ACT) exams than students in the remainder of the state and in other parts of the nation. The successes are attributable to a number of innovative programs and school choices, which include: Lathrop High Engineering Academy, Hutchison High Construction Academy, James T. Hutchison Career Technical High School (partner with UAF), Barnette K-8 Magnet School, Chinook Montessori Charter School (K-8), Effie Kokrine Early College Charter School (9-12), Star of the North Secondary Charter School (7-12, credit recovery), Watershed Charter School (K-8, place based), Building Educational Success Together (BEST) correspondence program, and the Students Making a Right Turn (SMART) program.

9:32:46 AM

MR. FISHER said that success requires financial support from many sources and the 2012-2013 proposed budget of \$216,947,820, includes: \$180,114,020 operating funds; \$16,409,850 local, state, and federal grants; \$12,055,660 transportation; \$6,025,520 nutrition services; and

\$2,342,772 school activity fund raising. The PERS/TRS on behalf figure was consciously not included in the visual pie chart of the funding sources, but does represent \$35 million. Continued educational success requires funding to be increased and sustained. However, the 2012-13 proposed budget is based on the expected flat funding, which will not allow for the same experiences as have occurred, and similar success levels may not be realized. The current operating fund budget is \$180.9 million, and to maintain the same level of services in 2013, the projected need is for \$192.4 million; an increase of \$11.5 million. The projected revenue for 2013 is \$180.1 million, leaving a \$12.3 projected shortfall based on the following assumptions: flat local funding, no increase to the BSA, loss of the one-time state energy funding, flat federal funding, minimal enrollment increases, and a final adjustment to the DCF (district cost factor). He accounted for the increase in the maintenance level budget, as follows: salary, wage, health, and other benefit cost increases of \$4.0 million; inflationary pressures on energy and utilities, supplies, materials, maintenance, and other service contracts of \$0.8 million; absorbing the cost for 22 jobs bill teachers at \$2.0 million; adding over 23 special education specialists to meet mandated level of services for \$2.3 million; increased subsidy to the pupil transportation fund of \$1.0; purchase of social studies and career technical curriculum materials for \$1.4 million; equaling a total 2012-13 maintenance level budget increase of \$11.5 million. He pointed out that the care was taken in implementing the jobs bill funding, in order to not create programs that would be unsustainable. The 2012 jobs bill indicated that it should be used to sustain positions that might otherwise be cut, and 22 existing positions were maintained, essentially deferring cuts for one year. Further, he elaborated that Fairbanks is a hub for intensive needs students, and mandated services must be met. A reserve fund will be zeroed out to offset the student transportation costs. Also, the curriculum is reviewed and replaced on a six year rotation cycle, but was deferred from the current year, he explained.

[9:42:09 AM](#)

MR. FISHER compared the funding source totals of the 2011-12 and the projected 2012-13 budgets to arrive at total reduced revenue projections of \$0.8 million, and cost increase totals of \$11.5 million, for a bottom-line shortfall of \$12.3. He said that the district does not expect the state or any one funding body to make the shortfall go away, and program adjustments and cuts will be made to attain a sustainable level of service. The cuts will impact all areas including the classrooms, and he stressed, the need for a reasonable and permanent increase to state funding in order continue the educational successes gained over the past few years. Continued flat funding of the BSA or one-time funding from the state will likely result in larger class sizes, place programs in jeopardy, defer problems to succeeding years, and do little to help address the \$12.3 million shortfall, he opined. Actions necessary to accommodate the

\$12.3 million deficit could include the following: eliminate 29 district-wide positions including assistant superintendents, management, maintenance staff, support staff, teachers, and reading and math tutors, saving \$3.5 million; eliminate 28 elementary school positions, including a principal and 27 teaching positions and increase kindergarten class size by one student, grades 1-3 by one and one half students, and grades 4-6 by two students, saving \$6.5 million; eliminate 21.8 middle school and Jr./Sr. high school positions, including an assistant principal and 20.8 teaching positions, as well as eliminate middle school team collaboration time and increase grade 7-8 class size by one and one half students, and Jr./Sr. high classes by two students, saving \$2.2; eliminate 16.2 senior high school positions, including 3 counselors, 3 library assistants, and 10.2 teaching positions, as well as increase grades 9-12 class sizes by two students, saving \$1.4 million; across the board non-personnel cuts in most programs and services, including legal and risk support, recruiting travel, advertising, operation and maintenance supplies and services, library support, professional development, instructional technology, school activities and supplies, and lobbying services, saving \$2.1 million. He pointed out that these proposed cuts may undergo some changes by the citizens review committee. In closing he said that, "Continued flat funding of the BSA will impact classrooms, programs, and the educational experience that we can provide and the results we strive to achieve."

[9:49:06 AM](#)

REPRESENTATIVE FEIGE asked whether altering the timing of the annual student count, now conducted in October, and the timeframe for applying it to the budget, would have a positive effect on the planning process.

MR. FISHER responded that it could make a big difference depending on specific situations and how the mechanism might work.

REPRESENTATIVE FEIGE solicited the district's comments on HB 313.

[9:51:27 AM](#)

REPRESENTATIVE CISSNA asked whether the district is increasing or decreasing technical trade skill training, such as shop class. Also, she queried whether rural student populations have increased in the Fairbanks area.

MR. FISHER answered that Hutchison is a district wide high school dedicated to vocational/technical training and is partnered directly with UAF; however, every high school has some trade class offerings. He pointed out that Hutchison is home to the Construction Academy but offers a spectrum of career pathways.

[9:54:34 AM](#)

REPRESENTATIVE P. WILSON noted that a significant number of positions may need to be cut, and asked what percentage would be teacher staff.

MR. FISHER said that of the 95 proposed position cuts, approximately 60 are teachers.

[9:55:54 AM](#)

REPRESENTATIVE FEIGE said that HB 145 is a bill addressing school choice, and asked what impact it may have on the financing of the district.

MR. FISHER answered that he has not analyzed the bill, and pointed out that the district funding is based on enrollment.

[9:57:22 AM](#)

REPRESENTATIVE T. WILSON suggested that additional cuts at the administrative level may need to be considered, and asked for further information. Finally, she said that the finance sub-committee has limited power and cannot change formula funded programs such as the BSA or transportation. However, purview of the sub-committee does cover program review to determine district benefit and viability. Mentoring specialists, literacy programs, and other positions may be funded through grants, or eliminated, based on recommendations from the district, and she asked for follow-up information.

[9:58:27 AM](#)

CHAIR DICK thanked the participants and announced the upcoming meeting.

ADJOURNMENT

There being no further business before the committees, the joint meeting of the House Education Standing Committee and the House Education & Early Development Finance Subcommittee was adjourned at 9:58 a.m.