

HOUSE FINANCE COMMITTEE  
March 5, 2019  
1:37 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Tammie Wilson, Co-Chair  
Representative Jennifer Johnston, Vice-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Andy Josephson  
Representative Gary Knopp  
Representative Bart LeBon  
Representative Kelly Merrick  
Representative Colleen Sullivan-Leonard  
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Rorie Watt, Manager, City of Juneau; Dr. Dena Bishop, Superintendent, Anchorage School District; Dr. Monica Goyette, Superintendent, Matanuska-Susitna Borough School District; Dr. Annmarie O'Brien, Superintendent, North West Arctic Borough School District.

PRESENT VIA TELECONFERENCE

Brandi Harbough, Finance Director, Kenai Peninsula Borough; Dave Jones, Assistant Superintendent, Kenai Peninsula Borough School District; Fadil Limani, Deputy Finance Director, North Slope Borough; Stewart McDonald, Superintendent, North Slope Borough School District.

SUMMARY

^PRESENTATION - EDUCATION FUNDING: LOCAL ENTITY PERSPECTIVE

Co-Chair Foster reminded the audience to silence cell phones. He noted that invited testifiers from local entities would speak on perspectives on education funding. He added that the meeting was a snapshot of what each borough, municipality, and school district would be considering when putting together a budget.

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BRANDI HARBOUGH, FINANCE DIRECTOR, KENAI PENINSULA BOROUGH (via teleconference), stated that the borough had a working relationship with the Kenai Peninsula School District (KPBSD).

Ms. Harbough discussed the presentation "The Relationship Between State Foundation Funding and Borough Local Contributions," (copy on file).

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Ms. Harbough turned to slide 2:

- Minimum Contribution calculation AS 14.17.410 (b) (2)
- Maximum "Funding to the Cap" calculation AS 14.17.410 (c)
- 3 scenarios:
  - No change to calculations
  - AS 14.17.400 Basic Need reduced pro rata
  - HB 59 - Removing oil and gas property levy for municipalities

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DAVE JONES, ASSISTANT SUPERINTENDENT, KENAI PENINSULA BOROUGH SCHOOL DISTRICT (via teleconference), introduced himself.

Mr. Jones discussed slide 3:

Required Local Contribution

AS 14.17.410 (b) (2) the required local contribution of a city or borough school district is the equivalent of a 2.65 mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection.

Mr. Jones elaborated that local contributions were comprised of required and allowable contribution formulas. He thought that in most cases that KPBSD would receive the 2.6 mils times the full tax value.

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Mr. Jones reviewed slide 4:

#### Allowable Contribution

AS 14.17.410 (c) In addition to the local contribution required under (b)(2) of this section, a city or borough school district in a fiscal year may make a local contribution of not more than the greater of

(1) the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110; or

(2) 23 percent of the total of the district's basic need for the fiscal year under (b)(1) of this section and any additional funding distributed to the district in a fiscal year according to (b) of this section.

Mr. Jones summarized that the maximum local contribution was the sum of the required contribution and the additional allowable contribution.

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Ms. Harbough showed slide 5:

Required Local Contribution - no change

2017 Full Tax Value of Real, Personal & Oil  
Property x 2.65 mills =10,374,523,920 x 0.00265 =  
\$27,492,488

Not to exceed 45% of the School District's  
previous years basic need

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Ms. Harbough reviewed slide 6:

Maximum Allowable Contribution ("the Cap") - no change

23% of School District's Current year Basic need  
+ quality schools + one time funding =

23% x \$108,889,577 = \$25,044,603  
Basic Need 106,502,207  
One-time funding 2,100,012  
Quality Schools 287,358  
  
= 108,889,577

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Ms. Harbough discussed slide 7, "Total Allowable Required  
and Maximum Contribution with no Changes to funding  
formula":

Required Local contribution  
\$27,492,488

Additional Allowable amount  
\$25,044,603

Total KPBS can contribute to KPBSD in FY2020  
\$52,537,091

Mr. Jones remarked that the example was assuming no  
legislative changes. He noted that there were additional  
reference materials showing three funding examples entitled  
"KPBSD Available Revenue Examples FY20 - 3/4/19" (copy on  
file). The first example outlined the outcome after the

governor's proposed reductions. He thought the proposed cuts had caused controversy.

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Mr. Jones displayed slide 8, "State Aid for Districts":

AS 14.17.400

(a) The state aid for which a school district is eligible in a fiscal year is equal to the amount for which a district qualifies under AS 14.17.410.

(b) If the amount appropriated to the public education fund for purposes of this chapter is insufficient to meet the amounts authorized under (a) of this section for a fiscal year, the department shall reduce pro rata each district's basic need by the necessary percentage as determined by the department. If the basic need of each district is reduced under this subsection, the department shall also reduce state funding for centralized correspondence study and the state boarding school by the same percentage.

Mr. Jones discussed foundation formula funding and opined that statute dictated that if foundation funding was underfunded, the basic need would be reduced on a pro rata basis. He stated that the Department of Education and Early Development (DEED) had communicated that basic need would decrease and the effective Base Student Allocation (BSA) value would be \$4,880.

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Mr. Jones referenced slide 9:

Required Local Contribution -  
With Basic Need reduced pro rata per AS 14.17.400

2017 Full Tax Value of Real, Personal and Oil Property  
x 2.65 mills =

10,374,523,920 x 0.00265 = \$27,492,488

Not to exceed 45% of the School District's previous  
years basic need

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Mr. Jones spoke to slide 10:

Maximum Allowable Contribution ("the Cap") -  
With Basic Need reduced pro rata per AS 14.17.400

23% of School District's Current year Basic need + QS

or

full value x 2 mills which ever is greater =

10,374,523,920 x 2 mills = \$20,749,048

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Mr. Jones spoke to slide 11:

Total Allowable Required and Maximum Contribution  
With Basic Need reduced pro rata per AS 14.17.400

Required Local contribution  
\$27,492,488

Additional Allowable amount  
\$20,749,048

Total KPB can contribute to KPBSD in FY2020  
\$48,241,536

Mr. Jones noted that the school district was concerned that there would be cuts from the borough on top of the proposed cuts.

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Ms. Harbough referenced slide 12:

Required Local Contribution - with HB 59 - Removing  
Oil and Gas Property levy for municipalities

2017 Full Tax Value of Real and Personal Property x  
2.65 mills =

8,855,917,600 x 0.00265 = \$23,468,182

Not to exceed 45% of the School District's previous  
years basic need

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Ms. Harbough addressed slide 13:

Maximum Allowable Contribution ("the Cap") - with HB 59 - Removing Oil and Gas Property levy for municipalities

23% of School District's Current year Basic need + quality schools =

$23\% \times \$87,931,670 = \$20,224,284$

Reduced Basic Need pro-rated + QS = \$87,931,670

Full value of 8,855,917,600 x 2 mills = 17,711,835,  
less than 23% of basic need

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Ms. Harbough summarized slide 14:

Total Allowable Required and Maximum Contribution with HB 59 - Removing Oil and Gas Property levy for municipalities

Required Local contribution

\$23,468,182

Additional Allowable amount

\$20,224,284

Total KPB can contribute to KPBSD in FY2020

\$43,692,466

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Ms. Harbough spoke to slide 15, which showed a table that addressed a summary of the three scenarios being discussed. No change to statute would allow for the borough to contribute up to \$52 million. The reduction based on AS 14.17.400 reduced the allowable contribution to \$48 million, and the removal of oil and gas property taxes would take the maximum contribution to \$43 million.

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Mr. Jones discussed slide 16, which showed a table depicting the maximum allowable funding the district could receive from the state and borough in various scenarios.

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Vice-Chair Ortiz asked if the Kenai borough had been funding to the cap up until the current year.

Mr. Jones stated that historically the borough had funded at or near the cap. The previous year the funding had been just under the cap, and the current year funding was under about \$2.1 million for FY 19. If there were no changes; the difference between current borough funding and the funding cap for FY 20 would be an additional funding allowance of \$2,798,000.

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Vice-Chair Ortiz asked how much local contribution would be reduced if the governor's proposals of reduction of 23 percent of BSA and change in property tax was passed.

Mr. Jones specified that the funding cap would go down to \$43,692,466 if the governors proposed budget went into effect. He referenced the revenue documents he had described earlier, which provided examples of the funding scenarios.

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RORIE WATT, MANAGER, CITY OF JUNEAU, discussed the presentation, "Juneau School Funding" (copy on file). He relayed that the city provided funding for the Juneau School District. He qualified that the City of Juneau (CBJ) faced the same issues faced by Kenai. He directed attention to a memo dated November 3, 2018 that discussed the timeline of school funding decisions (copy on file). He thought the memo could illustrate the challenges faced by districts in making timed decisions. He contended that it was difficult to hire and retain teachers and provide education programming given that districts were not in control of the budget. He discussed the challenges of the funding timeline, and thought it was difficult for school districts to provide stable and predictable education.

Mr. Watt continued his remarks, and noted that CBJ had historically funded to or very near the cap, and wanted to fund to the cap. If the governor's proposed reduction in funding was adopted by the legislature, the CBJ local contribution would be reduced by about 16 percent. He noted that even though the city funded to the cap, the district had not been able to offer the educational programs it would like to.

Mr. Watt asserted that the state and the city had a partnership, and that it was important to remember the reason for funding education. He referenced the State Constitution. He emphasized that the cities and school districts were waiting on the legislature's action. He thought the partnership had been in place for 40 or more years.

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Mr. Watt turned to slide 2, "Impact of Proposed Budget Cuts":

Operational Impact:

- Loss of \$10.2M to CBJ/JSD based on Formula
- Additional Loss of \$3M to JSD from CBJ
- Total 16% Funding Loss

School Debt Impact:

- Loss of \$7.1M to CBJ for School Debt

CBJ Property Owner Impact:

- Assume School Funding is held to FY19 Equivalent of 33% Property Tax Increase

Mr. Watt highlighted tax information and noted that the city gave 60 percent of property taxes to the school district. He estimated that for a person with a median home (with an assessed value of \$325,000) there could be a property tax increase of about \$1,100 or \$1,200. He mentioned federal equity standards.

Mr. Watt briefly discussed school debt. He asserted that if the legislature did not fund school debt, it would affect the city's ability to fund all programs.

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Mr. Watt looked at slide 3, "Past Project Funding," which showed a bar graph entitled 'School Funding: Construction, Renovation, Technology.' The graph showed long term funding of education projects. He emphasized that CBJ was trying to build for the future. He noted the CBJ had school debt that was decreasing. He thought other boroughs had higher debt.

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Mr. Watt displayed slide 4, "CBJ School Project Debt," which showed a bar graph entitled 'School Bond Payments for Facilities.' He commented that Juneau was lucky compared to other boroughs, which had greater debt that would last longer. He referenced Governor Walker's one-time veto of 25 percent of the state funding portion from FY 17, which had been unanticipated.

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Mr. Watt reviewed slide 5, "Summary of Deferred Maintenance":

- JSD has ~980,000 SF of facilities
- JSD will have ~\$67 million in deferred maintenance by FY2020
- Funding of 2-3% of replacement value per year is an industry standard used to budget for facility renewal & replacement projects. 2% = \$6 million; 3% = \$9 million
- Excluding new construction CBJ has provided ~\$1.3 million per year(~\$4.4 million including state share) to upgrade school facilities since 1990

Mr. Watt commented that facility costs were significant in Juneau, and the district had nearly 1 million square feet of facilities and a deferred maintenance backlog. He thought any facility manager should be looking at 2 percent to 3 percent of the replacement value of the facilities just to stay even. He advised the assembly that it should keep the city's facilities in good working order to avoid passing on deferred maintenance to the next generation.

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Representative Josephson envied those that had served in local government before the legislature. He asked about increasing the cap for CBJ.

Mr. Watt explained that CBJ had a locally imposed property tax cap of about 12 mils. With regard to school funding, the city was bound by Alaska Statute, and was limited in the amount it could provide as a maximum local contribution. If the foundation formula was reduced, the city would also be reduced in its ability to fund education.

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Vice-Chair Ortiz referred to Mr. Watts comment on timing issues in education funding. He asked when the school board in Juneau presented the budget to the city.

Mr. Watt relayed that the school board must submit a budget to the assembly by April 5 each spring. He continued that through the charter, he must submit the municipal budget to the assembly by April 1 and the budget must be complete by June 15. He continued that the budget had a compressed timeline which was also made difficult by the legislative calendar.

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FADIL LIMANI, DEPUTY FINANCE DIRECTOR, NORTH SLOPE BOROUGH (via teleconference), discussed the presentation "North Slope Borough and North Slope Borough School District," (copy on file).

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Mr. Limani addressed slide 2, "NSBSD Mission":

Learning in our schools is rooted in the values, history and language of the Iñupiat. Students develop the academic and cultural skills and knowledge to be:

- Critical and creative thinkers able to adapt in a changing environment and world;
- Active, responsible, contributing members of their communities; and

- Confident, healthy young adults, able to envision, plan and take control of their destiny.

Mr. Limani wanted to explain the baseline education funding formula in addition to impacts of the proposed reductions. He thought the City of Kenai had done a good job explaining the statutory provisions of the education funding formula. He wanted to discuss the basic need calculation.

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Mr. Limani turned to slide 3, "NSBSD Foundation Formula," which showed data tables that showed all the schools in the borough and the factors that provided for the BSA. He referenced the document "NSBSD Foundation Formula Spreadsheet" (copy on file). He pointed out that the basic need for FY 20 was \$36,482,540.28. The left side of the document showed a calculation for the borough's minimum required local contribution, which was 45 percent of the prior year's basic need, which equated to \$15,590,658. He discussed amounts for the state's maximum allowed local contribution; as well as the borough's appropriation, in-kind, and supplemental funding amounts.

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Mr. Limani showed slide 4, "North Slope Borough Funding," which showed a table illustrating the district's baseline budget support from the borough. He pointed out that FY 15 although FY 19 had relatively stable funding of around 9 percent. In 2019, as a result of a population reduction of the oil patch (which impacted the operating tax cap formula) there had been a reduction in the baseline contribution. He pointed out the mill rates and percent of overall budget for education. He qualified that the graph did not include mill rate associated with debt service for school bonds. The borough had the flexibility to move up to 20 mills if need be.

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Mr. Limani spoke to slide 5, "FY20 Legislative Impacts":

- House Bill 59-Repealing the levy of tax by municipality on oil and gas exploration, production, and pipeline transportation property.

- 95-97% of NSB Tax Base is Oil and Gas Infrastructure
- NSB Pledges Ad valorem taxes on property within the Borough to pay for principal and interest on bonds
  - Current outstanding debt (P+I) \$251,431,154
  - Services Provided by the Borough on the State's behalf
    - Education, Public Safety, Fire, Search and Rescue, Health, Permitting. Roads and etc. Approx. \$175 million annually in operating funds.

\*\*Does not include capital infrastructure

Mr. Limani commented that eliminating the ability to tax the oil and gas infrastructure would have a drastic material impact to the financial being of the borough. He discussed outstanding debt in bonds.

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Mr. Limani displayed slide 6, "FY20 Legislative Impacts":

- If House Bill 59 went into effect, the Borough's budget will be significantly impacted as projected below:

Projected Revenues Property Tax - Local	\$14,392,000
Federal Grants	\$1,275,787
State Grants	\$2,243,989
Charges for Services	\$9,359,008
Investment Income	\$2,500,000
Other Revenue	\$8,490,000
Total	\$38,260,784

- The minimum required Borough Contribution \$15,375,626

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Mr. Limani referenced slide 7, "FY20 Legislative Impacts Continued":

- Governor's proposal surrounding the reduction in Baseline Student Allocation
  - Reduction of \$4,511,923 or 6.2%
- North Slope Borough reduction in local contribution
  - Reduction of \$3,537,563 or 10%

- Decrease is mainly due to operating budget reduction as a result of population decline in the oil patch.

Mr. Limani reiterated that the borough had reduced its overall budget in all departments.

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Mr. Limani looked at slide 8, "FY20 Legislative Impacts Continued":

- Senate Bill 64/HB 66-Repealing state aid for costs of school construction debt
  - Currently DEED reimburses the Borough on one project.
    - Project Cost \$1 million for Design work Meade River School. 2014B Bonds
  - Eligible School Projects Subject to reimbursement prior to 5yr suspension
    - Project Cost \$65,979,000
    - No reimbursement by DEED
  - School Project and related Bonds since suspension of DEED reimbursement
    - \$65,530,000
- Total cost to the NSB \$131,509,000

Co-Chair Foster asked about school bond debt reimbursement. He understood that the borough used payment in lieu of taxes (PILT) funds for the local share. He asked Mr. Limani to discuss the PILT funds and the dictates of PILT agreements.

Mr. Limani referenced slide 6 and stated that the borough had initially conducted a sales tax use study, and found what the impacts would be if a sales use tax was imposed. Initially it was found that the amount would be around \$17 million. The borough entered into a five-year agreement with operators that specified that the initial installment would be \$17.5 million with an annual escalation of 3.1 percent. The PILT agreement was in its last year of effect and the borough would revisit the subject and meet with industry to get the agreement revised.

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Co-Chair Wilson had asked her school district to send all its unfunded mandates, and she had been surprised at the list. She asked about the impact of unfunded mandates on the budget.

Co-Chair Wilson noted that the Fairbanks North Star School District, which had sent her a list of unfunded mandates. She asked about unfunded mandate costs to the North Slope Borough School District.

STEWART MCDONALD, SUPERINTENDENT, NORTH SLOPE BOROUGH SCHOOL DISTRICT (via teleconference), addressed Co-Chair Wilson's question. He stated that the list of items Representative Wilson had received also applied to the rest of the state. He relayed that the total budget for NSBSD was \$72 million, but there were higher costs because of the large area over which his school district was spread. In order to provide for the unfunded mandates, the district had a "stripped-down" program. He stated that the proposed cuts would result in a 40 percent reduction in the overall operating program. He estimated that the cut was the same amount as the entire teaching staff. He restated that there was an additional cost because of his district being spread out, as well as additional logistical challenges.

Co-Chair Wilson knew there was a cost to all school districts. She thought it would be possible for larger ones to combine during in-services. She noted that mandates might have a more excessive effect on smaller schools.

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DR. DENA BISHOP, SUPERINTENDENT, ANCHORAGE SCHOOL DISTRICT, discussed the presentation "Budget Conversation - March 5, 2019," (copy on file). She thanked the committee for forward-funding education for the school year and into FY 20. She stated that she had a budget treatise to share with members (copy not on file). She relayed that the first day of March was the deadline for providing a budget to the borough.

Dr. Bishop reviewed slide 2, "Budget Development Timeline," which showed a timeline. She recalled that in November DEED required enrollment information to predict for the subsequent fiscal year. There was a pro forma budget policy was presented to the school board, which was an understanding of what was known of funding assumptions and

costs. She highlighted months on the timeline that included budget development and budget approval. She thought the timelines were important in considering bond debt and assessment of property taxes.

Dr. Bishop continued to speak to slide 2. She stated that 2.65 went into basic need. On the capital side, the Anchorage School District (ASD) had continued to articulate bond needs for major maintenance. Bonds had been passed in the amount equal to bonds that were being retired. She continued that the previous governor had reduced bond debt reimbursement by 25 percent, and the \$8 million shortfall had come from the Anchorage School District (ASD), as the city had already sent out its tax assessment. The city operated on a calendar year and ASD was on a fiscal year beginning July 1.

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Dr. Bishop looked at slide 3, "FY20 Budget Assumptions":

- Revenue is based on:
  - Current law (BSA at \$5,930 and HB287)
  - Enrollment projections for FY20 (ASD enrollment is declining)
- Expenditures are based on inflationary cost drivers:
  - Salaries & benefits (including medical insurance)
  - Utility costs
  - Contract services
  - Lease/rent, etc.

Dr. Bishop detailed that over the previous ten years the ASD share of medical insurance rose from 9 percent to 17 percent of the entire budget.

Dr. Bishop showed slide 4, "FY 20 General Fund Revenue," which showed a data table. She summarized that ASD's general revenue was comprised of 39 percent city fund, 58 percent state funds, and 3 percent federal funds.

Dr. Bishop referenced slide 5, "What are the revenue reductions for ASD from the State's initial proposed budget?":

- 25.81% (\$86,084,716) in total state funding
  - Formula 24.02% (\$77,684,716)

- HB287 (\$8.4 million in state funds)
- 9.26% (\$19,799,484) associated local reduction
- Base Student Allocation formula drives the revenue to school districts

Dr. Bishop qualified that the slide considered the revenue reductions for the Anchorage School District (ASD) from the governor's proposed budget.

Dr. Bishop turned to slide 6, "State Foundation Formula FY 20," which showed a diagram outlining the steps for calculation of the funding. She noted that the diagram had been constructed by the Chief Financial Officer in the Mat-Su Borough. She discussed the BSA algorithm and the different multipliers involved in the formula.

Dr. Bishop moved to slide 7, "How will the ASD operating funds be impacted by State/local reductions?":

- 18.74% (\$105,884,200) overall reduction
- Includes reductions from
  - State (\$86,084,716 reduction - not including possible bond debt reduction)
  - Local (\$19,799,484 reduction)
  - HB287
    - \$20 million in FY19 and an additional \$10 million statewide in FY20
    - ASD portion is approximately \$5.77 million in FY19 and roughly \$8 million to \$10 million in FY20

Dr. Bishop stated that ASD had not received the local appropriation of the additional funds the previous year, because the funds had come out after the city had already calculated the taxes.

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Dr. Bishop addressed slide 8, "Will ASD be impacted by other State funding reductions?":

- Yes, elimination of State Bond Debt Reimbursement
  - \$41.1 million
  - This amount is not in General Fund but may impact General Fund

- Yes, elimination of \$3.2 million grant for Pre-K statewide program
  - ASD has approximately \$1.6 million in two different Pre-K grants

Dr. Bishop stated that ASD had a fund balance, but by ordinance \$25 million of the balance had to be kept for the bond rating and was not spendable.

Dr. Bishop showed slide 9, "What is the total overall state/local reduction for ASD?":

- \$148,484,200
  - State reduction (\$86,084,716 reduction)
  - Local reduction (\$19,799,484 reduction)
  - Bond debt reduction (\$41,000,000 reduction)
  - Pre-K reduction (\$1,600,000 reduction)

Dr. Bishop turned to slide 10, "Is there more?":

- Yes, transportation funding remains flat
- Yes, more to follow...
  - The process is just beginning at the legislative level
  - ASD will work with its legislators to communicate impacts, efficiencies, and outcomes throughout the budget process
  - ASD School Board passed its budget with a request from the State for legislative grants totaling \$81 million (\$68 million for class size reduction and \$13 million for preschool)

Dr. Bishop explained that the school board added a request for \$81 million in grants to the balanced proposed budget to lower class sizes.

Dr. Bishop addressed slide 11, "Cost Comparisons of Programs in ASD," which showed a graph purposed to illustrate the magnitude of what \$150 million look like for a district such as ASD. She highlighted funding for the school board, superintendent, and chiefs; as well as \$124 million for elementary teachers in the district to educate about 24,000 students. She highlighted the significance of the programs and the magnitude of the proposed reduction.

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Dr. Bishop spoke to slide 12, "ASD Revenue Scenarios & Impacts," which showed a table. She pointed out that the right-hand side of the table showed the governor's proposed budget. The middle section depicted a 1 percent reduction, and the left-hand showed a 5 percent reduction scenario. The table also showed elimination of the \$30 million of statewide funding, local reductions, and total reduction.

Dr. Bishop discussed slide 13, "ASD Bargaining Unit Layoff Timelines," which showed a table that depicted potential layoffs. She discussed employment timelines. She emphasized that forward funding was important. She pointed out the layoff timelines for various employment groups. Each of the unions also had collective bargaining agreements which defined notification. She emphasized the difficulty of communicating with employees when faced with such a substantial cut.

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Representative Josephson asked if she would have cause to be more alarmed if it were March 5, 2020; as the governor had asked for the repeal of forward funding. He was curious how she was imparting the information to teachers as well as parents and students. He thought there was a threat that the proposed funding repeal would be passed. He wondered how teaching staff were staying calm at the prospect of kindergarten classes with 45 students.

Dr. Bishop reminded that the process occurred every year for school districts. She considered that the idea of a 25 percent was absurd, and the threat of a yearly 5 percent cut was very significant to the district's program. She thought the House and Senate would come to understand the impacts of the proposed cut. She thought the bond was losing trust. She emphasized that the school district was actively sharing information on the potential impact.

Dr. Bishop continued addressing Representative Josephson's question. She had not seen many instances of the governor's proposed budget being the final state budget. She had spoken with several legislators that wanted improvements in public education, and she had been working towards the goal. She was willing to be held accountable, but thought state investment was important. She could not imagine the legislature not supporting public education in the state.

Co-Chair Wilson understood that ASD was reaching out to other school districts and doing some special things. She asked about different things ASD might be doing.

Dr. Bishop relayed that ASD had started a partnership with the Lower Yukon School District (LYSD) in the career and technical school. The Lower Yukon had purchased a building in Anchorage and would house students. She discussed dual credit and compacting certifications. The LYSD had been interested in teaching skills that students could learn in Anchorage and bring back to the LYSD community. She mentioned small engine repair, veterinary technician, construction and other areas of study. Anchorage students would also attend and some ASD teachers would be paid through the partnership. She added that ASD also had some partnerships with the University of Alaska (UA).

Vice-Chair Ortiz asked about the partnership and asked if it cost LYSD funding.

Dr. Bishop relayed that LYSD had the funding but not the human resources. The funding was part of LYSD's original budget through the BSA.

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DR. MONICA GOYETTE, SUPERINTENDENT, MATANUSKA-SUSITNA BOROUGH SCHOOL DISTRICT, discussed the presentation "Impact of the Governor's Proposed Budget to the MSBSD" (copy on file).

Dr. Goyette turned to slide 2, "Alaska State Student Performance Data - SAT and ACT College Entrance Exams," which showed two data tables. She informed that the Matanuska-Susitna Borough School District (MSBSD) was an open school district in which a student could choose any school or even multiple schools. She thought there was a lot of rhetoric about educational failures in the state. She agreed that there were many things that needed to be done better. She thought there was also many successes. She referenced the ACT and SAT test. The slide showed that Alaska was above the national average for test scores in every area. She thought it was significant that in the Lower 48 it was very common for students to be in private preparatory courses, and thought many Alaskan students took the tests without preparation.

Dr. Goyette continued to speak to slide 2. She noted that the slide showed that Alaska was below average in English for the ACT but was above or matched in other areas. She challenged the rhetoric that the state was the lowest performing in the nation.

Dr. Goyette reviewed slide 3, "10 Year History of State Funding," which showed a bar graph. She wanted to keep perspective on the fact that the state's revenue had not kept up with inflation. She noted that over the previous ten years, MSBSD had made incremental budget reductions. She thought it was difficult to make huge reductions in a short time frame and adequately meet education needs.

Dr. Goyette spoke to slide 4, "Governor's Proposed Budget":

FY20 Preliminary Budget	\$239,843,230
Salaries and Benefits	-\$30,406,858
Non-Personnel Spending	-\$6,007,505
Charter Schools	-\$3,242,078
Total Reduction	\$39,656,441

Dr. Goyette noted that the preliminary budget listed on the slide reflected the full BSA but not the one-time funding.

[2:43:30 PM](#)

Dr. Goyette discussed slide 5, which showed a bar graph depicting staffing reduction by job type. She noted that the proposed cut would impact 390 total jobs.

Dr. Goyette displayed slide 6, "Reduction To Charter School Budgets," which showed a pictorial graph depicting reduction in positions to various charter schools in the district. She noted that many charter schools required parents to donate a certain number of hours per year and could often help with maintenance and other jobs. She explained that there were not many positions outside teaching positions in charter schools. She pointed out that Academy Charter School would lose one-third of its teaching staff as a result of the proposed cut.

Dr. Goyette moved to slide 7, "Increased Pupil-to-Teacher Ratios," which showed a graphic depicting student/teacher ratios. She noted that there would be a potential increase of six students per classroom as a result of the proposed

cut. She stated that the current local contribution was 78 percent. She stated that she lived in a very fiscally conservative area without diversity in the tax base, therefore the contribution fell largely on predominately residential property owners. She asserted that if there was an average of pupil-to-teacher ratios in high school of 38, there would be some classes of 50 students.

[2:46:01 PM](#)

Dr. Goyette turned to slide 8, "Employee Contracts":

- District Executive Leadership
  - Certified -No rights to position
  - Right to teacher position
  - Classified -No rights to position
  
- Principals
  - Notified by March 15 for retention
  - MOA to extend to May 15
  - Right to teacher position
  
- District Mid-Level Management
  - 30 Day Lay-Off Notice
  
- Teachers
  - Tenured -Notified by May 15
  - Non-Tenured -Notified by May 22
  - 265 Individuals are Non-Tenured
  
- Classified Employees
  - 14 Day Lay-Off Notice

Dr. Goyette stated that the school board could not commit revenue through contracts until it knew for sure what the revenue would be. She was doubtful that the legislative session and veto period would be complete by May 15. She mentioned the tiered retirement system, and noted that 53 percent of MSBSD teachers were in Tier 3. She was not worried that teachers would go to other districts, but knew the teachers would be able to take retirement to the Lower 48.

Dr. Goyette looked at slide 9, "Impact to Alaska Middle College and ANSEP Accelerated High School," which showed a bar graph showing other effects of the proposed budget cut. She detailed that the district had 200 students in the

Alaska Middle College Program. In 2017 MSBSD had done a cost comparison, and it was found that it was as typical to send a student to the middle college as it was to send them to the largest comprehensive high schools. If the UA budget was radically reduced and tuition was raised, the ability to offer the middle college and ANSEP programs would be compromised.

[2:48:04 PM](#)

Dr. Goyette spoke to slide 10, "Impact to Home School Allotments and Local Purchasing Power":

Mat-Su Central School (Home School Program)

•1,765 Students

•Home School Allotment

- \$2,200 per student
- \$2,500 for Junior Year
- \$2,700 for Senior Year

•300 Local Vendors

•Approved to accept allotment money for educational services

\$17.5 Million Spent Locally

- Supplies and Materials
- Purchased Services
- Lease Payments
- Utilities
- Insurance

Dr. Goyette noted that home schools were very popular in her district. She thought if the budget was significantly reduced it would have a huge impact on local revenue, especially for small vendors that had grown through home school business.

Dr. Goyette reviewed slide 11, "School Bond Debt Reimbursement - \$19 Million":

Mat-Su Grows 65% in 20 Years

FY 2020\* - 19,074 Students  
FY 2016 - 18,465 Students  
FY 2012 - 17,338 Students  
FY 2008 - 16,115 Students

FY 2004 - 14,304 Students  
FY 2000 - 12.513 Students

\$214 Million Bond Package - Voter Approved in 2011

- Mat-Su Day School
- Valley Pathways
- Career and Tech HS Addition
- Redington Jr./Sr. HS
- Dena'ina Elementary
- Iditarod Elementary
- Additional Projects: District-Wide ADA Upgrades, Restroom Renovations, Energy Upgrades, Generator Replacements, Athletic Facilities, Fire Alarm System Upgrades, Flooring and HVAC

Dr. Goyette recounted that the district qualified for the bond package because it had unhoused students. There was \$19 million in bond debt, and the district was paying 17 years out.

Dr. Goyette Referenced slide 12, "Cost of Health Insurance," which showed a bar graph. She thought it was important not to stop scrutinizing expenses. She pointed out that health insurance was the district's second largest cost driver, and the district spent \$36 million, not including the \$5 million contributed by employees. She emphasized that the district paid more for health insurance than it paid for 950 employees. She shared that the district had recently filed an unfair labor practice against its union, the Mat-Su Education Association and the Certified Education Association.

Dr. Goyette continued addressing slide 12. She stated that the district was a member of the Public Employees Health Trust, which had refused to provide actuarial data on health insurance. The district had spent \$41 million of taxpayer money and had no transparency. The ruling had been in favor of the district, and found that the union was not bargaining in good faith. She hoped the state could help solve the problem.

[2:51:53 PM](#)

Vice-Chair Johnston recalled that the two previous weekends she had attended a caucus and was impressed that there had been educators shining a light on health costs and looking to the state for help.

Dr. Goyette informed that there was a hard cap with the teachers. She stated that few years previously the district was in negotiations received a zero percent increase followed by a 25 percent increase.

Vice-Chair Johnston thought in Anchorage the school district had enjoyed transparency with health insurance.

Dr. Goyette informed that ASD was partially self-insured, and some were union. She relayed that when a district was with a public employee health trust there was no transparency.

Representative Josephson recalled that former Senator Michael Dunleavy had been interested in consolidation of 54 school district health plans. He recalled that the NEA trust had 16 schools that it served, and had been able to keep rates down more than those not within the pool.

Dr. Goyette thought there had been a study done of high-value high-cost insurance plans; after which the NEA Trust was shown to be a higher-cost, lower-value plan. There were districts that were self-insured that were lower than the public health trust.

[2:54:59 PM](#)

Dr. Goyette discussed slide 13, "Mat-Su Graduation Rate Data," which showed a bar graph. She noted that despite making incremental budget reductions, the district had increased its graduation rate by 13 percent since 2010. She noted that the district required 24.5 credits to graduate, including geometry; while the state required 21 credits. She stated that the district was systems focused. She knew that the district could meet the challenges and spend money better.

Vice-Chair Ortiz recalled that Dr. Goyette had stated that 53 percent of MSBSD certified staff was Tier 3. He asked how long she had worked in the district. He asked if there was data that showed relationships between teacher retention compared to when there was a defined benefit.

Dr. Goyette had worked in the district 20 years. She offered to send the information at a later date. She noted that the district's retention rate had been very stable and

was between 80 and 90 percent. She noted that it was a challenge to fill specialized positions each year.

Vice-Chair Johnston was curious about the rise in graduation rates, and the geometry requirement.

Dr. Goyette specified that to graduate students must complete on year of algebra and one year of geometry.

[2:57:50 PM](#)

Representative Josephson asked for a brief description of capital needs and insurance coverage following the recent earthquake in the area.

Dr. Goyette stated that damage from all schools added up to \$2 million, most of which was tile and grid repair. The borough had freed up funds leftover from the bond package. The district had earthquake insurance up to \$25 million. She expected to hear about Houston Middle School by March; whether the school would be repaired or a new build. She suspected that a new school would be required. If a new build was required, the district would need braided funding. The district would apply for FEMA money and apply to the state. The current value of Houston Middle School was \$35 million. The most recent school built in like size was \$65 million. She qualified that the school would not need the exact same facilities. She imagined a new building would be at least \$45 million, and she did not expect more than \$15 million for the insurance company.

[2:59:45 PM](#)

DR. ANNMARIE O'BRIEN, SUPERINTENDENT, NORTH WEST ARCTIC BOROUGH SCHOOL DISTRICT (NWABSD), discussed the presentation "Leading the Way" (copy on file). She noted that there was also an impact statement of the overall results if the district had to instigate the proposed cuts (copy on file).

Dr. O'Brien directed attention to the first page of the presentation, "Leading the way":

39,000 Sq. Mi.  
13 Schools  
11 Villages

398 Employees  
219 Certified  
179 Classified

Dr. O'Brien pointed out the school district on the map on the slide, and detailed that there were no roads within the region. There were two jets a day that flew out of Kotzebue, and smaller airlines that flew in and out of the villages.

Dr. O'Brien turned to slide 2:

2085 Students  
93% Alaska Native  
100% Free & Reduced Lunch  
758 Migrant  
292 Special Needs

CTE Graduation Rate  
94% for Student that have earned 2 or more  
credits in CTE Career Strand

73% Alaska Native Graduation Rate

Dr. O'Brien looked at slide 3, "NWABSD Standardization":

- The student in-district transfer rate is consistently over 25%
- Title 1 district teacher turnover nationwide is 25%
- The standardization of curriculum, discipline processes, schedules, policies and procedures all serve to mitigate the disruption caused to student learning as a result to these statistics.

Dr. O'Brien had been with the school district for 20 years, in which time it had done a great deal of standardization. She thought the in-district transfer rate was common for rural areas.

[3:03:21 PM](#)

Vice-Chair Johnston asked about the in-district transfer rate and asked if data was collected to include the month of transfer.

Dr. O'Brien stated that the data by month was not collected, and the transfer information was sent to the Department of Education and Early Development.

Vice-Chair Johnston thought it would be interesting to see if there were peak months for in-district transfers.

Dr. O'Brien stated that in the Northwest Arctic Region, the hub hospital was in Kotzebue, and very often families travelled there for medical care.

[3:04:15 PM](#)

Dr. O'Brien continued to address slide 3. She stated that NWABSD was a Title 1 school district and had a similar district teacher turnover as the nationwide rate of 25 percent. The school district had worked to mitigate the changes in teachers and students through standardization between schools.

[3:05:03 PM](#)

Dr. O'Brien spoke to slide 4, "4-year Graduation Rates by District," which showed a bar graph showing graduation rates for Alaska Native students. She observed that while the district always sought to improve the rates, it felt it was doing better than some areas of the state. She commented that there was more success with career and technical education students. She noted that graduation rate, along with attendance, was one of the outcome measures for an academic standard.

[3:06:06 PM](#)

Dr. O'Brien addressed slide 5, "Career Technology Education (CTE) Completer Graduation Rate," which showed a bar graph. She noted that for the 2015-16 academic year and 2016-17 there had been 100 percent graduation rate. The district had found that there was success when students were introduced to viable well-paid careers that could keep students in the home region.

[3:06:52 PM](#)

Dr. O'Brien discussed slide 6, "Alaska Native Science and Engineering Program (ANSEP)," which showed two bar graphs. The district had been very involved in the ANSEP program

and had been able to fund ANSEP through a combination of grants and general funds. She thought the program encouraged students to engage with academics. She thought the graphs showed a desire by students to engage with career-oriented academics.

[3:07:58 PM](#)

Dr. O'Brien referenced slide 7, "Star of the Northwest Magnet School":

Statewide residential boarding school:

- Meeting the needs of Alaskan students from across the state
- Bridging the gap between school and work
- Utilizing career & technical education to provide unique experiences for students to be work ready
- Focus on high demand high paying jobs
- 40-Bed Dormitory

Dr. O'Brien noted that the Star of the Northwest Magnet School had opened in February of 2014. She noted that the school was designed for 11th and 12th grade students. Culinary arts were put into the concept of the magnate school because there were food services contractors that were significant employers in the region.

[3:09:09 PM](#)

Dr. O'Brien discussed slide 8, "ReadiStar," which had a bar graph. She explained that the magnate school had resident students for long- and short-term stays. She noted that students came from villages during the school year for a two-week session in which they were introduced to various career opportunities. Additionally, students could become certified in CPR, or obtain a driver's license.

[3:10:15 PM](#)

Dr. O'Brien reviewed slide 9, "Proposed FY20 Budget Cuts":

1. 85 of the current 143 Classroom Teachers (59.4%)

OR

2. A mix of teachers and support staff (aides, counselors, secretaries, itinerant specialists -music, art, curriculum, technology)

OR

3. Staff and Programs such as:

- Pre-K Instruction
- Music and Art
- Counseling
- Career and Technical Education (CTE)
- Bilingual
- Academic & Athletic Extracurricular Activities

Dr. O'Brien wanted the committee to keep students in the forefront of their minds when contemplating the proposed cuts to education. She thought it was important to understand, given the range and scope of the distances travelled in the district, that there was no way to compare the pupil to teacher ratio of a rural school to an urban school. She relayed that the district had worked hard to get and retain itinerant specialists. She noted that grants that paid for Pre-K Instruction and other areas were ending in 2020.

Dr. O'Brien continued to address slide 9. She discussed potential cuts to the counseling program and reminded that the region had the highest suicide rate in the state. The district had already experienced two student suicides in the current year.

Dr. O'Brien continued to discuss proposed budget cuts to areas of staff and programs at the district. She discussed career and technical education and bilingual education. She reminded that the region was an area of endangered language. The district had been working with a federal grant to revitalize language efforts. She noted the importance and expense of academic and athletic extracurricular activities. She hoped that members understood the increased costs incurred in travel in rural parts of the state.

[3:14:50 PM](#)

Vice-Chair Johnston referenced the Moore settlement, and had been disappointed that not much data had been required.

She thought new grants started the previous year had more requests for data.

Dr. O'Brien did not have the information at hand but had been privy to funds that were not expended in other school districts. She offered to provide the information at a later time.

Vice-Chair Johnston noted that there were snow machine roads in the region.

Dr. O'Brien agreed that snow machine roads were usable in certain conditions.

[3:15:53 PM](#)

Vice-Chair Ortiz asked about a picture on slide 9 and wondered if it showed a Battle of the Books competition.

Dr. O'Brien answered in the affirmative. She noted that the district had a strategic plan goal of increasing academic-oriented after school activities; and had been consciously working to increase the opportunities.

[3:16:33 PM](#)

Dr. O'Brien spoke to slide 10, which showed two pie charts that showed spending and the proposed cuts. She expressed that the potential loss of funding would be significant to the district. She emphasized that the district was unable to raise funds through initiating taxes but did work with the borough.

[3:17:36 PM](#)

Dr. O'Brien referenced slide 11, "FY19 Budget," which showed a pie chart depicting where budget dollars went. She emphasized that the majority of funds spent were for salary and benefits.

[3:18:06 PM](#)

Dr. O'Brien discussed slide 12, "Kobuk School":

- 44 Students
- 91% Alaska Native
- 100% Free & Reduced Lunch

0% Drop-Out Rate  
1 Migrant Ed Instructional Aide  
1 Title 1 Instructional Aide

Dr. O'Brien explained that at the Kobuk School if one teacher was cut, every teacher would be giving instruction to four grades. She noted that the migrant education aide and the Title 1 aide were federally funded.

[3:19:28 PM](#)

Dr. O'Brien moved to slide 13, "School Counselors":

1.Academics: Scheduling and Advisement

2.Social/Emotional:

- How to deal with someone you don't like /social skills
- Identifying feeling and skills that lead to greater function at school
- Behavioral Health needed at the point a student start to process feelings

\*Harm to Self (Threat) Protocol Facilitation -Year to date we have had over 26 confirmed suicide threats at school where harm to self protocol has been enacted.

3.Career: Post Graduation Pathway

Dr. O'Brien reiterated the importance of the counseling program. She commented that counsellors were the first line of support for students. She thought the role counsellors played was critical. She continued that counselors also designed career pathways for graduates prior to graduation.

[3:20:55 PM](#)

Dr. O'Brien showed slide 14, "Youth Leaders":

"The mission of Youth Leaders is to create a community of young leaders that promote healthy choices and foster social responsibility, as well as provide the best possible support to our peers and communities."

Dr. O'Brien noted that the youth leaders assisted in identifying students that were in trouble or in danger. She

relayed that the youth leaders were recently visiting the legislature in Juneau.

[3:21:48 PM](#)

Representative Sullivan-Leonard asked about slide 14, and asked about support for the youth leaders.

Dr. O'Brien noted that there was a zinc mine in the Northwest Arctic, run by Teck Resources, that supported the youth leaders.

[3:22:15 PM](#)

Dr. O'Brien asked to address the impact statement. She relayed that for rural Alaska, housing came with the job. If housing was not provided, there would be no teachers. She recalled that three or four years previously, the district refurbished housing for ten teachers, which had been very helpful in retaining teachers. There was tremendous anxiety with staff after the district was unable to issue contracts. When contracts were not offered, teachers were lost and the majority of teachers were from out of state. Without offering the contracts, there were not resignations and positions could not be posted for hire. She noted that rural Alaska suffered more than urban Alaska because of not being able to offer contracts, largely because of the tie to housing. She hoped that members would consider the disproportionate impact of not being able to offer timely contracts. She discussed hiring timelines.

[3:26:01 PM](#)

Dr. O'Brien discussed the effects of funding cuts to Village Public Safety Officers (VPSO). She stated that the issue affected staff, students, and families. She thought that many of the proposed cut were interrelated in impact to the communicates.

[3:26:34 PM](#)

Representative Josephson recalled that he attended a job fair in 1991 and had taught in Kalstag for three years in the Kuspuk School District. At the time there had been a defined benefit program. He thought it was typical to see a married couple at the time and thought recruitment in the

state had been easier. He asked for a description of how recruitment had changed.

Dr. O'Brien had anecdotal evidence of a change in teacher recruitment. She had seen teaching couples coming to work for eight years to obtain retirement benefits, which was no longer the case. Presently more teachers knew they could stay for a short time and get benefits.

Co-Chair Foster discussed the agenda for the next meeting.

#

ADJOURNMENT

[3:28:58 PM](#)

The meeting was adjourned at 3:28 p.m.