

HOUSE FINANCE COMMITTEE
April 24, 2023
1:40 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:40 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division; Lacey Sanders, Deputy Commissioner, Department of Education and Early Development; Elwin Blackwell, School Finance Manager, Department of Education and Early Development; Dr. Bridget Weiss, Superintendent, Juneau School District; Andy Ratliff, Chief Financial Officer, Anchorage School District; Representative Andi Story.

SUMMARY

HB 65 INCREASE BASE STUDENT ALLOCATION

HB 65 was HEARD and HELD in committee for further consideration.

PRESENTATION: BASE STUDENT ALLOCATION FISCAL SCENARIOS BY THE LEGISLATIVE FINANCE DIVISION

PRESENTATION: COVID FUNDING AND SCHOOL DISTRICT FUNDING BY THE DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Co-Chair Foster reviewed the meeting agenda. He recognized Representative Andi Story in the audience.

#hb65

HOUSE BILL NO. 65

"An Act relating to education; increasing the base student allocation; and providing for an effective date."

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^PRESENTATION: FISCAL SCENARIOS BY THE LEGISLATIVE FINANCE DIVISION

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Co-Chair Foster asked presenters to cite any handouts they used throughout the meeting.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, provided a PowerPoint presentation titled "Fiscal Scenarios," dated April 24, 2023 (copy on file). He began with fiscal scenarios on slide 2. He detailed that the scenarios all assumed the spring revenue forecast of \$73 per barrel of oil in FY 24 and the budget transmitted by the House a couple of weeks earlier. The scenarios also included variables for three different capital budget levels, Permanent Fund Dividend (PFD) appropriations, and K-12 funding increases through the formula or as one-time grants.

Mr. Painter explained that all of the scenarios included the potential revenue impact of the Subchapter S (corporation) tax provision included in Senate Bill 114. He noted the numbers included in the presentation and fiscal note reflected the tax on the Subchapter S corporations taking effect January 1, 2023 retroactively resulting in \$190 million in the first year and an ongoing revenue impact of about \$120 million. He remarked that bumping the effective date to the following year would result in a

number of about \$60 million. He added that because the bill was not before the committee he could not go into specifics on the bill.

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Mr. Painter looked at "Scenario 1" on slide 3. The scenario had a slight surplus, \$1,500 PFD, \$680 Base Student Allocation (BSA) increase (for FY 24 only, which had been included in the House budget, but subsequently zeroed out due to the failure of the Constitutional Budget Reserve (CBR) vote), and a \$400 million capital budget (the number had been used by the Senate Finance Committee for its modeling). He stated that the three items totaled a cost of \$1.58 billion. The costs added onto the House agency operations statewide items resulted in a \$56 million surplus under the spring revenue forecast. The S-corporation provision would bring the surplus to \$246 million.

Representative Josephson stated his understanding that HB 114 reduced corporate interest rates but increased "the overall with the S-corp, so that the new surplus was the net of those two things."

Mr. Painter clarified that Scenario 1 factored in SB 114 [not HB 114]. He explained that the bill had a number of changes to oil and gas taxes and corporate income taxes. The Scenario 1 [on slide 3] only included the Subchapter S provision within the bill. Specifically, oil and gas companies paid a tax on income over \$4 million. He noted it was a fairly narrow tax.

Representative Galvin noted Mr. Painter's statement that the assumptions were based on the spring forecast at \$73 per barrel. She asked what the average per barrel price of oil had been since the forecast had come out.

Mr. Painter answered that the price per barrel had recently been around \$80 per barrel, which would result in numbers closer to the fall forecast and would add another \$665 million. He explained that traditionally the legislature budgeted to the spring forecast for the constitutional requirement to have a balanced budget either through the CBR or another mechanism. The \$73 per barrel was the official number.

Representative Galvin appreciated the budget needed to be built based on the aforementioned amount. She asked if it would potentially be possible to find a way to achieve a surplus of at least \$500 million.

Mr. Painter confirmed that a target surplus number could be thought of as based on the price of oil. Another way to think about it was targeting budget balancing at a given price. For example, Scenario 1 balanced at about \$72 per barrel. He explained that a person could determine whether they wanted to use the \$72 or a higher or lower budget balancing price. He advised thinking about it in terms of the desired balancing price.

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Representative Hannan believed the S-corporation \$190 million amount was based on an 18-month capture versus one year. She understood the current bill was retroactive to January 1, 2023 and that on an annual ongoing basis the amount would be \$120 million. She asked if her understanding was accurate.

Mr. Painter agreed.

Mr. Painter characterized Scenario 2 as the middle scenario shown on slide 4. The scenario had a deficit prior to the Subchapter S provision. The scenario included a \$2,000 PFD (a total of about \$1.3 billion), a capital budget of just over \$300 million (the governor's amended number), and a \$540 BSA increase (a total of \$139 million). The three items added up to \$1,766,900,000, which resulted in a deficit (at \$73 per barrel of oil) of about \$130 million. The \$190 million from the S-corporation would leave a projected surplus of about \$60 million at the \$73 per barrel mark.

Mr. Painter reviewed Scenario 3 on slide 5 that included the low scenario for two of the items and the high scenario for the PFD. The scenario included the 50/50 PFD as passed by the House at \$1.76 billion, paying about \$2,700 per person. Scenario 3 also included a "bare bones" capital budget of \$191 million (the amount in the Senate's first version, which included federal matching funds and did not leave a lot for state priorities) and a \$400 BSA increase (a cost of slightly over \$100 million). The items added up to just over \$2 billion, leaving a deficit of about \$400

million. When including the Subchapter S provision for S-corporations, the deficit would be about \$230 million.

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Co-Chair Johnson looked at the PFD amount shown on slide 5. She thought the 50/50 split resulted in a PFD of \$2,763.

Mr. Painter clarified that \$1,763 billion was the total amount for the appropriation that would pay a PFD of about \$2,700 per person.

Co-Chair Foster noted the purpose of the presentation was to be a brief warmup entering the BSA conversation. He noted the presentation provided only several scenarios, but there could be 100 scenarios of how to fund the BSA. He expounded that the options included [but were not limited to] a lower PFD and not tapping into savings, a low BSA and a higher PFD, or a higher PFD and BSA while tapping into savings. He stated there were many ways to look at the issue. He wanted the public to understand the difficult decisions ahead.

Representative Ortiz referenced the different scenarios and stated they all understood what it meant in relationship to more or less money for the BSA and the PFD. He asked for some additional comments related to the capital budget. He asked what the figure would be in order to meet capital demand. He thought it would likely cost \$1 billion. He asked about the opportunity cost of not putting more into the capital budget.

Co-Chair Foster noted there were so many other things that could figure into the equation. He noted that the S-corporation [revenue] had been hypothetically included as the legislation passed. Additionally, there were per barrel tax credits, statewide sales tax, budget cuts, and many other things that could be included. He stated the components used could mean a smaller or larger capital budget. He wanted to ensure the public understood the type of questions legislators were having to ask as they worked to decide what to do with the BSA.

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Representative Stapp referenced Department of Revenue (DOR) sensitivity tables he had previously discussed with Mr.

Painter. He surmised that if oil prices were roughly \$40 per barrel and there was no PFD, the state would need to spend all of the money on the governor's current operating budget. He asked if the assessment was fair.

Mr. Painter agreed that Representative Stapp's understanding was accurate on an ongoing basis. He noted that theoretically the legislature could opt to use a substantial portion of the approximately \$2.4 billion to \$2.5 billion in the CBR.

Representative Stapp asked if it would be before adding any additional funding to the BSA formula.

Mr. Painter agreed.

Co-Chair Foster reiterated his earlier comments about the purpose of the presentation.

Co-Chair Edgmon surmised that the supposition in the scenarios was that raising the BSA meant the PFD would come down and there would potentially be a bit of revenue from the S-corporation bill if it was included in the mix. He noted there were several weeks left in session with the last week being devoted to conference committee. He asked if there were any other sources for the revenue.

Mr. Painter responded that no revenue bills had made it through the finance committee in either body. He stated it was hard to imagine how quickly a bill could move, but once the 24-hour rule went into effect bills could move quickly. There were some other tax bills that had passed one body such as the motor fuel tax increase. He agreed that something like a statewide sales tax would likely not pass in several weeks given the complexity of the bill.

Co-Chair Edgmon agreed completely that a sales tax would be a heavy lift for the legislature given everything involved. He remarked that the legislature was facing some very difficult choices.

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Co-Chair Foster moved to the next presentation by the Department of Education and Early Development (DEED). He stated there had been attention drawn to whether or not schools had COVID funding, how much money was out there,

and what schools could spend it on. He asked to hear from DEED regarding balances. Additionally, the committee would hear from school districts on how much of the funding they believed was available.

^PRESENTATION: COVID FUNDING AND SCHOOL DISTRICT FUNDING BY THE DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

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LACEY SANDERS, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, provided a PowerPoint presentation titled "Alaska Department of Education and Early Development (DEED): COVID Relief Funding and School District Fund Balances," dated April 24, 2023 (copy on file). The presentation included a high level overview of federal COVID-19 funding awarded to DEED and a review of the school district fund balances as of June 30, 2022. She began on slide 3 titled "Federal COVID-19 Relief Funding Received and Sources." She stated that in response to the COVID-19 pandemic, the federal government awarded relief funding in three packages. The first was the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020 that awarded Alaska \$74 million. She noted the CARES Act funding expired on September 30, 2022. The second was the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) signed into law in December 2020 that awarded Alaska a total of \$168 million and would expire on September 30, 2023. The third package was the American Rescue Plan Act (ARPA) in March 2021 that awarded Alaska \$379 million. She stated the ARPA funding would expire on September 30, 2023.

Ms. Sanders stated that each of the packages contained multiple federal awards including the Elementary and Secondary School Emergency Relief Fund (ESSER), the Governor's Emergency Education Relief Fund (GEER), and Emergency Assistance to Non-Public Schools (EANS).

Representative Ortiz asked if the word "expired" meant the funds needed to be expended at that time.

Ms. Sanders agreed.

Co-Chair Foster noted Representative Coulombe had joined near the beginning of the meeting.

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Representative Hannan asked if the ESSER and GEER funds were included in CARES, CRRSA, and ARPA or only one of the three.

Ms. Sanders answered they were a part of the three packages. The presentation was a high level overview, and the department could provide additional detail on what had been allocated within each of the packages. She noted it was a substantial amount of information.

Representative Hannan asked for verification that there was ESSER, GEER, and other funding within the CARES Act.

Ms. Sanders agreed that was the case in some combination. She detailed that not all awards contained GEER. Additionally, there had been other awards that came to the state of Alaska through the Department of Agriculture for child nutrition, libraries, and arts. Her presentation was primarily focused on funding that went to school districts.

Ms. Sanders turned to a high level summary of the \$621 million in federal COVID-19 funding received by Alaska on slide 4 including obligated and unobligated funding. She noted the data on the spreadsheet was as of January 2023. She explained that federal guidance required DEED to allocate 90 percent of the funding (\$517 million) to school districts (referred to as local education agencies). She noted that the funding was allocated based on the proportion of Title I, Part A funds a school district had received in the most recent year when awards were made. She elaborated that Title I, Part A was from the Elementary and Secondary Education Act that was amended by the Every Student Succeeds Act (ESSA). The program provided funding to school districts serving high numbers of economically disadvantaged children. She clarified that the funding was not allocated to school districts around the state based on the adjusted average daily membership (AADM) that was used to allocate funding through the foundation formula.

Ms. Sanders referenced a handout titled "COVID-19 Federal Relief Funding for Alaska School Districts" (copy on file). The table showed the 90 percent funding for EESER and GEER awards to each of the school districts for all three packages. The second handout was a three-page spreadsheet titled "School District COVID-19 Federal Relief Allocations

and Expenditures as of 1/23/2023" (copy on file). The spreadsheet included awarded funding by package in addition to what had been expended by each of the school districts.

Representative Josephson asked if Ms. Sanders was highlighting the documents in order to lay the foundation for the numbers on page 4. He asked if the purpose was to prove up the numbers.

Ms. Sanders responded that the handouts were to ensure everyone had all of the information she could provide in anticipation of questions.

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Representative Coulombe asked about the term "obligated." She asked for more specific detail on the term.

Ms. Sanders replied that the term obligated pertaining to slide 4 referred to what had been awarded to school districts. The department had worked with each of the school districts to make sure they were aware of the allocation they had received. She explained that because school districts had certain time periods in which to spend the money, the funding was considered obligated and could not be used for another purpose.

Representative Coulombe asked if the remaining balance shown [on slide 4] resided with DEED and was not designated for anywhere else.

Ms. Sanders agreed. She elaborated that the remaining \$664,734 [shown on slide 4] was an optional appropriation to school districts for certain purposes. She explained that some of the districts declined the funding if they could not meet the requirements and the funding would be reallocated. She noted that the reallocation process had not yet taken place when the presentation had been put together.

Representative Coulombe looked at the charts [included in the first and second handouts] and asked for verification that one was for January 2022 and one for September 2021.

Ms. Sanders replied that the DEED document dated September 1, 2021 [handout 1] was at a point in time and included the ESSER and GEER funding awards to all of the school. The

number reflected the 90 percent provided to school districts and would not change. She explained that the second document had a typo at the top and should be dated 1/26/23 instead of 1/26/22. She would provide a corrected document to the committee. She explained that the document had the same allocations of funding to school district (as handout 1) with expenditures in addition to some other small awards including homeless funds and preschool funding allocations. She highlighted that page 3 of handout 2 showed a total of \$517 million, which was also reflected on slide 4 of the presentation.

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Representative Coulombe appreciated all of the information provided by the department and understood it was a lot of work. She was trying to understand what funds had been spent. She stated that the information showed what DEED had committed to districts, but it did not specify that the money had actually been spent.

Ms. Sanders answered that the larger spreadsheet [handout 2] showed what the school districts had spent and requested reimbursement for. She noted that the information was as of January [2023]. She explained that reimbursements had come in since that time and would come also come in April for reimbursement in May; therefore, the numbers would fluctuate slightly. She would address another document later in the meeting showing remaining funds based on actual expenditures as of April 15.

Co-Chair Edgmon asked how confident the department was that the numbers were current. He stated his understanding that DEED did not have the information from all 54 school districts.

Ms. Sanders replied that the department had the information for COVID funding as of the time reimbursements were requested and submitted by school districts. She stated that the January information on the slide was correct and reflected what had been reimbursed to school districts for expenditures they had made.

Co-Chair Edgmon surmised that the department had all of the latest numbers on encumbered money, but DEED could not vouch for what the money was encumbered for.

Ms. Sanders replied that the department could speak to what school districts had budgeted for on the COVID relief funding. She explained that districts submitted budgets for DEED's grants management system. School districts had the ability to change or request changes to what they budgeted for the funds. She could speak to what had actually been reimbursed to school districts.

Co-Chair Edgmon was struggling with the notion that the department knew what each school district had in its reserves and how much money the districts could use towards fixed costs. He wanted to explore the topic more as the presentation continued.

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Ms. Sanders turned to slide 5 titled "Purpose of Funds." She would also discuss the allowable fund uses and flexibility school districts had in determining their use of funds. She relayed that all three [federal] acts were intended to provide states with funding to respond to the pandemic. The funds went towards supporting school districts and reopening schools safely, maximizing in person instructional time, and limiting the impacts of the pandemic on students, educators, and families.

Co-Chair Edgmon referenced the Southwest School District in Bristol Bay with seven remote schools off the road system. He highlighted that their fuel costs doubled in the winter of 2021 and 2022. He did not know the precise numbers for 2022/2023. He shared that when he had talked to the leadership in the school district, he had been told that when it came to reporting on how the money was spent, they were not allowed to use the funding on fuel. He asked if Ms. Sanders was saying it was ok.

Ms. Sanders agreed and turned to slide 6 related to "Broad Allowable Activity Categories." The slide reflected broad categories for uses of funds. She shared that she and department staff were frequently asked how much flexibility school districts had in spending their COVID relief funds. She relayed there were very few limitations on the use of the funds. The funds could be used for salaries, improvement and maintenance of facilities including fuel costs, supplies, summer school, and after school programs. She reviewed expenses that were not allowable including passenger vans, airplanes, entertainment (e.g., prom

activities), purchasing land, and paying board members or buying computers for board members. The department had identified the limitations in working with the U.S. Department of Education and had articulated them to the school districts through resources provided and online webinars. She reiterated that fuel was an allowable expense.

Co-Chair Edgmon appreciated the hearing and presentation; however, his interpretation from the viewpoint of the school districts was different than what Ms. Sanders had just described. He stated the school districts did not feel they had that type of flexibility. Additionally, the needs had changed during the pandemic and enrollment numbers had declined for many districts. He stated there were varying amounts of reserves and COVID funding (obligated and perhaps not spent or encumbered) in the 54 school districts. He referenced the notion that districts were sitting on large reserves and did not need a BSA increase to meet operational expenses. He expounded that some of it was related to personnel and healthcare insurance and the cost of fuel for schools relying on diesel fuel. He wanted the point to be addressed in the meeting. He stated it was something that needed to be taken seriously. He underscored that if there really were dire needs as projected by his school districts, he believed the information needed to come forth.

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Representative Galvin thanked Co-Chair Foster for the opportunity to have the conversation, particularly in light of comments just made by Co-Chair Edgmon. She acknowledged there were a lot of questions floating around in the building. She stated it was one thing for a district to be told it could spend the money in particular ways versus what was prudent. She discussed one-time money allocated to education over time. She stated that while it was wonderful to have investment in education, the predictability and sense that an entire innovative program could be built was missing. She was hearing from school board members that it was difficult because certain expenditures may not be prudent without the predictability of ongoing funding in the future. She believed that without continuity and time it made it difficult to make the investment and recruitment that was needed. She asked for verification it was the department's sense that school districts were making

decisions based on what they believed they could hold up on an ongoing basis in the future when COVID funding was gone.

Ms. Sanders replied that it was an excellent point. From the beginning, the guidance the department had provided was to try not to spend funding that would require districts to ask the legislature for an increase to maintain expenditures going into the future. She remarked that the state did not want to experience a fiscal cliff when the funding expired on September 30, 2024. She agreed that school districts had to weigh how they would spend their funding to have a long-term sustainable goal moving forward.

Representative Josephson looked at slide 5 related to the purpose of funds. He looked at the verbs in the two bullet points including "reopen" schools safely, "maximize" instructional time, "address" impacts, "implement" actionable strategies, "return" to and safely sustain, "exacerbated," and "emerge" stronger. He saw impacts that cost more. He believed the legislature had spent a couple of million to have Beacon provide COVID tests [to legislators and staff]. He shared that he had 30 tests done [by Beacon]. He considered the additional associated costs. He asked if advocates of increases to school funding should feel they need to defend arguments that somehow COVID expenses supplanted other monies. He asked if the department took a position on the specific matter.

Ms. Sanders advanced to slide 7 titled "Flexibility in Spending" to respond to the question. She explained that CARES Act funding had been awarded in March of 2020 during the initial stages of the pandemic. She detailed that at the time, the guidance received from the U.S. Department of Education was very specific in limiting how the funding could be spent. As the world had progressed through the pandemic, the U.S. Department of Education had broadened the flexibility in spending, which was applied to all three of the awards. She furthered that the initial takeaway was a response to the immediate needs of the pandemic (i.e., making sure students and educators were safe in the classroom), but moving forward through the pandemic the government had worked to determine how to support school districts and students with the funding to keep educational facilities open and to continue educating students, whether it meant ensuring there were mental health supports to support students through the pandemic and making

modifications to windows in order to get fresh air. It was DEED's position that the funding was awarded initially with very specific limitations, but as time went by there had been much more flexibility given to enable school districts to be creative in how they spent the funding.

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Representative Josephson stated his sense based on who was present in the room and what he was hearing around the building was whether the department felt that other resources for the 54 school districts were freed up and that COVID freed them up and it should figure into the debate over what the legislature would do in the next several weeks. He asked if the department had a position.

Ms. Sanders responded that she did not have a position on that. She thought there was an acknowledgement by the federal government and the state by two actions taken. She relayed that the state acknowledged there were changes in the school districts and there was an influx of federal funding coming into the state and made a decision to waive the 10 percent carryforward balance until FY 25. Additionally, the U.S. Department of Education waived much of its period of availability for federal funds given the school districts were focusing on responding to the pandemic and spending more of their federal funds from the COVID relief funds and much of the federal funding received through the standard title appropriations were not fully spent down. She noted the situation could be due to a variety of reasons. She thought there was an acknowledgement that an influx of federal funding had come into the state. She remarked that \$517 million was not a small number. She recognized the funding was to address the immediate response to the pandemic. She explained that the document before the committee was only there to provide a range of funding that may be available and should be part of the conversation when determining what to do with funding in education.

Co-Chair Foster noted the committee was short on time.

Ms. Sanders stated she would move quickly through the upcoming slides in interest of time. Slide 8 addressed the ways DEED worked with school districts to determine use of their federal funds, how DEED approved school districts' budgets, questions the department asked including whether

something was an allowable use under federal guidance, and whether the use of funding was reasonable and necessary. She turned to slide 9 and explained that school districts received their COVID relief funds by submitting a request for reimbursement. She expounded that school districts spent their funds on their budgeted plans and requested reimbursement for the funds. She explained it was part of the department's accountability process in ensuring it was following the federal guidance and that it was collecting the data required in the reporting process to the U.S. Department of Education.

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Ms. Sanders turned to slide 10 showing the "COVID-19 Relief Funding Dashboard." She relayed that the department had created a COVID-19 relief funding dashboard in response to the volume of information and number of awards the state received through the three [federal] acts. She explained that the dashboard provided substantial information on awards and how school districts, the department, non-public schools, and the governor's office were spending the COVID relief funding.

Ms. Sanders turned to slide 12 on school district fund balances. She noted that members' packets included two versions of the document shown on the slide. The document labeled handout 3 (copy on file) included school district fund balances as of June 30, 2022 in addition to federal COVID relief fund balances as of April 15, 2023. Handout 4 (copy on file) included several additional columns based on multiple requests including the FY 23 average daily membership, the FY 23 total state entitlement, and the FY 23 \$57 million one-time grant distributed to school districts. She explained that when DEED was asked how much funding school districts had available in their fund balances, it was extremely limited to the data available. She detailed that school districts were required to provide their annual audited financial statements to DEED, which included the fund balances at the end of the prior fiscal year for their operating fund and all other governmental funds. The department did not have access to current school district financials.

Ms. Sanders explained that the handouts provided the information known to DEED. She detailed that school districts started the fiscal year with fund balances

exceeding \$795 million on June 30, 2022. There was a minimum of \$237 million available or remaining to be drawn down through the reimbursement process in COVID-19 requests. The department understood that school districts may have used some or all of the balances. She stated the documents were intended to provide a potential range of available funds. She reiterated her earlier statement that the state waived the 10 percent unreserved fund balance requirement until 2025. She relayed that at the end of FY 22 there were 26 school districts that exceeded the 10 percent balance. Additionally, the federal government extended the period of availability for spending down the federal awards. She highlighted there was an increase in the federal title awards from FY 22 to FY 23 of approximately \$5.5 million. She stated that the amount was anticipated to increase from FY 23 to FY 24. She remarked that school districts were the appropriate entities to speak to their current fund balances and available COVID relief funds, but the department felt all data points should be considered when having a conversation about funding for school districts.

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Ms. Sanders relayed that a colleague was present to answer any questions about limitations and flexibility of the funds.

Co-Chair Foster stated he had been seeing the \$237 million in remaining federal COVID funding for schools. He looked at slide 4 that showed total remaining COVID funding of \$10 million compared to the handout showing remaining COVID funding of \$237 million. He asked Ms. Sanders to explain the difference in the numbers.

Ms. Sanders explained that DEED had used the term "obligated" on slide 4. She detailed that \$517 million had been allocated to school districts and the department had obligated/awarded \$516 million of the total. She underscored the obligated amount had nothing to do with expenditures. She turned to slide 12 and explained that the column highlighted in yellow showing a total of \$236 million reflected the amount remaining after the expenditures or the reimbursement requests had been received by the department from school districts.

Co-Chair Foster asked for verification that the number to focus on was the \$237 million.

Ms. Sanders agreed.

Co-Chair Johnson asked if the \$237 million had been spent or obligated.

Ms. Sanders responded that the amount on slide 12 reflected the amount that school districts had not drawn or asked for reimbursements for. She explained that school districts may have plans or obligations they had put into place that had not yet been spent or they had not yet submitted their reimbursement requests.

Co-Chair Johnson surmised that how much of the remaining funding had been spent by districts was not yet known.

Ms. Sanders agreed. She explained that school districts may be getting ready to submit their reimbursement. For example, a school district may have replaced an air conditioning unit and was now preparing to submit its reimbursement request to DEED. She underscored that DEED did not have information on the current financials for each of the school districts. She stated the school districts had to answer those questions. The department knew that \$237 million had not been requested for reimbursement by the school districts.

Representative Hannan referenced the handouts [3 and 4] and noted that one [handout 4] included more columns including the average daily membership. She noted that the handout included Mt. Edgecumbe, which resulted in a difference in the COVID relief funds remaining shown in the column highlighted in yellow. She asked if it was the only discrepancy between the two in the COVID [relief funds remaining] column.

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Ms. Sanders agreed. She relayed that DEED was asked to add Mt. Edgecumbe and expand the information included.

Representative Hannan stated her understanding that by statute districts were required to have a 10 percent fund balance, but the requirement had been waived until FY 25.

She asked if the fund balance requirement would go back into effect at the beginning or end of FY 25.

ELWIN BLACKWELL, SCHOOL FINANCE MANAGER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, answered that school districts could have anywhere between zero to 10 percent under the statute (the 10 percent represented a maximum). The statute was waived to June 30, 2025. The fund balance reflected the balance on June 30 of any given fiscal year. He explained that the fund balance on the given date was reported in the annual audit. He stated it only represented what happened at the end of the fiscal year, but on July 1, districts would still have the same fund balance. He explained it was technically at the end of a fiscal year.

Representative Cronk asked why DEED was limited in its knowledge about funding districts had available.

Ms. Sanders answered that the only statute providing DEED authority to gather information was the one requiring the year end audited statements. She stated that school districts had local control over their funds and the department did not have visibility into their finances during the year.

Representative Cronk stated it was frustrating to get an answer about the finances. He stated that when he looked at the numbers provided, he wondered how much money districts really had. He thought it was a struggle because districts said they needed money, but he was uncertain there was a real answer. He observed that one district had \$351 million. He wanted transparency before agreeing to provide additional funding to the BSA. He shared that he had previously been a teacher for 25 years and wanted to ensure schools were funded, but without transparency it was difficult for him to agree to increase the BSA. He asked for verification that DEED did not have visibility into grant funding for school districts.

Ms. Sanders confirmed the information did not include grants.

Representative Stapp shared that he had fairly detailed information from his school district CFO Andy DeGraw. He reported that the Fairbanks North Star Borough School District (FNSBSD) only had \$4.3 million available out of the total funds listed. He noted that the district itemized

all of its expenditures. He stated that the district disputed the amount of money DEED showed for pupil transportation. The district reported the actual was \$3.5 million, not \$4.7 million. The district talked about the capital and other government funds allocation being appropriated already for IT replacement, insurance, and different operational replacement values of staff technology over a four-year period. He elaborated that Mr. DeGraw concluded that out of the \$16.1 million listed, only \$4.3 million of the funds were actually available for the FNSBSD for appropriation. He added that the district had already committed the FY 24 budget. He did not know where the big discrepancy was [between the school district numbers and the DEED numbers]. He relayed that when he had requested the information, he had received an itemized list showing the FNSBSD's accountability.

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Ms. Sanders answered that the school districts had more current information. The information shown by DEED was the information it had available in the audited financial statements from school districts as of June 30, 2022. She stated that school districts were the ones that should be communicating to legislators and the public on their current fund balances.

Representative Stapp asked for verification that the information was from audited information from nearly one year ago.

Ms. Sanders replied affirmatively. She added the date was noted on the slide.

Co-Chair Johnson looked at slide 3 and asked if the funds had to be obligated or spent by the expiration date shown.

Ms. Sanders answered that the funds had to be expended by September 30, 2024.

Representative Galvin was concerned about the word "honesty." She relayed that like Representative Stapp, she had been able to receive any information she had asked about [from her school district]. She asked if school districts provided information to DEED when requested.

Mr. Blackwell answered affirmatively. He confirmed that if DEED asked the school districts for particular information, the department had a good working relationship with the school districts.

Representative Galvin stated her understanding that the presentation was based on existing statute with regard to when information was reported to the department. She asked for verification that there was other information available, but there was no sense from DEED's perspective that anyone was trying to keep information from the department so that it could not get a better understanding of the numbers.

Ms. Sanders answered that the department had limited information available. She stated that the department did not have access to school districts' live information. She explained that the point of the document was to provide the information the department had available from districts at present.

[2:46:59 PM](#)

Co-Chair Foster moved to presentations from school districts.

DR. BRIDGET WEISS, SUPERINTENDENT, JUNEAU SCHOOL DISTRICT, provided a PowerPoint presentation titled "Fund Balance" (copy on file). She spoke in support of the legislation that would increase the BSA for school districts across the state. She relayed that the Juneau School District (JSD) school board policy required a 1.5 percent unassigned fund balance. She explained reducing the fund balance below 1.5 percent required a majority on the board to vote in favor of the action.

Ms. Weiss turned to slide 3 showing a table of JSD's unassigned fund balance story based on the district's audit documents. She noted the audit documents were final on June 30 and took several months to become solidified. She highlighted that the district's budgeted fund balance for FY 20 was \$574,400. She explained that when the district created its budget, the school board had to project what it planned on the ending fund balance to be based on a multitude of assumptions. She reported that the actual fund balance in FY 20 had been -\$30,603. She explained that in the audited document there were other designated funds with

balances that would often cover [for the deficit in the actual fund balance]. The following year, in FY 21, the board voted to reduce its projected budgeted fund balance to \$213,700 and the year ended with an actual audited fund balance of zero.

Ms. Weiss continued to review slide 3. She reported that in FY 22 the board voted to take the budgeted fund balance to zero to try to make ends meet. The district's actual fund balance at the end of FY 22 was -\$1.8 million. She explained that when all of the district's funds had been combined, the actual fund balance had been -\$63,000 for the first time. The district had worked to get its fund balance back up to \$272,000 in FY 23 and it did not know what the end of the year would bring [in terms of actual numbers]. The board had gone back to its 1.5 percent [fund balance] policy requirement for FY 24 because it could see the net effect of what was taking place. She stated they had been robbing Peter to pay Paul, which was not an option because the district's budgets were so slim.

[2:51:26 PM](#)

Ms. Weiss turned to slide 3 and discussed the district's transportation budget. She explained that the district currently received the same amount of funding per student for transportation that it received in August 2015. She relayed the absence of a hold harmless statute had hurt the district in regard to transportation. She expounded that JSD had a little grace during COVID due to the enrollment hold harmless statute, but it was nonexistent for transportation. She noted the numbers on slide 4 were audited. In 2020/2021, the district ended with a deficit in its transportation budget, which was carried forward to 2021/2022 and the deficit subsequently increased. She stated that the district had to run its buses, and whether there were 200 fewer students or not, the buses had to run across town (routes changed little when enrollment declined). She stressed that transportation funding would have to increase by 30 percent in order for the district to break even in FY 24.

Ms. Weiss turned to slide 5 pertaining to property liability insurance. There were many costs that increased including fuel, transportation, salaries, and benefits. She emphasized that the district had no control over the cost increase of property liability insurance. The cost listed

on slide 5 reflected actual costs and the projected cost for FY 24. The slide showed a radical increase that the district did not have the budget to compensate for.

Ms. Weiss addressed COVID funding on slide 6. She explained that one of the reasons the district did not have actual numbers for COVID fund balances was because the district was reimbursed on a quarterly system. She detailed that the district could not submit its reimbursements until money was expended and the funding was expended throughout the year. She stated there were two upcoming reimbursement dates that were not reflected on the sheet [presented by DEED] including April 30 and July 31. In Juneau, like most districts in the state, JSD looked at its resources for COVID and worked to balance spending of the funds to support the district through the recovery with a given amount per year. For example, a spreadsheet [provided by DEED labeled handout 4 (copy on file)] showed \$3,331,997 in remaining COVID funds. The district was actually budgeted at \$1.6 million for the next school year and it anticipated the balance of about \$1.7 million would be in the two reimbursements coming April 30 and July 31. She stated, "they are expending as we go." She explained it had been a challenge anytime the district received one-time funding. She elaborated that the source did not really matter, the school district had to look at the expenditure to ensure it was not setting itself up for a fiscal cliff. She noted that COVID funding had that potential. She relayed it had the same effect as one-time funding from the legislature. She stressed that the district had to strategically use the money in the way it was intended, to pull its students through a pandemic.

[2:55:15 PM](#)

Ms. Weiss reviewed JSD's FY 24 landscape on slide 7. She stated that in order to build a budget for the next school year, the board anticipated a \$430 increase to the BSA. She emphasized that even with the increase, the district had to make cuts to its budget to build a balanced budget. She noted that the school board had to have a balanced budget to submit to the state. If the \$430 BSA increase did not occur, the board would go back to the table and cut \$3.3 million from the budget. To get to the current budget for the following year the school district had removed \$235,000 of classified support at the elementary level and special education positions. The district built its balanced budget

with cuts and the anticipation of increased revenue. She stated it was challenging because every district was somewhat unique. She underscored that the district was very transparent. The district had audited financials and was willing to share any number from its books, which it did annually. She remarked that an ongoing, reliable adequate fiscal picture for school districts was imminent. She underscored that districts could not build innovative or sustaining programming for their students. She emphasized that grant budgets, which were specifically targeted funds, had allowed the district to provide mental health clinicians, Tlingit language support, culturally responsive teaching, and things the district would never be able to provide otherwise. The grants were one-time targeted funds and the district needed to be supported fiscally to be able to sustain the educational efforts for its students.

Co-Chair Foster remarked that he did not want to rush the rest of the meeting and wanted to provide time for questions; therefore, he would move some of the school districts to another meeting hearing during the week.

Representative Galvin thanked Ms. Weiss for her presentation. She looked at transportation costs on slide 4. She understood the state budgeted for transportation in a separate line item in the budget. She believed Ms. Weiss had stated JSD needed a 30 percent increase to break even for FY 24 transportation. She referenced Ms. Weiss's testimony that the district had to provide transportation even when it was not breaking even. She asked where the money came from.

Ms. Weiss responded that the district had carried forward a deficit in its transportation budget for two years hoping it could find some efficiencies and make it up, but that had not been possible. The district had asked its local assembly to help. She stated that the school district thought it could perhaps catch back up, but the deficit had continued to increase. Ultimately, in June of 2022, the district had ended up in the red in its overall budget, which had been a wake up call. She stressed that the district could not keep carrying the deficits.

Representative Stapp looked at the 3x increase in JSD's property liability insurance. He assumed the district was fully insured. He asked if the district had looked at

commercial risk pooling with the City and Borough of Juneau (CBJ) or self-insuring.

Ms. Weiss replied that JSD already did so. The district worked directly with CBJ for its insurance.

[3:00:15 PM](#)

Representative Coulombe looked at the \$1.6 million in remaining COVID funding [slide 6]. She asked about the total COVID funding received by Juneau.

Ms. Weiss responded approximately \$12 million.

Co-Chair Edgmon thought he heard DEED tell the committee earlier in the meeting that it had a pretty good handle on all of the COVID money out there. He heard Ms. Weiss say that JSD was reimbursed on quarterly rates including on April 1 and July 31 and that it had \$1.6 million remaining. He remarked that the two statements clashed.

Ms. Weiss believed the date on DEED's slide was April 15. The two quarterly upcoming reimbursement dates were April 30 and July 31. She explained that by the time JSD did its reimbursements at the end of April and end of July, the anticipated amount remaining for the next and final school year was \$1.6 million.

Co-Chair Edgmon was trying to get to a BSA number that would work for some school districts but would not be ideal for others. He stated it was just the way the school districts were built - big, small, medium, and so forth. He asked if the department knew enough to understand JSD's BSA needs.

Ms. Weiss answered that the school funding formula was very complicated. She relayed that running a school district budget was almost impossible and if most businesses ran the way they did there would not be many thriving businesses in Alaska. She stated that the information DEED had access to was fully transparent through audited records and through their reimbursement for COVID expenditures based on certain funding formulas DEED held the lens to. It was all dependent on the process. Under the particular case it was a reimbursement. She stated that sometimes JSD received funds upfront and the school district was able to spend the funds based on the criteria. She elaborated that COVID

funding was a reimbursable fund where the district spent money and requested reimbursement from DEED.

Co-Chair Edgmon did not think the department understood the true needs of the school districts. He understood there were a lot of moving parts outside of COVID funding and things that changed quickly such as liability insurance rates and other. He stated it brought him to the question about what number to put the BSA at. He believed in some situations it would be highly acute. He elaborated that Juneau had gone through its reserves. He stated there were the Mat-Su, Bristol Bay, Fairbanks, and others to follow. He believed the issue needed to be explored. He understood the picture Ms. Weiss was painting and appreciated the details.

[3:04:35 PM](#)

Representative Ortiz appreciated the presentation. He looked at the third bullet point [on slide 7] specifying that with a \$430 increase to the BSA the district would cut two special education positions and \$235,000 in classified support at the elementary level. He underscored that \$430 was a number that would entail losing two special education positions and cutting classified support at the elementary level. He emphasized that it did not speak to the impact on individual students who would not see the classified specialists in their classrooms or receive special education support. He was not criticizing anyone in the room. He underscored the importance of keeping track of the end result being delivered to students across the state if the BSA continued to be flat funded. He emphasized that it was not possible to make up a year's instruction where a student did not receive added support. He asked for detail on the impact of eliminating the two special education positions and the \$235,000 cut to classified support at the elementary level.

Ms. Weiss replied that she was closing in on her 39th year in education. She relayed that for at least the past 10 years she had been an advocate for financial support and it broke her heart. She shared that the job in education was incredibly different at present than it had been when she started teaching in 1984. She stated that the fact that she lived in the amazing state of Alaska and had to appear like she was begging, pleading, and justifying the work that needed to be done for children in Alaska broke her heart.

She saw it daily in the school district. She shared there were students who needed more support in reading, more adult support and with very significant social and emotional needs. She underscored there was not any problem in any of the state's communities that did not live and breathe inside the schools and classrooms. She stated there were other items the district had to cut, but she had selected the two items [shown on slide 7] because they were directly dedicated to classroom and student support. She found it shameful that they could not figure out how to support its educational system in a way that made a difference for students. She highlighted that students were "our neighbors" and would be the state's workforce.

Ms. Weiss stressed it was time to step up with an adequate and routine funding source that was increased incrementally over time. She emphasized that the current situation was a result of flat funding over the past seven years. She stated that the district would not be asking for as much currently if it had been incrementally increased along the way as it should have been. She did not have a magic number [for the BSA]. She explained that the JSD school board had selected the number [\$430] because it was uncomfortable gambling on anything more, but they could not stomach figuring out how to build a budget adequately on \$30. The decision had been to land somewhere in the middle where they could survive building a budget and have some semblance of order and hope the number ended up being somewhere in that ballpark.

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Representative Hannan asked how many people worked in the JSD finance section.

Ms. Weiss answered there were three people in the finance department and three in the payroll department.

Representative Hannan asked how large the section had been when Ms. Weiss started.

Ms. Weiss responded that when she first came to the district (nine years ago), there had been one or two additional positions in the section.

Representative Hannan stated there were 53 school districts. She had never turned to DEED for what her school

districts needed; she had always turned to the school districts that had independent boards and finance offices with the ability to get the information at the drop of a hat. She could not fathom how large DEED's finance division would have to be to be able to report to the legislature on the increase in P&I insurance and the relationship to the city and when it went up. She turned to her district and knew the school boards actively engage and look at the items. She was shocked that some thought DEED should be in charge because "we've given that authority" (fiduciary and legal) to boards that were elected to hire and fire people to make sure there was accurate information. She stated that DEED was a reporting agency of data from very diverse districts. She remarked that the numbers were sad. She stated that programs had been cut to the bone. She emphasized there were special education students who would have less services the next year in the budget that the legislature would be able to produce and protect for them. She thanked Ms. Weiss for her testimony.

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Representative Josephson felt like the department was perhaps thinking "don't shoot the messenger" and that its information reflected a moment in time and was all it had. He was concerned about what someone would think looking at the DEED school district fund balances updated April 18, 2023 because districts were supposed to have a reserve balance (the requirement had been waived). Additionally, there was a capital project fund, which was the reason there were five-year lapsing requirements because the funds were not expected to be spent in a year. He found that column to be unique. He continued that there were total COVID funds and the deadline was about six months away, but someone could look at the total by district and say there was \$1.037 billion; however, it was not particularly relevant to the overall.

Co-Chair Foster moved to the Anchorage School District (ASD).

ANDY RATLIFF, CHIEF FINANCIAL OFFICER, ANCHORAGE SCHOOL DISTRICT, testified in support of HB 65 and a BSA increase. He wanted to address the "elephant in the room," which was the \$351 million reported in the district's available funds to spend. He remarked there was a wide variety of balances among all districts; therefore, to hold the entire state to

the Anchorage standard was likely unfair. He referenced the DEED spreadsheet titled "Handout 4: School District Fund Balances" discussed earlier in the meeting (copy on file). The first column represented \$71.1 million of ASD's unreserved fund balance. Of the total, \$25.7 million was restricted for use to preserve the Municipality of Anchorage bond rating. He elaborated that ASD set aside 10 percent of its tax request to be able help when bonds were sold in the future. He stated it was restricted and undesignated and represented a little under one month of general fund expenditures for ASD.

Mr. Ratliff stated that about \$2.5 million of the district's \$3.1 million transportation fund balance was dedicated to help shore up the FY 24 budget. He relayed in the past ASD had been 100 percent program funded by the state and transportation was now funded about 73 percent by the state. The district had increased driver wages by about 25 percent in the current year to get drivers in the door. He explained that about two-thirds of its general education bus routes had not been running at the start of the year because the district had been unable to hire drivers. Raising wages had helped get drivers in the door and all of its buses were running, although it was difficult to find substitutes and run after school programs.

Mr. Ratliff reported that the \$16 million for capital projects was made up of bond proceeds and was dedicated to bond programs and could not easily be transferred into the general fund for other instructional uses. There was \$167.7 million in other governmental fund balances. He detailed that \$90.5 million of the total had been in the district's debt service fund as of FY 22, \$4.1 million was the receipt of property taxes, and \$86.4 million was the school bond debt reimbursement. He stated that Anchorage was the only school district that received the school bond debt reimbursement and other districts went through their municipalities. He noted that school districts did not necessarily have a say in what to do with the specific funds. The ASD board had approved the funding to be transferred to its capital projects fund to be dedicated for deferred maintenance and safety projects including secure vestibules to strengthen entrances to the elementary schools, as well as rooves and other high priority equipment failures that needed to be addressed. He relayed that about \$40 million of the total had not been dedicated to a particular project.

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Mr. Ratliff continued to review a breakdown of the \$167.7 million in other governmental fund balances. He detailed that about \$9.1 million was restricted by the federal government for food service. In FY 22, the federal government decided to continue paying higher COVID rates and the district had been able to save some money. He elaborated that the district was starting to draw the funding down in FY 23 and would continue to do so in FY 24 as the rates were not increasing as fast as the food worker wages and the cost of food were increasing. He relayed that \$5.8 million of the other governmental fund balance was student activity funds. The funds were raised by student activity groups and booster clubs and were dedicated for the sole use by the schools for the clubs raising the money. He elaborated that \$62.6 million was other general fund balance reservations. He stated that \$11.3 million was for federal impact aid. He explained that the state allowed the school district to reserve funding for the purpose because the timing and amount of the federal impact aid was unknown. The district knew the number of students it would get federal impact aid for, but it did not know the rate or if the federal government would fund at 100 percent; therefore, the state allowed the school district to reserve money for that purpose.

Mr. Ratliff continued reviewing the school district funding. He relayed that \$18 million was for self-insurance and workers' compensation reserves. There were outstanding claims that had not yet been paid and a portion of the funds had to be reserved for future claims costs. There was \$28.6 million in encumbered funds for ongoing projects and about \$18 million of the total was reserved for charter schools. The school district allowed charter schools to carry forward their balances and to use the funds as they saw fit. The remainder of the \$28.6 million went annually to major maintenance projects including IT software purchases, curriculum adoptions, and audits. He explained that \$2.8 million and \$1.4 million went to prepaid items and inventory for the next year. He relayed that many contracts (e.g., software contracts) required advance payment.

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Mr. Ratliff reviewed \$92.7 million in COVID relief funding. He stated the amount should reflect ASD's unspent COVID funding as of December 31 [2022]; the district had not yet submitted its third quarter reimbursement. He noted the fourth quarter would be a much heavier spend due to the way the district's teachers were paid. He explained that teachers were paid 12 equal payments from September through June with two payments in May to help carry teachers through the summer. The school district anticipated having \$20 million to \$25 million at the end of the year. He noted that \$20 million had been dedicated to class size retention for next year's budget.

Mr. Ratliff addressed why the fund balance was necessary. The first reason was available cash flow. The COVID relief funding had to be spent upfront, requiring some cash on hand in order to do so. The fund balance allowed the district to have cash on hand in order to pay bills. The second reason was related to the timing of property tax payments. He detailed that property tax payments were not received until beginning in December. He explained that the cash balance declined until December until the payments started coming in. The districts had to float the revenues until the other funding came in.

Mr. Ratliff addressed the school district's capital construction program, which was based on the timing of the district's bond sales. He explained that the district could spend its capital into a deficit, sell a bond, and pay itself. He elaborated that having the cash on hand to be able to accommodate capital construction was very beneficial, which was one of the reasons ASD carried a fairly high fund balance in cash. He addressed unforeseen emergencies and highlighted an earthquake as an example. He explained that the board had immediately allocated \$30 million of the school district's fund balance to start getting schools safely reopened. The effort had taken substantial funding and the district was still waiting on FEMA [Federal Emergency Management Agency] reimbursements. He highlighted that Russian Jack Elementary had burned down in the early 2000s and the school district had been able to spend its fund balance to help get the work reimbursed before insurance proceeds kicked in. He addressed unanticipated enrollment losses. He explained that if the district lost 100 students in a year it equated to \$1 million. By the time the district knew it had lost 100 students, all of its staff was already on contract and

could not be reduced. Many times, the district would have to use its fund balance to help float the costs.

Mr. Ratliff stated that ASD had just under \$72 million in undesignated fund balances. Of the total, about \$26 million would be continually reserved to preserve the district's bond rating, which left about \$46 million. The district expected the amount to increase by the end of 2023. He explained that the board had saved the \$16.2 million received for use in FY 23 to offset some of the losses in FY 24.

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Mr. Ratliff reported the district had about 450 vacancies throughout the current year. The district did not want the vacancies and would rather spend the money and not have the fund balance, but from a finance perspective it helped pad the fund balance. The district had a balanced budget for FY 24 including \$45 million in one-time fund balance money plus \$20 million in remaining ESSER funding and an increase of \$7.5 million for the PTR [pupil to teacher ratio] including one additional student per classroom. The district planned on spending some of its fund balance down, but the district was lucky it had the money to spend down because many districts did not have the option.

Co-Chair Foster believed Mr. Ratliff's had stated that some of the \$92 million in COVID federal relief funds was needed for unforeseen events. He asked how much was obligated currently and how much was remaining for unforeseen events.

Mr. Ratliff clarified that the COVID funding was not being used for emergencies. The funding was all dedicated for staffing for the coming year. The district anticipated having a little over \$20 million at the end of the year.

Representative Stapp referenced DEED's spreadsheet reviewed earlier in the meeting (copy on file) showing \$92.7 million in remaining COVID funds for the Anchorage School District. He asked if there was a big difference between the amount of COVID funding the Anchorage School District had received compared to the amount received by other districts. He saw a disparity between the Fairbanks school district and Anchorage.

Mr. Ratliff replied that the COVID funding had not been distributed based on the AADM, but on the district's Title 1 or economically disadvantaged status. He believed Anchorage received about 28 percent of the overall funding based on the AADM. He believed Anchorage had received 35 to 40 percent of the Title 1 funding. The district had received a larger percentage of the ESSER money than it would have if it had been one-time funding from the state.

Co-Chair Foster noted that the meeting time was almost over. He asked Mr. Ratliff to provide any closing comments.

Mr. Ratliff relayed that he would provide his talking points to the committee. He thanked the committee for working on education. He stated that if nothing was added to the BSA in the current year, FY 25 would be rough. He explained that ASD would spend its entire fund balance down to a board minimum and all of its ESSER funding. The district would be left with a structural deficit of \$85 million to \$90 million, which equated to 900 to 1,000 positions. He underscored the importance of a BSA increase in the current session to enable the school district to plan for FY 25. He added that the district constructed its budget in January/February but it would not know how much funding it would receive until May or June. He stressed that the district could not plan if it did not know how much funding it would receive ahead of time.

Co-Chair Foster thanked Mr. Ratliff for his presentation. He indicated the possibility of adding the remaining presenters to the Friday meeting. He reviewed the schedule for the following day.

HB 65 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[3:28:39 PM](#)

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