

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

April 24, 2023

3:31 p.m.

MEMBERS PRESENT

Senator Löki Tobin, Chair
Senator Jesse Bjorkman
Senator Jesse Kiehl
Senator Elvi Gray-Jackson

MEMBERS ABSENT

Senator Gary Stevens, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 56

"An Act relating to the Alaska performance scholarship program."

- HEARD & HELD

PRESENTATION(S): SCHOOL DISTRICT FUND BALANCES

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 56

SHORT TITLE: AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY

SPONSOR(S): SENATOR(S) DUNBAR

02/06/23	(S)	READ THE FIRST TIME - REFERRALS
02/06/23	(S)	EDC, FIN
04/24/23	(S)	EDC AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR FORREST DUNBAR, District J
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as the sponsor of SB 56.

ALLIANA SALANGUIT, Staff
Senator Dunbar

Alaska State Legislature
Juneau Alaska

POSITION STATEMENT: Provided a sectional analysis for SB 56.

SANA EFIRD, Executive Director
Alaska Commission on Postsecondary Education
Juneau, Alaska

POSITION STATEMENT: Testified by invitation on SB 56.

SARA PERMAN, State Government Relations Manager
University of Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 56.

ANDREAU DEGRAW, Chief Operations Officer
Fairbanks North Star Borough School District
Fairbanks, Alaska

POSITION STATEMENT: Co-presented a presentation, School District Fund Balances.

LON GARRISON, Executive Director
Association of Alaska School Boards
Juneau, Alaska

POSITION STATEMENT: Co-presented a presentation, School District Fund Balances.

BRIDGET WEISS, Superintendent
Juneau School District
Juneau, Alaska

POSITION STATEMENT: Co-presented a presentation, School District Fund Balances.

BILL HILL, Superintendent
Bristol Bay Borough School District
Naknek, Alaska

POSITION STATEMENT: Co-presented a presentation, School District Fund Balances.

ANDY RATLIFF, Chief Financial Officer
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Co-presented a presentation, School District Fund Balances.

ANDREW LEAVITT, Director of Budget and Finance
Lower Yukon School District
Bethel, Alaska

POSITION STATEMENT: Co-presented a presentation, School District Fund Balances.

ACTION NARRATIVE

[3:31:06 PM](#)

CHAIR LÖKI TOBIN called the Senate Education Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Kiehl, Gray-Jackson, Bjorkman, and Chair Tobin.

SB 56-AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY

[3:32:22 PM](#)

CHAIR TOBIN announced the consideration of SENATE BILL NO. 56 "An Act relating to the Alaska performance scholarship program."

CHAIR TOBIN stated there is a committee substitute for SB 56.

[3:32:34 PM](#)

CHAIR TOBIN solicited a motion.

[3:32:36 PM](#)

SENATOR GRAY-JACKSON moved to adopt the committee substitute (CS) for SB 56, work order 33-LS0350\B, as the working document.

[3:32:48 PM](#)

CHAIR TOBIN objected for purposes of discussion.

[3:33:08 PM](#)

SENATOR FORREST DUNBAR, District J, Alaska State Legislature, Juneau, Alaska, sponsor of SB 56, stated that the House made substantial changes to HB 31, the companion bill to SB 56. Therefore, he would present the underlying bill and the changes the House made that he agrees with.

SENATOR DUNBAR stated that the Alaska Performance Scholarship has been a key tool for keeping young, talented Alaskans living in the state. According to an analysis by the Alaska Commission on Postsecondary Education (ACPE), APS influenced 68 percent of eligible students to attend school in the state. Two years after graduation, 94 percent of APS recipients stayed in Alaska, compared to 82 percent of non-recipients. Eight years after graduation, 70 percent of APS recipients remained in the state, compared to 63 percent of non-recipients.

SENATOR DUNBAR said SB 56 speaks directly to the problem of working-age population decline in Alaska. Recent years have

shown a sharp decline in eligibility uptake of the scholarship. A study by the McDowell Group identified barriers such as logistical difficulty in taking college entrance exams in rural areas, a lack of awareness of the program, and delayed notification of the award to students. SB 56 addresses these concerns and implements recommendations from ACPE. He said the intended outcomes of SB 56 are to have more students using APS to attend Alaskan schools and remain living in the state. SB 56 would:

- Increase the award amount to keep it up to date with inflation.
- Allow a student's GPA or the score of a college entrance exam to qualify, instead of requiring both.
- Expand eligibility to include Career and Technology Education (CTE) courses.
- Extend the time to use the scholarship from six to eight years after graduation.
- Establish an earlier eligibility notification deadline so students have more time to choose Alaska's schools.

SENATOR DUNBAR shared an anecdotal story illustrating how earlier notification of the award would make it possible for students to know they had received it before accepting offers from out-of-state colleges. He stated that APS funding would continue to come from the Alaska Higher Education Investment Fund, not the Undesignated General Fund (UGF). APS recipients are required to complete a rigorous high school curriculum, attain a certain grade point average, and receive a minimum test score on a qualifying exam. He opined that APS offers students a reason to excel and ensures they are prepared for postsecondary education. Once enrolled in a higher education program, students must continue meeting eligibility requirements, further incentivizing them to succeed in coursework.

[3:36:25 PM](#)

ALLIANA SALANGUIT, Staff, Senator Dunbar, Alaska State Legislature, Juneau Alaska, provided the following sectional analysis for SB 56:

[Original punctuation provided.]

SECTIONAL ANALYSIS

SB 56: AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY
Version B
Updated 4.24.2023

Section 1: Amends AS 14.43.820(a)(2) Alaska performance scholarship program; eligibility, by allowing a student to qualify for the Alaska Performance Scholarship (APS) 18 months prior to graduating from an Alaska state high school instead of 6 months.

Amends AS 14.43.820(a) to allow Career and Technical Education (CTE) courses to count towards APS eligibility in three ways:

- AS 14.43.820 (a)(3)(A): Replace one year of social studies with one year of CTE coursework (within Math & Science Track)
- AS 14.43.820 (a)(3)(B)(ii): Replace two years of world language with two years of CTE coursework, one year of which is sequentially more rigorous, within a career cluster.
- AS 14.43.820 (a)(3)(C): Replace one year of social studies with one year of CTE coursework (within Social Studies & Language Track)

Deletes AS 14.43.820 (a)(5), removing the college entrance exam requirement from the Alaska Performance Scholarship. Additional language in Section 4 allows for a GPA or a college entrance examination to qualify instead of requiring both.

Section 2: Adds language to AS 14.43.820(g) defining "career cluster" as a group of jobs and industries that are related by skills or products and renumbering the subsection accordingly.

Section 3: Adds the following new subsections to AS 14.43.820:

- AS 14.43.820 (h) requiring districts to inform students in 9th or 10th grade about the Alaska Performance Scholarship.
- AS 14.43.820 (i)(j)(k) requiring students be notified of their APS eligibility progress by December 31st of their junior year. Award

recipients must be notified of their award and level by August 15th of each year. Any communications with students regarding the APS must include information about the ability to increase the scholarship amount outlined in AS 14.43.825(g)-(i).

- AS 14.43.820 (1)(m) establishing that an applicant must be enrolled in any remaining course requirements, must have a qualifying GPA, and once graduating from high school, be enrolled in a qualifying postsecondary institution to receive the award. The applicant's GPA upon graduation will be used to conclude the final award amount. The award would be revoked if requirements were ultimately not met.

Section 4: Amends AS 14.43.25(a) by increasing all award levels and allowing for a GPA or minimum score on a college entrance examination to qualify. The qualifying GPA or minimum score and new award level are as follows:

- Level 1: 3.5 GPA or above or a very high minimum score, \$7,000 (increased from \$4,755)
- Level 2: 3.0 GPA or above or a high minimum score, \$5,250 (increased from \$3,566)
- Level 3: 2.5 GPA or above or a moderately high score, \$3,500 (increased from \$2,378)

Section 5: Amends AS 14.43.25(b) by increasing the number of years a student can use the scholarship after graduating high school from six to eight years.

Section 6: Adds a new subsection to AS 14.43.825 requiring postsecondary institutions to review award recipients' grade point averages each time they complete two semesters. If a recipient's postsecondary institution grade point average qualifies for a higher level award as outlined in AS 14.43.25(a), their award amount will be adjusted accordingly

[3:41:16 PM](#)

CHAIR TOBIN asked whether any schools in Alaska do not use grade point average (GPA) to measure student achievement.

SENATOR DUNBAR responded that he was unsure and suggested that someone from the Alaska Commission on Postsecondary Education or the University of Alaska System might answer the question.

CHAIR TOBIN said Section 6 might need flexibility to provide for schools that may use a different grading scale.

[3:41:57 PM](#)

CHAIR TOBIN removed her objection; finding no further objection the CS for SB 56, work order 33-LS0350\B, was adopted.

CHAIR TOBIN announced the committee would hear invited testimony.

[3:42:37 PM](#)

SANA EFIRD, Executive Director, Alaska Commission on Postsecondary Education, Juneau, Alaska, expressed her belief that certain homeschool programs in Alaska may not employ GPA tracking for student achievement. Nevertheless, the department has established a method to convert homeschool students' achievements into a format that complies with APS regulations when a GPA is not available.

MS. EFIRD said the mission of ACPE is to provide access and success for Alaskan students and adults in their postsecondary endeavors. APS plays a significant role in providing students with financial access to post-secondary programs. In 2011, the legislature enacted APS. Since its inception, almost 12,000 students have received \$100 million in scholarships. The legislature enacted the program to inspire and prepare high school students for success. The four primary objectives of APS when enacted were:

- Incentivize Alaskan students to excel in high school.
- Prepare Alaskan students for college and career training.
- Help Alaskan students succeed and complete postsecondary programs.
- Keep high achieving Alaskan graduates in Alaska's workforce.

MS. EFIRD said ACPE, by statute, must provide the legislature with an outcomes report. The report for 2022 contains a summary showing APS is delivering on its objectives and goals:

- The APS offers an incentive for Alaska students to excel in high school. Over 70 percent of students that take the APS

curriculum and meet eligibility receive better grades, 60 percent take challenging courses, and 57 percent seek academic advising, a key factor for success in post-secondary education.

- The APS curriculum prepares students for college and career training. Only 5 percent of APS recipients require developmental coursework as they enter postsecondary education programs, compared to over 30 percent of non-recipients.
- The APS helps students persist and complete college. APS students succeed at higher rates than non-recipients at the University of Alaska.
- The APS retains skilled Alaskans in Alaska. APS recipients have higher Alaska residency rates than non-residency rates, and after several years, they continue to remain in Alaska at higher rates.

[3:47:45 PM](#)

MS. EFIRD stated that through surveys and data ACPE could show that APS delivers on its objectives. However, there has been a decline in usage of APS since 2016. Therefore, in 2020 ACPE commissioned McKinley Research Group (formerly known as McDowell) to perform an evaluation and review of the scholarship program. The ten-year lookback made several recommendations to improve the usage of the program. At 17 percent, the Class of 2022 has the lowest number of students eligible for the award and use of the award. Therefore, ACPE has been working with legislators to enact recommendations made in the review report to expand eligibility to a wider range of students. SB 56 includes recommendations from the McKinley report to open APS to more students.

[3:50:32 PM](#)

SARA PERMAN, State Government Relations Manager, University of Alaska System, Anchorage, Alaska, said the university supports the Alaska Performance Scholarship created in 2011 with the intention of combating "brain drain," from the state. The Alaska Commission on Postsecondary Education implemented the scholarship program and Alaska experienced an increase in the number of students that utilized the scholarship, went to postsecondary education schools in Alaska, and joined Alaska's workforce. Approximately 80 percent of University of Alaska graduates join Alaska's workforce. While the University approves of all measures in SB 56, it is particularly supportive of

earlier award notice, as it allows students to know of the award before their senior year begins, giving them time to assess the offer against other offers. It also supports the removal of the standardized testing requirement that disproportionately affects students from rural Alaska. In 2021 when schools temporarily lifted the requirement, eligibility increased from 23 percent in 2019 to 37 percent in 2021. The university also favors allowing career and technology credit use of the scholarship, which expands eligibility. Adjusting the award amount to account for inflation also makes postsecondary education more accessible for students.

[3:53:50 PM](#)

CHAIR TOBIN held SB 56 in committee.

PRESENTATION(S): SCHOOL DISTRICT FUND BALANCES

[3:54:03 PM](#)

CHAIR TOBIN announced the consideration of presentations from School Districts across Alaska on School District Fund Balances.

[3:54:58 PM](#)

ANDREAU DEGRAW, Chief Operations Officer, Fairbanks North Star Borough School District, Fairbanks, Alaska, acknowledged that schools in Alaska are facing difficult budget situations. Each faces challenging circumstances with no easy answers.

[3:55:44 PM](#)

MR. DEGRAW turned to slide 2 and stated he would speak to the April 17, 2023, DEED Fund Balance Report and the Fairbanks School District financial position and outlook.

[3:56:14 PM](#)

MR. DEGRAW turned to slide 3 and stated, "Fund balance is to school districts as the Constitutional Budget Reserve CBR is to the state." The CBR plays a crucial role in the state's budget process. He explained that accessing CBR funds was challenging for the state, as it should be.

MR. DEGRAW said the CBR ensures the state's financial stability in tough times and helps manage unexpected situations and financial crises. Similarly, school districts in Alaska rely on healthy fund balances, especially during the challenges posed by the Covid pandemic in recent years. He stated he is not advocating for change to how the state or districts hold fund balances, but said balances are often viewed negatively. The state views the balance fund as a pot of money that school

districts should tap into regularly to fund ongoing school district operations. He countered that school districts need the fund to confront financial challenges when they arise. He noted that the state can increase revenue, school districts cannot. Fairbanks depends solely on outside sources for revenue.

[3:57:34 PM](#)

MR. DEGRAW turned to slide 4 and expressed his appreciation for DEED but said he would like to present a counter narrative to the DEED Fund Balance Report. He opined that some of the information in the report is accurate, some needs explaining, and some is inaccurate.

[3:58:47 PM](#)

MR. DEGRAW turned to slide 5 and said audited financial statements are available to confirm the information he provides. The operating fund's unreserved balance for the Fairbanks North Star Borough School District (FNSBSD) is \$0. He said the dollars that appear in the audit are either restricted or identified to a future point in time. He said non-spendable monies refer to inventories, and restricted monies are home school students allotted. He mentioned that a few areas received impact aid dollars. As of June 30, 2022, the date of the report, those dollars are for a future point in time. He reiterated that while the operating fund's unreserved balance has money, the amount that school district could spend on the FY 2024 budget is \$0.

[4:00:13 PM](#)

MR. DEGRAW turned to slide 6 and said the DEED report shows \$4.7 million dollars for pupil transportation. He stated it is bewildering to him that the amount includes \$1 million (22 percent) of funds officially restricted, by the State of Alaska, to transportation purposes. Technically, \$3.7 million of the pupil transportation funds are available to the school district.

[4:00:41 PM](#)

MR. DEGRAW turned to slide 7 and said school transportation funding has not been adjusted for eight consecutive years. He explained that the blue line represents the budgeted full-service transportation costs, and the orange bar represents state transportation grant revenue. At full service, FNSBSD would run a \$3.5 million deficit. Historically, FNSBSD often covered student transportation costs with funds from its general budget. He explained that during the pandemic, FNSBSD did not need to subsidize transportation from the general fund due to school closures and a nationwide driver shortage. He estimated that within two-years of returning to full service, the district

would exhaust the fund and cuts to service would occur. If the district depletes the fund now and transportation services are reinstated, the district will need to reduce transportation services next year.

[4:01:59 PM](#)

MR. DEGRAW turned to slide 8 and said there is about \$2.3 million in capital construction. Most of the funds are in cooperation with Fairbanks North Star Borough for roofing projects. One was completed, and the other is ongoing. A smaller portion of the amount is federal impact aid specifically identified for construction. In theory, the district could move from this category to the general fund, but it would take a significant amount of time and effort to undo the memorandum of understanding (MOU) with the Fairbanks Borough.

[4:02:54 PM](#)

MR. DEGRAW moved to slide 9 and discussed a category in DEED's report titled Other Governmental Funds. In the column for Fairbanks, DEED lists the fund's amount as \$13,030,039. However, the total value of all remaining funds based on FNSBSD's audited financial report was \$10,670,181, resulting in a discrepancy of \$2,389,858.

[4:03:32 PM](#)

MR. DEGRAW turned to slide 10 and said there are four main funds in the Other Governmental Funds category of the report. He explained the value and purpose of the funding:

- Nutrition Services \$2.4 million - government restricted for FNSBSD nutrition services operations.
- Student Activities \$1.6 million - funds raised by students and community for specific sports and activities.
- Insurance \$3.7 million - FNSBSD is self-insured and pays ongoing health, property, and casualty liability claims. Approximately \$35 - 40 million is ran through the fund annually.
- Student/Staff Devices \$2.9 million - FNSBSD operates a one-to-one student device program. Teacher and student devices are replaced on a four-year cycle.

[4:06:08 PM](#)

MR. DEGRAW turned to slide 11 and noted that the DEED report shows FNSBSD with a Covid Federal Relief Grant balance of

\$16,128,905 as of April 15, 2023. He stated that FNSBSD is unable to reconcile DEED's amount. According to its state-approved grant report, as of December 31, 2022, the available amount was \$14,023,107, resulting in an unidentified difference of \$2,105,798.

[4:06:47 PM](#)

MR. DEGRAW turned to slide 12 and expressed that the intent of the report is to provide school districts with the information they need about their budget amount for FY 2024. He mentioned that Fairbanks had received approximately \$33 million in total funds and, by the end of FY 2023, would have about \$4.9 million earmarked for FY 2024, which has already been budgeted.

[4:07:33 PM](#)

MR. DEGRAW skipped to slide 14 and stated that school districts and boards across the state are facing difficult decisions. Over the last 3-4 years, FNSBSD has cut 180 positions, closed three schools, and in 2024, hopes to limit high school class sizes to 32 students but will likely have classes of 35-40 students."

[4:08:32 PM](#)

MR. DEGRAW turned to slide 15 and said the starting deficit for FY 2024 is \$17 million.

[4:08:47 PM](#)

MR. DEGRAW turned to slide 16 and expressed his appreciation for Chair Tobin's efforts to provide relief to school districts. On behalf of FNSBSD, he officially requests a permanent statutory increase to the base student allocation of \$1,000 to help restore the FY 2024 cuts, address the unfunded mandates of the READS Act, and potentially restore previous cuts made in FY 2023

[4:09:48 PM](#)

SENATOR BJORKMAN asked whether the Fairbanks North Star Borough School District (FNSBSD) provides its school board with quarterly financial reports that explain expenditures, balances, and money transfers.

[4:10:17 PM](#)

MR. DEGRAW responded that FNSBSD provides monthly financial updates to the school.

SENATOR BJORKMAN asked if it is possible for DEED to assess the real-time financial data of FNSBSD in relation to previous year financials and approved budget.

[4:10:55 PM](#)

MR. DEGRAW responded that it would be possible for DEED, but conducting such an assessment would be time-consuming. He mentioned that he could not speak to DEED's availability. While he acknowledged that the information in DEED's report was technically correct, he highlighted two main issues. First, DEED identified \$36 million as available funds, but in reality, Fairbanks would not have \$36 million available in FY 2024 because the majority of the money is restricted. The second issue was related to timing, especially concerning Covid dollars. Many school districts submit financial statements on a quarterly basis. School districts spend funds in advance and the state reimburses them later. Numbers are outdated by the time they appear in the system. FNSBSD's accounting office projects that \$5 million in Covid dollars will remain at the start of FY 2024, whereas the report indicates \$16 million. He stated his belief that this accounting time lag is a common issue for most school districts in Alaska.

[4:13:18 PM](#)

SENATOR BJORKMAN stated that he appreciates knowing that school districts provide monthly financial reports to school boards and the public.

[4:13:38 PM](#)

SENATOR KIEHL asked if the online grant management system (GMS) provides up to date information on Covid funding and spending.

[4:14:06 PM](#)

MR. DEGRAW replied that the numbers in the GMS are not up to date because school districts request reimbursement either monthly or quarterly. For instance, Fairbanks spends \$1-1.5 million monthly, but its reimbursement request to the state is on a quarterly basis. Therefore, as of April 24, 2023, FNSBSD's had not yet requested expenditures from January 1 to March 31. The most recent entry in the GMS for Fairbanks is from December 31, rendering the GMS system inaccurate by several million dollars.

[4:15:42 PM](#)

SENATOR BJORKMAN inquired about how much additional money FNSBSD needed to cover its FY 2024 budget.

[4:16:01 PM](#)

MR. DEGRAW responded that he predicts FNSBSD will have a deficit of \$5 - \$10 million depending on how various factors, such as

local contribution, shake out. Ultimately, what the state decides will impact the decision of boroughs.

[4:17:56 PM](#)

LON GARRISON, Executive Director, Association of Alaska School Boards, Juneau, Alaska, addressed the committee, speaking from the perspective of school boards and their governance obligations regarding financial oversight and budget spending approval. He referred to a claim made by the administration last week, asserting that Alaska school districts had adequate fund balances and unspent Covid funds that could be used instead of increasing the BSA. Mr. Garrison emphasized that this claim was untrue.

Local school boards operate under board policies that implement state and federal laws and regulations related to public school system operation. Model policies, provided by the Association of Alaska School Boards, are adopted or modified by most districts in the state.

[4:19:12 PM](#)

MR. GARRISON cited several relevant model policies specifically:

- Board Policy 3000, which discusses board responsibilities vs. administration.
- Board policy 3100, which addresses budget requirements and the need for a balanced budget. (Enables the implementation of AS.14.17.900)
- Board Policy 3300, covering expenditures and expending authority.
- Board Policy 3400, which deals with the management of district assets and compliance with state reporting guidelines and financial audits. (Complies with 4 AAC 06.120 and AS.14.14.050)
- Board Policy 3460, regarding periodic financial reports to keep school boards informed about the district's financial condition.
- Board Policy 3470, emphasizing fund balance classification and the importance of understanding whether funds are reserved, dedicated, or assigned. These distinctions are crucial, especially concerning specific federal funds, state funding, and private foundation grants.

[4:21:45 PM](#)

MR. GARRISON highlighted that maintaining an unreserved fund balance was essential to ensure cash flow and align with best practices. The Government Finance Officers Association

recommends holding a minimum of two months' operating funds in reserve, and AS 14.17.505 stipulates that districts may not maintain an unreserved fund balance greater than 10 percent of their general fund budget (waived until FY 2025).

MR. GARRISON emphasized that most school districts in Alaska accepted federal grant programs and Covid relief funds, using them to counteract the pandemic's adverse effects on learning and student welfare. He said school boards had to accept legal authority and responsibility for grant use and reporting. Although the funds may have appeared as revenue, they were reimbursable grants. Districts had to expend effort, document expenses, and then apply for reimbursement. This was another critically important role in maintaining a healthy fund balance.

[4:23:15 PM](#)

He noted that one of the caveats of accepting Covid relief funds was that each state would not supplant its support of education funding. The funds were solely intended to alleviate the effects of the pandemic on student learning and safety. He opined that it is improper for the administration to suggest that districts use unspent Covid relief funds to support the state's constitutional requirement to maintain its public education system.

MR. GARRISON concluded by urging the legislature to focus on adequately funding Alaska's schools rather than being distracted by the administration's suggestions regarding unspent funds. He mentioned that school district budget reports are available to the public and SB 52 could address current education funding challenges.

[4:23:46 PM](#)

MR. GARRISON asked why districts were laying off staff, reducing programs, increasing class sizes, closing schools, and facing difficulties in negotiations with bargaining units in response to the argument if they had substantial reserves. He stressed that school boards would spend the necessary funds to support staff, reduce class sizes, and maintain programs if they had vast reserves. He expressed his belief that suggesting districts were sitting on unspent millions of dollars was disingenuous.

MR. GARRISON closed by highlighting the need for the legislature to work toward sufficiently funding Alaska's schools to provide every student with an excellent education. In the current funding environment, boards had to budget based on what they

thought they could obtain, leading to budgeting driven by available funds and minimal operational effort rather than outcome-driven decisions.

[4:26:16 PM](#)

BRIDGET WEISS, Superintendent, Juneau School District, Juneau, Alaska, stated that she was testifying in support of an increase to the base student allocation (BSA). She also aimed to provide specific information about fund balances and Covid funding.

[4:23:50 PM](#)

MS. WEISS turned to slide 2 and explained that Juneau School District (JSD) policy mandates a 1.5 percent unassigned fund balance. The majority of the Juneau School District Board is required to vote on any reduction to the undesignated fund balance. In recent years, board members have chosen to lower the balance to ensure adequate budgeting for the school year.

[4:27:47 PM](#)

MS. WEISS turned to slide 3 and explained that each year when JSD creates a budget, it anticipates the fund balance because the budget is prepared before June 30. In March of FY 2020, JSD projected a \$574,400 fund balance. However, the unassigned fund balance at the end of FY 2020 was -\$30,603. In FY 2021, the school board voted to reduce the fund balance to assist with Covid planning, resulting in a fund balance of \$213,700. The fund balance at the end of FY 2021 was \$0. In FY 2022, the board determined that the needs were so significant that it voted to use the entire projected fund balance in the FY 2022 budget, leading to a deficit of \$1,806,204 at the end of FY 2022. In FY 2023, JSD retained \$272,335 in the balance fund.

[4:30:15 PM](#)

MS. WEISS turned to slide 4 and explained that transportation costs were a significant reason for the budget shortfall. The chart illustrates that transportation had received the same level of funding since 2015. Consequently, when Covid occurred, revenue did not cover expenses. JSD was under a committed contract and used buses and drivers to deliver food to families. As a result, the 2020-2021 school year ended with a transportation deficit of \$374,939. Over the next two years, operating costs continued to rise, while transportation funding remained stagnant, leading to a transportation deficit of \$800,853 at the start of the 2022-2023 school year. She mentioned that JSD sought assistance from the Juneau Assembly. She also noted that in previous fiscal years, other assigned funds had residual balances that masked JSD's deficit. However,

in FY 2022, the debt was no longer concealed by the balances of these other funds. JSD's audit from June 2022 revealed a total deficit of \$63,000.

[4:32:57 PM](#)

MS. WEISS moved to slide 5 and provided property liability insurance as an example of rising line-item costs:

[Original punctuation provided.]

Property liability insurance:

FY20: \$256,200
FY21: \$315,500
FY22: \$445,000
FY23: \$1,237,500
FY24: \$1,291,700

MS. WEISS said JSD collaborates with the borough to minimize insurance costs. She stated that increases in costs for the school district are staggering, especially when a budget does not carry a surplus.

[4:33:51 PM](#)

MS. WEISS turned to slide 6 and spoke about the following points on Covid funding:

[Original punctuation provided.]

COVID Fund Quarterly reimbursements are due April 30 and July 31.

JSD is currently budgeted at \$1,600,000 to remain and fully expended in FY24. (not \$3,331,997)

[4:34:50 PM](#)

MS. WEISS turned to slide 7 and spoke about Juneau School Board's decision process when making a budget for FY 2024:

[Original punctuation provided.]

FY24 Landscape

- JSD Board budgeted on a \$430 BSA increase from \$5930
- \$3.3 million dollars to be removed from JSD budget if there is no increase to BSA beyond \$30.

- With the \$430 BSA assumption, JSD built the budget by removing two special education positions and \$235,000 of classified support at the elementary level.

[4:36:51 PM](#)

SENATOR KIEHL sought clarification about the \$1.7 million difference between DEED's determination of a \$3.3 million FY 2024 Covid balance and JSD's determination of \$1.6 million. He asked if draws in April and July would account for the \$1.7 million difference.

[4:37:36 PM](#)

MS. WEISS replied that following the final FY 2023 reimbursements in April and July, JSD's residual balance would be \$1.6 million at the beginning of FY 2024.

[4:38:04 PM](#)

SENATOR KIEHL asked whether JSD anticipates the April and July draws equaling \$1.7 million.

[4:38:24 PM](#)

MS. WEISS replied yes.

[4:38:33 PM](#)

SENATOR BJORKMAN asked for the annual total of JSD's general fund budget so he could have perspective on JSD's ongoing deficits.

[4:38:48 PM](#)

MS. WEISS replied that JSD's operating budget is approximately \$77 million. Including grants and Covid funding, the total amount is approximately \$90 million.

[4:39:52 PM](#)

BILL HILL, Superintendent, Bristol Bay Borough School District, Naknek, Alaska, expressed gratitude for the opportunity to testify in support of a substantial increase in the BSA and to offer clarification on some fund balance-related inquiries.

He stated that in general, funding balances experienced growth during the Covid pandemic. However, the increased spending following the pandemic, driven by inflationary costs and addressing learning loss, has adversely impacted fund balances. By the end of FY 2024, BBBSD anticipates having a minimal general fund balance of approximately \$74,000, and it has yet to define all the costs associated with the READS Act. He opined that this approach to managing district finances is suboptimal.

Districts budgets should always maintain room for emergencies and unexpected expenditures.

[4:41:02 PM](#)

MR. HILL said that BBBSD's fund balance for pupil transportation increased during Covid but is now decreasing. The school district is in negotiations with its contracted bus provider due to increased operational costs resulting from inflation and the challenges of hiring local staff. The contractor had to fly a bus driver into Bristol Bay, offering a salary of \$70,000 a year to maintain the service. He opined that unforeseen changes are precisely why school districts need a fund balance.

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MR. HILL stated BBBSD school district has pressing capital project needs, such as new cafeteria tables, which they removed from the project to prioritize the building's envelope and energy infrastructure. Capital funds consistently assist BBBSD in addressing project needs.

He said BBBSD projected its food service fund would not have a fund balance at the end of FY 23, necessitating a transfer from its general fund. He noted that Lincoln School District in Pennsylvania is considering discontinuing its food service program due to inadequate funding and severe financial difficulties.

As of the end of 2022, BBBSD's student activities fund had a balance of \$206,000. The community sourced this funding through fundraising and money is dedicated to student activities, not for district operations. BBBSD receives some reimbursable federal funds that are expended on an annual basis.

MR. HILL said BBBSD allocated its Covid funding for its stated purposes: addressing direct pandemic-related costs and supporting learning loss. The funds were not used to replace expenses within the district's regular budget, as it would be fiscally irresponsible. He said the district intends to fully expend all Covid funds by the end of FY 2023.

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He stated his belief that BBBSD is in relatively good shape compared to many districts in Alaska because of substantial support from the Bristol Bay Borough, which funds the school district to the statutory limit. He stated rhetoric surrounding fund balances, timeliness of access to district information and allegations of hiding information were unfounded. He asserted

that processes like requests for proposals (RFPs), contract development, invoicing, billing, and payment receipts are time consuming. To provide actionable information, it is essential for districts to ensure that budgeting, adjustments to the budget, and addressing emergency or unexpected findings are complete before reporting to the state. He noted that grant reporting is a quarterly task that demands time from both the district and DEED, emphasizing that it is not a quick or straightforward process.

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He stated BBBSD has pursued and managed several grants with strict spending requirements. Among these, the preschool program was noted as one of the most significant, supported through state and Arts and Education (A&E) grants exclusively allocated to pre-K. These grants were ineligible for offsetting K-12 expenses. He stressed the pressing need for a substantial and sustained increase in the BSA to stabilize education and secure the necessary resources for a quality education. He pointed out that deficits in education spending had persisted for years, affecting programs and staffing, even though the deficits were not evident on BBBSD's balance sheet.

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MR. HILL stated BBBSD does not have art, music, and physical education instructors. It has combined elementary classrooms, downsized secondary staff, and made it necessary for secondary staff to serve students in grades 7 - 12. It has also made efficiencies in operations and maintenance, established partnerships, and consolidated grants to maximize resources for its students. He opined that Alaska's education system would soon face real deficits to core programs. He urged the committee to support a significant increase in the BSA and incorporate it into the funding formula. He asked that the committee not believe rhetoric that paints a picture of districts flush with cash and concluded that legislative support is essential for the well-being of Alaska's students.

[4:46:18 PM](#)

ANDY RATLIFF, Chief Financial Officer of the Anchorage School District in Anchorage, Alaska, noted that while all Alaska school districts were funded through the same formula, their financial balances differ significantly. He referenced DEED's April 18, 2023, School Districts Fund Balances report and expressed his desire to discuss the fund balances by category, as the total balance for Anchorage was reported as \$351 million. He explained that the unreserved ending fund balance of \$71.7

million consisted of two categories. One portion, \$25.7 million, was earmarked to preserve the Municipality of Anchorage's bond rating, equivalent to 10 percent of tax withholdings. This measure was taken to secure better interest rates on bonds and save taxpayers money. The remaining \$45.7 million was undesignated, representing less than one month of general fund expenditures for Anchorage.

MR. HILL said the transportation fund of \$3.1 million was dedicated to the transportation program. Approximately \$2.5 million was allocated to bolster the budget for FY 2024. The state used to fund 100 percent of transportation, but now it only covers about 73 percent. Anchorage finances the remaining 27 percent through general fund contributions, local tax levies, and fund balances. An increase in drivers' wages necessitated an addition to the transportation fund.

The capital projects fund had \$16 million remaining, which had been generated through voter-approved bonds and could not be redirected to other instructional uses. The other governmental funds balance totaled \$167.7 million. It comprised a \$90.5 million debt service fund, \$4.1 million in local truck tax collections restricted for debt payment, and \$86.4 million in school bond debt reimbursement payments from 2017 to 2021, which the state repaid to ASD. The school board approved the transfer of these funds to the capital projects fund. The funds are dedicated to health and safety projects and security vestibules at elementary schools. Forty million dollars remain as "project not identified." He noted that Anchorage has a unique setup where the state pays the funds to the school district, unlike other areas where the municipality receives the funds.

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Mr. RATLIFF explained that \$9.1 million was federally restricted for food service and could not be transferred. The student activities fund held \$5.8 million generated from fundraising, and it was deemed unjustifiable to transfer this amount to the general fund. Additionally, there was \$62.2 million in the other general fund, which exceeded the 10 percent cap. Within this category, ASD had reserved \$11.3 million for federal impact aid, \$18 million for self-insurance, and worker's compensation claims. These reserves were necessary to cover potential claims if ASD were to discontinue being self-insured. Another \$28.6 million was encumbered for ongoing projects, with \$17.9 million reserved for charter school encumbrances, and the remainder allocated for ASD encumbrances. Additionally, ASD had fund balance reservations for prepaid items and inventory, amounting

to \$2.8 million and \$1.4 million, respectively. In summary, excluding Covid-related funds, ASD had approximately \$46 million in truly undesignated funds.

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Mr. RATLIFF explained that, according to DEED's report, ASD had \$92.7 million in remaining federal Covid relief funds. However, ASD had not yet submitted third and fourth-quarter expenditures. He mentioned that fourth-quarter expenditures would likely be higher due to the structure of teacher contracts, where teachers receive twelve equal payments from September to June and two additional payments in May. ASD anticipated that about \$20 million would be retained in Covid funds, which had been budgeted for class size retention. He also noted that ASD had increased class sizes by one as part of its budget-balancing measures, which amounted to a \$7.4 million line item.

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MR. RATLIFF said ASD needs to carry a fund balance for cash flow. Fund balance translates to cash on hand to pay bills. Covid relief funding must be spent before it is received so cash on hand is needed for spending. The timing of property tax is another reason ASD should have a fund balance. A third reason is emergencies. In 2018 Anchorage experienced an earthquake and in 2020 a school fire. Having a fund balance allowed the school board to allocate funds for repairs immediately so students could return to school. A fourth reason is unanticipated enrollment losses.

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MR. RATLIFF said that by the end of FY 2022, ASD had over \$72 million in undesignated fund balance, with \$26 million reserved for its bond rating. ASD also received \$16.2 million in one-time funding out of the \$57 million allocated for FY 2023. The school board decided to save this money to boost ASD's fund balance. However, the absence of a consistent BSA increase led to a decision to defer spending it. He said the real challenge for ASD is projected for FY 2025. The next year was planned with a balanced budget that included a \$45 million in fund balance reduction. Together with \$20 million in remaining Covid relief funds and programmatic changes, including an increase in the pupil-teacher ratio (PTR), ASD expected to have approximately \$21 million in undesignated fund balance by the end of FY 2024, which equates to one to two weeks of expenditures.

MR. RATLIFF said ASD could navigate through FY 2024, but stressed the urgency of securing a BSA increase, especially for

other districts without significant fund balances. He noted that timing was crucial, as ASD passes its budget early but doesn't know actual funding until May or June. This uncertainty causes disruptions for teachers and staff positions, potentially leading to retention issues. If ASD received a BSA increase, its \$45 million fund balance could address urgent capital needs, including a \$900 million backlog in maintenance.

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SENATOR GRAY-JACKSON inquired about the number of bonds authorized but not sold by ASD.

[4:57:45 PM](#)

MR. RATLIFF replied he would provide the information to the committee.

[4:57:56 PM](#)

CHAIR TOBIN stated that the superintendent of the Lower Yukon School District received an email that provided illuminative information.

[4:58:13 PM](#)

ANDREW LEAVITT, Director, Budget and Finance, Lower Yukon School District, Bethel, Alaska, said the Lower Yukon School District (LYSD) operates 10 schools, including a 4th - 8th grade charter school, a Yupik immersion school serving grades K - 3 in Hooper Bay, and the Kusilvak Career Academy in Anchorage. LYSD is a Regional Education Attendance Area (REAA) and, as such, does not possess taxing or auditing authority, relying entirely on state and federal aid for funding.

He stated that for FY 2017, the Base Student Allocation (BSA) was set at \$5,930, and this amount has remained unchanged for seven years. While the BSA has remained flat, the district's costs have continued to rise annually. To illustrate these cost increases, he provided expenditure comparisons:

- In FY 2017, LYSD's electricity bill for the year amounted to \$1.6 million. By FY 2023, this cost had risen to \$2.1 million.
- Heating oil expenses in FY 2017 were \$1.1 million, but grew to \$2.45 million by FY 2023.
- Property insurance costs increased from \$484,000 in FY 2017 to \$872,000.
- General liability insurance expenses also saw a significant rise, going from \$165,000 to \$511,000.

- The food subsidy budget increased from \$980,000 to approximately \$1.5 million.
- The general fund teacher headcount was 150 in FY 2017 and decreased to 137 in FY 2023.
- Student enrollment stood at 1,993 in FY 2017 but declined to 1,920 by FY 2023.

MR. LEAVITT said these figures reflect the financial challenges LYSD faces with flat funding in the face of rising operational costs over the years.

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MR. LEAVITT pointed out that due to increasing costs and stagnant revenue, the only viable approach for LYSD to balance its budget was through reductions in positions. He expressed concerns about the Legislature's reliance on one-time funding to bridge the funding gap, emphasizing that this method lacks stability and creates uncertainty when planning for the upcoming year.

He highlighted that school districts typically initiate teacher contract issuance in March across the country. However, in Alaska, the unpredictable nature of one-time funding approvals, which often come as late as June, puts Alaska schools at a significant disadvantage. This delay in funding decisions negatively impacts the recruitment and retention of highly qualified teachers.

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MR. LEAVITT suggested that increasing the base student allocation (BSA) and moving away from one-time funding would greatly benefit all school districts in the state by providing more financial predictability and facilitating better budget planning. He discussed the financial challenges the Lower Yukon School District (LYSD) faces due to its unique status as a Regional Education Attendance Area (REAA). He stated that unlike borough school districts, LYSD could not tax or bond and must cover major facilities expenses upfront. It then must request state reimbursement through the annual construction application. Not all requests are funded, and reimbursement often takes years, which makes it difficult to proactively address issues as the fund balance diminishes. He shared details of fuel tank replacement projects, their impact on the fund balance and the dangers of not having funds to complete them.

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MR. LEAVITT mentioned that LYSD had received federal Covid funding but clarified that it could not alleviate rising general fund costs, as Covid money was meant for specific purposes and could not be used for salaries, utilities, or insurance. LYSD had an unspent Covid funding balance of \$12,632,000 (ESSER II and ESSER III), primarily allocated to a construction project aimed at upgrading school air handlers for better indoor air quality.

He highlighted the seven-year stagnation of the base student allocation (BSA) and the Legislature's imposition of new mandates without additional funding. He explained how LYSD's efforts to implement the Alaska READS Act required a \$600,000 curriculum purchase, further straining the general fund.

MR. LEAVITT respectfully requested the advancement of SB 52, which would help school districts maintain teacher headcounts, address rising general fund costs, and enhance the budgeting process by moving away from the unpredictable one-time funding allocation approach.

[5:03:08 PM](#)

CHAIR TOBIN thanked the presenters for explaining the complexities surrounding school fund balances.

[5:04:17 PM](#)

There being no further business to come before the committee, Chair Tobin adjourned the Senate Education Standing Committee meeting at 5:04 p.m.