

SENATE FINANCE COMMITTEE

March 5, 2024

9:01 a.m.

9:01:36 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Dr. Lisa Parady, Executive Director, Alaska Council of School Administrators; Nils Andreassen, Executive Director, Alaska Municipal League; Andy Ratliff, Chief Financial Officer, Anchorage School District; Dr. Randy Trani, Superintendent, Matanuska-Susitna School District; Katie Gardner, Deputy Superintendent of Operations, Matanuska-Susitna School District; Dr. Madeline Aguillard, Superintendent, Kuspuk School District; Martha Morgan, Business Manager, Kuspuk School District; Dr. Cyndy Mika, Superintendent, Kodiak Island Borough School District; Sandy Daws, chief Financial Officer, Kodiak Island Borough School District; Terri Walker, Superintendent, Northwest Arctic Borough School District; Megan Williams, Director of Administrative Services, Northwest Arctic Borough School District; Michael Robbins, Superintendent, Ketchikan Gateway Borough School District.

SUMMARY

SCHOOL DISTRICT FUND BALANCE DISCUSSION

[9:02:10 AM](#)

Co-Chair Stedman commented that the committee would consider testimony regarding school funding. He discussed the order of testimony.

^SCHOOL DISTRICT FUND BALANCE DISCUSSION

[9:04:21 AM](#)

DR. LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, introduced herself and explained that the Alaska Council of School Administrators (ACSA) represented all superintendents, elementary and secondary principals, school business officials, and education leaders across the state. She mentioned ACSA's position statement that contained a pencil chart. She noted that since 2017, there had only been a \$30 increase to the Base Student Allocation (BSA). She estimated that adjusted for inflation, the FY 20 BSA of \$5,960 had an FY 12 value of \$4,682. She noted that there had been a huge loss of buying power for school districts. She contended that adjusted for inflation since 2017, the BSA would be \$7,373.

Dr. Parady relayed that school districts would be sharing figures and framework of operations. She thought the fund balances had caused great confusion in recent years, and she hoped the school districts' presentations would provide clarity. She mentioned partnering with the Alaska Municipal League (AML) and referenced a white paper entitled "Fund Balance Explainer" (copy on file). She relayed that AML Executive Director Nils Andreassen would present related slides.

[9:07:16 AM](#)

NILS ANDREASSEN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, discussed a presentation entitled "ACSA School District Presentation to Senate Finance Committee - March 5, 2024," (copy on file). He looked at slide 2, "Fund Balance Overview":

Purpose

- Smooth Cash Flow Management
- Offset Revenue Shortfalls
- Offset Unexpected Expenditures
- Maintain Services

- Improve Long-Term Planning
- Enhance Credit Ratings

Types

- Non-Spendable
- Restricted
- Committed
- Assigned
- Unassigned
 - Deferred

[9:08:58 AM](#)

Mr. Andreassen spoke to slide 3, "Fund Balance Considerations":

- Appropriation timelines - receipt of federal, state, and local contributions at one time increases unassigned fund balance when reported on interim basis.
- Payroll - lag on cash basis
- Teacher salaries - defer to summer months.
- Planned purchases - may not be encumbered
- Student activities - held for use later in school year

[9:09:33 AM](#)

Mr. Andreassen referenced slide 4, "GFOA Fund Balance Guidelines," which showed the text of the guidelines, which were guidelines formerly adopted and published on the website of the Government Finance Officers Association (GFOA). He highlighted a portion:

Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular fund operating revenues or regular general fund operating expenditures.

[9:10:10 AM](#)

Mr. Andreassen turned to slide 5, "Fund Balance Allocations - Feb 1, 2024":

61% percent of school districts' fund balance is either non-spendable (like inventory) or set aside for a specific purpose.

The remaining 39% must cover cash flow, future bills and payroll, and any emergency needs.

Districts with higher unassigned fund balances may experience timing issue discussed previously.

[9:10:48 AM](#)

Mr. Andreassen considered slide 6, "Fund Balance vs. Expenses":

The statewide total unassigned fund balance amount is equivalent to just 8% of school districts' total expenses.

22 districts with \$0 as unassigned fund balance.

Only five districts fall above the GFOA guidelines of 2 months.

[9:11:33 AM](#)

Mr. Andreassen displayed slide 7, "Takeaways - FY24 Budgets":

16 of 53 school districts have balanced budgets or small surpluses in their FY24 Operating Fund budgets. Use of unassigned fund balance only pulls 15 out of deficits.

Mr. Andreassen thought it was worth noting that budgets were updated throughout the school year as bids came in and were adjusted with amendments.

[9:12:05 AM](#)

Mr. Andreassen highlighted slide 8, "Use of Fund Balance for Deficits":

If the total unassigned fund balance were used to cover the total budget deficit, it would leave \$110m for the 2024-2025 school year - or just 9 school days of expenses.

Mr. Andreassen relayed that 22 school districts did not have fund balances to address budget deficits.

[9:12:42 AM](#)

Co-Chair Stedman asked to go back to slide 8. He understood that fund balances could not be moved from one school district to another.

Mr. Andreassen affirmed that it was not possible to move fund balances between districts. He thought it appeared as though there was \$183 million available for all the districts, but only some was available to some districts. The funds could not be used to address all district's deficits.

Co-Chair Stedman thought there was a breakdown on fund balances on slide 7. He asked about the date of the fund balances.

Mr. Andreassen noted that the table on slide 7 showed the FY 24 budgets. The information was a snapshot in time based on the July 15 budgets that were submitted by districts. He noted that some of the districts may have already pulled the fund forward, while other school districts would use the fund balance for actuals over the school year.

Co-Chair Stedman asked if the balances shown were what was in the account on July 1, 2023.

Mr. Andreassen noted that the amounts showed the budget numbers submitted rather than the fund balance amounts.

Co-Chair Stedman clarified that some of the fund balances were constrained, and some were not.

Dr. Parady noted that the six school districts that were presenting would discuss its fund balance.

Co-Chair Stedman wanted to be clear for the public that it was not possible to move a fund balance from one district to another, and some districts had declining enrollment while others had advancing enrollment, and all the district's needs were different.

[9:15:19 AM](#)

Senator Bishop commented on slide 7 and made note of all the red figures on the table which indicated budgets in deficit. He thought the zero figures indicated a balanced budget. He wanted to see the slide with current numbers.

Co-Chair Stedman thought that the committee would discuss current figures with school districts presenting.

[9:16:37 AM](#)

AT EASE

[9:17:50 AM](#)

RECONVENED

ANDY RATLIFF, CHIEF FINANCIAL OFFICER, ANCHORAGE SCHOOL DISTRICT, introduced himself and explained that he would discuss some financial history, fund balance, and future years for the Anchorage School District (ASD). He showed a data table of ASD fund balance data (copy on file). He highlighted that the table showed historic enrollment, budget history, and current budget. He cited a decline in enrollment since 2023. He noted an increase in the adjusted average daily membership (ADM), primarily due to a change in statute. He noted that he had slides that would provide further details on the change in enrollment.

Mr. Ratliff discussed ASD's budget history, which included the Public Employees' Retirement System (PERS) and Teacher's Retirement System (TRS) on-behalf payments. The bottom of the budget history showed the end-of-year fund balance, which had been hovering around \$120 million to \$130 million until 2023, when there was an uptick in funding through vacancies, savings, and state one-time funding. He made note of \$225 million in maximum local contributions the city could contribute to ASD's operating fund, and the actual amount was approximately \$221 million. The difference was due to the timing of state one-time funds.

Co-Chair Stedman asked if Mr. Ratliff could define the additional allowable amount and the maximum allowable amount. He thought the slides from the other districts would be similar.

Mr. Ratliff explained that the maximum allowable amount was both the required local contribution (based on property

taxes in the district), and the additional allowable amount was calculated as 23 percent of basic need. Basic need was the BSA times the adjusted ADM.

Co-Chair Stedman asked if the amount listed was up the allowable maximum under state statute.

Mr. Ratliff explained that the \$225 million was the maximum amount and the \$221 million was the actual amount. He noted that the state funding increased the allowable maximum.

[9:21:21 AM](#)

Mr. Ratliff discussed a presentation entitled "Senate Finance Presentation," (copy on file). He looked at slide 1, "Budget Development Process," which showed a graphical representation of ASD's 2023-24 spending plan. He noted that the biggest spending category was direct instruction that funded teachers and paraprofessionals, as well as all supplies and materials/equipment that supported direct student instruction. Student support was the next biggest line item, which included nurses, counselors, security, librarians, principals, clerical staff, and other items. Operations and maintenance of the schools was about \$84 million. Administration, which included superintendents, school board, finance, purchasing, budget, human resources, IT, and other areas was about \$42 million.

Mr. Ratliff noted that there was frequent discussion around cutting school administration. For the departments under his purview, he reported having cut half the chief financial officer's staff, a third of the budget staff, 25 percent of the accounting staff, and about 17 percent of the purchasing staff over the previous 10 to 12 years. He noted that ASD was making adjustments where it could find efficiencies but was approaching a mission critical position where it was not possible to take any more from administration.

Mr. Ratliff referenced the FY 25 budget, which had been submitted to the assembly for approval and had factored in a projected \$100 BSA increase. The school board had added the funds back in order to not have to increase class sizes. He mentioned retaining programs and other items. He cited using \$71 million of the district's fund balance to balance the budget. He referenced a slide presented by Mr. Andreassen which had shown that ASD intended to use \$5

million to balance its budget. He explained that ASD was counting on funding that did not yet exist and was burning down its fund balance. He mentioned taking on more risk, and vacancy and turnover.

[9:24:25 AM](#)

Co-Chair Stedman asked Mr. Ratliff to discuss budgeting and unfilled positions.

Mr. Ratliff explained that ASD estimated how many positions would go unfilled. For the current year, ASD estimated about \$28 million of unspent salary and benefit money, but considered that it would be closer to \$41 million, which would increase available fund balance for the following year. He cited about 400 to 450 vacancies the district had had for the past two years, which was about 8 percent of the district's workforce.

Co-Chair Stedman thought the vacancies would provide about \$20 million in positive cash flow.

Mr. Ratliff estimated that the vacancies would provide about \$13 million.

[9:25:21 AM](#)

Senator Wilson asked for Mr. Ratliff to discuss use of the fund balance to cover the district's deficit. He asked if the budget process used a projection of estimated revenue.

Mr. Ratliff relayed that the \$45 million in fund balance was for the current year's budget, but the amount had changed when one-time state funding was received. He explained that the \$71 million was planned for the following year, which would reduce the fund balance to approximately 1 percent of expenditures. He mentioned hiring delays, making significant reduction in supplies and services, and not refreshing curriculum.

Senator Wilson asked about Mr. Ratliff's comment regarding an estimate of an equivalence in BSA funding.

Mr. Ratliff relayed that ASD estimated an approximate \$100 increase in the BSA just to retain mission critical items and not have to displace staff.

Co-Chair Stedman asked if the \$100 was on top of the current year's appropriation.

Mr. Ratliff relayed that the \$100 estimate was on top of the \$5,960 BSA that was currently in statute.

[9:26:56 AM](#)

Mr. Ratliff spoke to slide 2, "Funding Since 2017 - BSA Equivalents," which showed a bar graph depicting the BSA over time. He explained that the other bars were indicative of how ASD balanced the budget. The yellow bar in FY 25 was the BSA equivalent of how much ASD was using in fund balance. The budget had been balanced through Elementary and Secondary School Emergency Relief (ESSER) funds, state one-time funds, budget cuts. The line at the top showed what the BSA would be had it been inflation proofed.

Co-Chair Stedman did not think the committee was concerned with the inflation adjusted amount, but rather what was needed for ASD to run its school system.

Mr. Ratliff thought ASD would spend through its fund balance by FY 26.

[9:28:00 AM](#)

Senator Bishop observed the fund balance and pondered how long the district could operate until there was a zero fund balance.

Mr. Ratliff noted that there would still be other categories of required reserves, which were on the next slide.

[9:28:28 AM](#)

Mr. Ratliff advanced to slide 3, "Fund Balance - FY24 General Fund Projection," which showed a flow chart of the \$71 million in reserve balance going towards pre-paid items, inventory, federal impact aid (payment in lieu of taxes), encumbrances, and self-insurance. Much of the encumbered funds were for charter schools, which could encumber unspent funds and carry it forward. He thought charter schools would be spending much of their balance for the following year. He noted that the unreserved funds,

shown on the bottom half of the slide, were reported differently.

Mr. Ratliff referenced Mr. Andreassen's testimony and noted that there was a disparity between the state's reporting and the reporting that was required of districts. He mentioned the \$71.2 million in unreserved funds that would go towards the FY 25 deficit. If ASD were to get additional funding from the state, it would reduce the reliance on fund balances. He commented that it was not best practice to use the fund balance down to zero. The \$6.2 million in unassigned funds would be used for emergencies. He emphasized the need to maintain quality education in the schools.

[9:30:15 AM](#)

Mr. Ratliff turned to slide 4, "General Fund Historical Attrition," which showed a bar graph of the district's general fund and a table of total attrition for each year from 2013 to 2025. He highlighted that the red line was a percentage of the total budget, and the blue bars were adopted salary and benefits. The chart at the bottom showed how much had been realized over the years. There had been a steady increase that was indicative of recruitment and retention issues. He cited that the district was increasing attrition estimates, which was adding more risk.

Co-Chair Stedman thought Mr. Ratliff had indicated that ASD needed \$110 over the base BSA to make the school system work.

Mr. Ratliff commented that ideally ASD would have more, as it was cutting in many areas including administration, special education, curriculum, and technology. He reiterated that ideally ASD would not use its \$71 million fund balance, which could be used it to help maintain facilities. He noted that ASD currently had a \$1 billion backlog in deferred maintenance.

Co-Chair Stedman asked Mr. Ratliff to address transportation costs and what ASD was doing to maintain hard assets.

[9:31:58 AM](#)

Mr. Ratliff showed slide 5, "Local Taxes and State Revenue - Change since 2017," which showed a table of changes in revenue streams, including for transportation and operating funding. He pointed out that in 2017, transportation was a fully self-funded program from the state. In 2017 the state paid 100 percent of transportation, while currently the state paid a little under \$20 million, and local taxpayers paid close to \$9 million. He understood that there had been declines in enrollment and there was a need to "right-size" the district with regard to consolidations. He mentioned that consolidations would begin in a few weeks. He referenced town hall meetings and community engagement, and the community had been unhappy with lack of involvement during school closure decision making.

Co-Chair Stedman summarized that there was an additional \$110 needed, and there would be school system failure if the BSA did not reach \$1,400 within two years.

Mr. Ratliff answered affirmatively. He pondered the effect of flat revenues and a spent-down fund balance after two years without an increase to the BSA. He agreed that the result would be significant, and that ASD would not look the same.

Co-Chair Stedman asked Mr. Ratliff to get back to the committee with a projection of ASD's financial position for the following three years, using estimated enrollment projection numbers.

Mr. Ratliff agreed to provide the information.

[9:34:45 AM](#)

Senator Wilson thought ASD's average daily enrollment had seen a big spike in correspondence students. He asked if there had been a survey to determine why students were leaving brick and mortar schools for correspondence.

Mr. Ratliff showed slide 7, "Average Daily Membership and Enrollment History," which showed a table including enrollment and adjusted ADM. He thought that the Covid-19 pandemic had resulted in many people choosing the alternate mode of school and had not returned. He noted that there were no surveys to back up the data. He explained that the chart reflected the fact that ASD enrollment had gone down by 10 percent in the previous ten years. He identified that

the adjusted ADM had only gone down about three percent, which he explained was predominantly due to a 38 percent increase in intensive-needs students that resulted in an adjustment.

[9:36:17 AM](#)

Senator Merrick wanted to see information on class sizes in ASD and what would happen to class sizes if the changes Mr. Ratliff described took place.

Co-Chair Stedman asked Mr. Ratliff to incorporate the information into the other data he had requested that included enrollment projections.

Mr. Ratliff agreed. He looked at slide 9, "PTR Snapshot for All Grades," which showed a snapshot of pupil/teacher ratio (PTR) in two tables that enumerated the FY 15 and FY 25 PTR for all grades. He estimated that increasing PTR across the board was equivalent to about \$7 million to \$8 million.

[9:37:09 AM](#)

AT EASE

[9:38:27 AM](#)

RECONVENED

Co-Chair Stedman relayed that the committee would hear from the Matanuska-Susitna (Mat-Su) School District. He noted that the district was a growth area of the state, which had gone from about 13,000 students at the turn of the century to close to 20,000 presently.

[9:39:16 AM](#)

DR. RANDY TRANI, SUPERINTENDENT, MATANUSKA-SUSITNA SCHOOL DISTRICT, discussed a report entitled "Superintendent Report" (copy on file). He noted that he had truncated the presentation in the interest of time, and he hoped the committee would have the chance to peruse the first part of the presentation which reflected academic growth in the district. He highlighted slide 18, "AVERAGE DAILY MEMBERSHIP," which showed a bar graph. He relayed that Mat-Su School District (MSSD) had managed flat funding differently than other districts was that as more students came into the district, it had differentially added staff to support them. He specified that if the BSA increase was

zero, MSSD would cut \$30 million or use fund balance; if the BSA increase was \$340, MSSD would cut \$18 million or use fund balance; and if the BSA increase was \$680 MSSD would cut \$6 million.

[9:40:52 AM](#)

KATIE GARDNER, DEPUTY SUPERINTENDENT OF OPERATIONS, MATANUSKA-SUSITNA SCHOOL DISTRICT, continued to discuss MSSD. She noted that the district was growing, and cited that while growth had steadied, MSSD had grown about 50 percent since 2000. She mentioned a dip in enrollment in 2020 and noted that MSSD had rebounded and continued to see growth year over year.

[9:41:33 AM](#)

Ms. Gardner looked at slide 19, "AVAILABLE ANNUAL RESOURCES," which showed a bar graph. She commented that the school district had relied on inconsistent funding to make sure student's needs were met. While there had been flat funding from the state, MSSD had relied on state one-time funds, Covid relief funds, and the districts fund balance to sustain operations. She noted that part of the projected deficit for FY 25 was a result of the funding sources no longer being available or fully expended. She noted that MSSD would be talking with its board regarding using fund balance to help with FY 25. There were still anticipated reductions to balance the budget for FY 25.

[9:42:41 AM](#)

Ms. Gardner addressed slide 20, "STATE FOUNDATION FORMULA," which showed a bar graph depicting ten years of historic general fund BSA. She commented that the local community was also growing at a rapid rate and pondered an increase in assessed values causing diminished funding from the state.

Ms. Gardner advanced to slide 21, "STATE FOUNDATION FORMULA," which showed a comparison of 2019 and 2024 state BSA and local contribution funding of MSSD. She observed that the percentage of local contribution had grown.

Ms. Gardner looked at slide 22, "EXPENDITURE BY STATE FUNCTION," which showed two pie charts the depicted MSSD expenditures between 2019 and 2024. She noted that the

district was focusing its decision in educational areas and keep other administrative areas flat or with slight reduction to maintain class size as much as possible. She mentioned keeping class size as a consistent priority after surveying families and community. She noted that the district had used ESSER funds to support maintaining class sizes. Most of MSSD's expenditures for Covid-relief funds had been in special education and regular education areas. The funds were revenue that the district would have to make up for in FY 25.

[9:45:11 AM](#)

Ms. Gardner spoke to slide 23, "HISTORIC UNASSIGNED FUND BALANCE," which showed a bar graph of unassigned fund balances since FY 14. She explained that board had established a minimum fund balance for unforeseen circumstances. She mentioned having to build a new school after an earthquake. At fiscal year-end 2023, MSSD had approximately \$20 million in fund balance, with about \$3 million reserved for charter schools. The funds had been allocated to charter schools, and the schools maintained the funds. She explained that the red line was the minimum fund balance set by the school board two years previously, the blue portion of the bar was the district unassigned funds, and the green portion denoted the charter school balances.

[9:46:34 AM](#)

Senator Kiehl asked if Ms. Gardner could address the \$12 million funding drop from 2020 to 2021.

Ms. Gardner explained that the adjustment happened over time. She recounted that after the earthquake, the district had combined Houston Middle School and Houston High School into one facility because one of the schools was torn down. In order to provide a replacement school built, the district had contributed a significant amount of fund balance to ensure the construction began. In the end there were funds identified, and the funds originally provided were used to fund Mat-Su Central School, which was underway.

Co-Chair Stedman asked for details on the maximum allowable fund balance of \$91 million and the contribution of \$71

million. He referenced the MSBSD fund blance data sheet (copy on file).

[9:48:14 AM](#)

Ms. Gardner explained that the maximum allowable denoted the maximum amount that the Mat-Su Borough could contribute to education. The borough was contributing \$71 million for FY 24, leaving \$20 that could be contributed. She mentioned a tax cap approved by the assembly that had limited the borough from being able to fund up to the maximum allowable amount.

Co-Chair Stedman asked about the projected deficit for the coming year.

Ms. Gardner cited that with no increases to the BSA, projected deficit would be approximately \$30 million.

Co-Chair Stedman asked if Ms. Gardner was calculating from the base BSA or the current funding in the present year's budget.

Ms. Gardner relayed that in projecting the \$30 million deficit, the district was using the current BSA at \$5,960 with MSSD's projected enrollment for the following year.

Co-Chair Stedman asked about a deficit if the next year was a repeat of the current year.

Ms. Gardner answered, "\$18 million."

[9:50:36 AM](#)

Senator Kiehl asked if Ms. Gardner could discuss the relationship between the \$71 million contribution and the required local contribution.

Ms. Gardner believed the Mat-Su Borough contributed approximately \$27 million above the required local contribution.

[9:51:17 AM](#)

Ms. Gardner referenced slide 24, "STATE TRANSPORTATION FUNDING," which showed a bar graph with ten years of audited historic revenue and expenditure comparisons. She

noted that the district covered a large geographic area with some of the longest and most comprehensive transportation system. She noted that the district had experienced a deficit in transportation over the previous ten years. She identified that there were two times when there was not a deficit for student transportation: in 2020 when there was a quarter's closure, and a month-long school bus strike the previous year. The district's projected deficit for FY 25 was about \$5 million. The district would have to take operating funds for student education to fill the deficit for transportation for operations to continue.

Co-Chair Stedman asked for Ms. Gardner to equate the dollar change in the overall system through the formula.

Ms. Gardner estimated that the increase would equate to be about \$315 per student for transportation.

Co-Chair Stedman reiterated that MSBSD was a growing district.

[9:53:14 AM](#)

Senator Wilson considered the maximum allowable contribution and asked about the minimum BSA increase required to retain status quo in the district.

Ms. Gardner relayed that as MSBSD had evaluated spending for FY 25, the resource available through SB 140 combined with some fund balance would bring the district close to balancing.

Co-Chair Stedman asked if Ms. Gardner referred to a \$680 increase to the BSA.

Ms. Gardner affirmed that she was referring to a \$680 BSA increase along with additional funding for correspondence, student transportation, and the Alaska Reads Act.

[9:54:17 AM](#)

Dr. Trani pointed to the maximum allowable contribution from the borough. He pondered that the borough had gone from giving \$60 million to \$71 million over the time frame. He commented that as the borough had given more money, funding had remained flat because the state had given less

money. He reiterated that as MSBSD had grown with more students, it hadn't hired more staff.

Co-Chair Stedman asked Dr. Trani to get back to the committee with information about class sizes and a three-year projection previously requested.

[9:55:33 AM](#)

Co-Chair Olson referenced personnel and noted that some rural school districts had been relying on international hires to fill some of the positions. He asked if MSBSD had done the same.

Dr. Trani relayed that MSBSD had a team of dedicated professionals that worked year-round to make sure there was an adequate supply of employees. He thought the vacancy rate was one of the lowest. He commented that the district was geographically desirable.

[9:56:21 AM](#)

AT EASE

[9:57:26 AM](#)

RECONVENED

DR. MADELINE AGUILLARD, SUPERINTENDENT, KUSPUK SCHOOL DISTRICT, introduced herself and relayed that the Kuspuk School District (KSD) was Regional Educational Attendance Area (REAA) number five.

MARTHA MORGAN, BUSINESS MANAGER, KUSPUK SCHOOL DISTRICT, introduced herself.

Dr. Aguillard emphasized that KSD was different than the other two districts that had presented, as it was an REAA and was in a remote area in Western Alaska. The district was about 320 air miles from Anchorage. She discussed her background. She had been hired five years previously as the director of Special Education and Federal Programs, a position which had gone to the superintendent's office in KSD.

Dr. Aguillard discussed a She showed slide 1, "about Kuspuk":

9 schools serving 7 communities - 312 students

Kalskag

Joseph & Olinga Gregory Elementary: Grades PK-2 - 52 students

Zackar Levi Elementary: Grades 3-5 - 32 students

George Morgan Sr. High School: Grades 6-12 - 64 students

Aniak

Auntie Mary Nicoli Elementary School: Grades PK-5 - 42 students

Aniak Junior Senior High School: Grades 6-12 - 47 students

Upriver

Crow Village Sam School: Grades K-12 - 23 students

Johnnie John Senior School: Grades K-12 - 24 students

Jack Egnaty Senior School: Grades PK-12 - 17 students

Gusty Michael School: Grades K-12 - 11 students

Dr. Aguillard discussed work for competitive state and federal grants. She cited that about 60 percent of KSD's budget was grant funded. She emphasized that while the district had only 312 students, the previous year 234 students transferred from within the district or in and out to another district. The district had 234 students that had moved within the district. She explained that the student counts did not accurately reflect how many students the district served.

[9:59:54 AM](#)

Dr. Aguillard advanced to slide 3, "Who are our students?":

- +97% of students are Alaska Native of Yup'ik and Athabascan descent
- 100% of students Free and Reduced Lunch (Community Eligibility Provision)
- 17% of students receive special education services (4% Intensive needs)
 - Hearing loss
 - Fetal Alcohol Syndrome
 - Autism
 - Developmental Delay
 - Specific Learning Disability
 - Other Health Impairment
 - Speech/Language

- Migrant Students
- English Learners

Dr. Aguillard noted that while the district's overall enrollment was going down, the number of intensive needs students was growing.

Dr. Aguillard showed a fund balance data sheet for KSD (copy on file).

[10:00:50 AM](#)

Dr. Aguillard showed slide 4, " Who are our teachers?":

- 35 certified teaching positions
 - 6 generalists: instructing 6-7 grades in one classroom (up to 42 different courses per semester)
 - 5 special education
 - 2 early childhood
 - 1 CTE
 - 11 grade level/content teachers
- 3 principals
- 2.5 district administrators
- 50% of certified teachers on J1 visas from the Philippines
- 3% of certified teachers are Alaskan Native
- 20% of certified teaching positions VACANT
- 40% of special education teaching positions VACANT
- Gusty Michael School = 0 certified teachers on staff

Dr. Aguillard noted that the 2.5 district administrators were working on the grant portion of the budget. She discussed staffing challenges.

[10:02:14 AM](#)

Dr. Aguillard advanced to slide 5, "FY 24 - How do we staff?", which showed a table of teaching positions at KSD schools. She commented on the number of vacancies shown in red. She noted that 20 percent of certified teaching positions were vacant, 40 percent of special education positions were vacant, and there was one school with no certified in-person teachers. She cited that the district had a projected budget for certified teachers of a little over \$3 million, and that the average teacher salary was about \$72,000 while the average administrator salary was

\$120,000. She emphasized that KSD could not keep core educators in its classrooms. She noted that KSD did not have advanced foreign language, music, and library, and had actually built a school without a library due to the inability to hire staff. She emphasized that when KSD contemplating cuts, it would be to kindergarten teachers and other core academic teachers.

[10:03:19 AM](#)

Dr. Aguillard spoke to slide 6, "FY24 budget projection - end of year." She emphasized that services still needed to be provided even with the vacancies, and that some teachers were teaching up to 42 classes a semester. She mentioned teachers not returning after winter break. She mentioned moving core instruction to online delivery. She discussed unexpected staff attrition. She discussed the need for action and tough decisions by the board. She noted that the table on the slide showed a budget snapshot as of February. She cited being over budget in a number of areas due to deploying remote and online learning.

Dr. Aguillard discussed the cost of travel as a budget effect. She mentioned closure of commercial air services and highlighted that staff and student travel costs had risen. The travel also included options for sending students to attend learning opportunities in other communities.

Co-Chair Stedman asked for discussion of the expenses related to E-Rate and the Broadband Assistance Grant.

Ms. Morgan identified that the E-Rate was a federal grant that KSD received as revenue.

Co-Chair Stedman asked if the district was offsetting revenue and expenditures. He asked for description of the center column.

Ms. Morgan explained that the center column showed actual expensive.

Co-Chair Stedman pondered that the year to date was as of February 26.

[10:06:48 AM](#)

Co-Chair Olson asked about success of the teachers from the Philippines.

Dr. Aguillard relayed that the hiring of teachers from the Philippines had been a great experience for the district. Four years previously the district had started hiring teachers on J-1 visas. In the beginning the teachers taught remotely while the district learned the visa process. Teacher retention had gone from 40 percent to 90 percent with the active visa holders. She explained that the cultural exchange visa holders wanted to complete three years and wanted to complete extensions. She emphasized that the J-1 visa holders were highly educated teachers with many years of experience and content expertise. She noted that the teachers were supportive of the Alaska Reads Act.

Co-Chair Olson considered student scores and asked if there had been an effect from the teachers on J-1 visas.

Dr. Aguillard relayed that the district was still waiting for test scores from the previous year and could not speak to the statewide testing. She relayed that the district had been watching benchmarks closely and assessing with other tests and had seen great growth. She noted that the district had also hired certified pre-school teachers. She commented on consistency and noted that even the J-1 visa teachers stay of three years was longer than previous retention.

Co-Chair Olson asked if the same was true for special needs students.

Dr. Aguillard relayed that she was the Acting Special Education Director for KSD. She noted that KSD had two special education teachers were on J-1 visas, one of whom had received an award from the Governor's Council on Disabilities and Special Education.

Co-Chair Olson commended Dr. Aguillard.

[10:10:14 AM](#)

Senator Bishop noted that he had nine rural school districts in his district. He asked if any of the schools in KSD were reading at grade level.

Dr. Aguillard answered "no," but qualified that numbers were so small it was difficult to publish data without the risk of identifying students. She referenced a great deal of individual growth and relayed that many students were on gifted/talented plans, had advanced grades and graduated early, and were attending college in the state. She identified the goal of meeting the needs of every individual student. She believed that KSD was trying to leverage its resources to advanced areas of well.

Senator Bishop mentioned KSD's deferred maintenance and acknowledged the severity. He thought outcomes would be better if school districts were caught up on deferred maintenance.

[10:11:47 AM](#)

Dr. Aguillard spoke to slide 9, "Deferred Maintenance":

Jack Egnaty Senior School
Major Maintenance application submitted for 14 years
Amount Requested: \$1,608,442

Johnnie John Senior School
Major Maintenance/School Construction application
submitted for 15+ years
Amount Requested: \$2,009,216

Zackar Levi Elementary School
New School Construction application FY26

Auntie Mary Nicoli Elementary School
New School Construction
Ongoing for 5 years

Dr. Aguillard stressed that there were teachers living in her district schools, and there was no teacher housing in some communities. She cited that the district had requested help on some projects 14 to 15 years, and noted that as an REAA, KSD was entirely reliant on the state. She relayed that she had applied for Impact Aid and had received an emergency construction grant with partial funding. The grant had a clause that the state or local contributions would contribute to finish the project, and the funds could not be accessed until there was a guarantee that the project in Sleetmute could be finished. She noted that KSD did not have the matching funds. She emphasized the

deterioration of facilities in KSD. She referenced photographs on the slide and noted that portions of buildings were starting to be closed, including gymnasiums, shops, and restrooms.

[10:13:29 AM](#)

Senator Kiehl referenced fund balances on the KSD fund balance data sheet, and thought the district was up to about \$3.2 million in 2022, and assumed a part of it was federal Covid-19 funds. He recalled that the statewide slide showed a planned draw of about half a million from the fund balance and observed a projected end-of-year fund balance of \$1.2 million. He asked about the added draw from fund balance and about a sustainable approach for the district.

Dr. Aguiard affirmed that when KSD's initial budget had a deficit of over \$500,000. She considered the projected end-of-year fund balance of \$1.2 million, the half-million commitment, and all of the overages discussed early. She asserted that the district had been discussing the amount of funding that would get it through the year. She thought that \$680,000 would allow the district to maintain what it was currently doing. She mentioned combining grades in Aniak. She noted that school buildings and physical space in Kalskag did not allow for larger class sizes or combined classes.

[10:16:16 AM](#)

AT EASE

[10:17:07 AM](#)

RECONVENED

Co-Chair Stedman relayed that the committee would hear from the Kodiak Island Borough School District (KIBSD), which had declining enrollment from roughly 2,700 down to 2,000 in the current century.

[10:17:33 AM](#)

DR. CYNDY MIKA, SUPERINTENDENT, KODIAK ISLAND BOROUGH SCHOOL DISTRICT, introduced herself.

SANDY DAWS, CHIEF FINANCIAL OFFICER, KODIAK ISLAND BOROUGH SCHOOL DISTRICT, introduced herself.

Dr. Mika discussed a presentation entitled "Senate Finance Committee" (copy on file). She showed slide 2, "KIBSD Snapshot," which showed a map of the school district. She cited that KIBSD currently had 2,179 students. It had six schools in town on the road system, as well as five rural villages, one of which was on the road system. The district had a home school program with 152 district students.

[10:18:26 AM](#)

Dr. Mika showed slide 4, "District Success: Recruitment & Retention," and relayed that KIBSD was fully staffed because of its international teacher hires and retention bonuses. She noted that the district had changed from J-1 visas to H1B visas so that teachers could emigrate. She mentioned the importance of consistency.

[10:18:52 AM](#)

Dr. Mika showed slide 5, "Our Reality: Enrollment Down," which showed a line graph depicting student enrollment from 2011 to 2025. She observed a steady decline in enrollment, which was primarily due to the economics of the declining fishing industry in Kodiak.

[10:19:14 AM](#)

Dr. Mika addressed slide 6, "Our Reality: Enrollment Down," which showed a table. She highlighted that the table showed from 2005 to 2025 the enrollment in neighborhood schools had gone down by about 27 percent. Correspondence school had gone up approximately 177 percent, which was primarily due to what happened during and after the Covid-19 pandemic. Intensive needs students had gone up 246 percent, and despite declining overall enrollment, the adjusted ADM had gone up 18 percent because of intensive needs students being served.

Co-Chair Stedman asked about declining enrollment, and asked if the district expected the trend to continue.

Dr. Mika shared concerns about an announcement that the district's largest cannery would close, which had an associated 150 students that could be affected.

[10:20:29 AM](#)

Co-Chair Olson looked at slide 6 and observed that the number of intensive needs students had gone up. He asked if the district had been able to handle the challenge.

Dr. Mika relayed that mental health needs of students had also gone up, and costs had increased drastically. She relayed that the district was being innovative in how it was meeting the needs of students. She noted that three of the teachers from the Philippines were certified in special education. She cited that all of KIBSD speech therapists were remote, as well as some physical therapy and some occupational therapy services.

[10:21:28 AM](#)

Senator Bishop asked if the district had done any data mining on the reason for the sudden rise in intensive needs students.

Dr. Mika relayed that she had not done the research.

[10:21:46 AM](#)

Senator Wilson noted that every school district had a change in intensive needs enrollment. He wondered if the district's testing or diagnostics had changed.

[10:22:04 AM](#)

Dr. Mika discussed slide 7, "Our Reality: Increased Costs," which showed a bar graph depicting health insurance increases over time and icons depicting a rise in inflation and energy costs. She mentioned that insurance was estimated to go up 28 percent in the next year. She noted that Kodiak Electric had notified of a 12 percent increase for the following year, primarily due to the cannery closure.

[10:22:32 AM](#)

Dr. Mika referenced slide 8, "Local Support History," which showed a table and graph. She relayed that the borough funded the district at 95 percent in in FY 24. The borough had express not to raise the mill rate due to the changing economic landscape in Kodiak. The district's ask the

following year would be about 93 percent of the maximum allowable contribution.

[10:23:05 AM](#)

Dr. Mika advanced to slide 9, "FY 25 Reductions," which showed two tables. She highlighted that the district anticipated a \$7.2 million deficit going into the next year. She continued that the district had identified \$3.9 million in reductions as part of the FY 25 budget in staffing, services, and supplies.

Co-Chair Stedman noted that Anchorage had declining enrollment and multiple schools. He asked how many schools that Kodiak would be closing.

Dr. Mika cited that there was one high school, one middle school, and four elementary schools. Analysis revealed that the district could not close a school, but with a few less students there could be a consolidation. She identified that there was a committee that would convene the following month that would look at a consolidation beginning in FY 26.

Co-Chair Stedman pondered that it was harder to accomplish consolidation in communities with fewer schools.

[10:24:32 AM](#)

Dr. Mika spoke to slide 10, "FY25 Expenses by Function," which showed a pie chart. The expenses were after the almost \$4 million in cuts, but there would still be 77 percent of funds dedicated to student instruction and about 23 percent for district operations.

Dr. Mika showed slide 11, "KIBSD Fund Balance," and noted that the slide showed a snapshot of the district's fund balance in the October audit and showed the year-end June 30 financials. She pointed out about \$7 million in unassigned fund balance. The FY 24 current budget had dedicated \$2.5 million of fund balance to balance the budget. There was about \$4.7 million left unassigned going into the following year.

Co-Chair Stedman asked what BSA the district was using to calculate the figures.

[10:25:43 AM](#)

Dr. Mika advanced to slide 12, "Use of Fund Balance Historical and Future Pending BSA Increase," showing a bar graph and a table. She explained that there were three scenarios shown on the far right of the slide. With no BSA increase, KIBSD would have to use an additional \$3.5 million of the fund balance. With a \$300 BSA increase, it would have to use \$2.7 million of the fund balance. An increase of \$680 would require the use of \$1.1 million. She noted that the district was cutting \$3.9 million going into FY 25. With a \$680 increase to the BSA, the district would have to cut another \$3 million going into FY 26.

Co-Chair Stedman asked Ms. Mika to address what the district would do to ensure it remained liquid if the BSA remained flat.

Dr. Mika identified that the district would have to close schools, raise the PTR, and make further cuts. She described the scenario as a dire situation.

Co-Chair Stedman assumed the district would have to close an elementary school.

Dr. Mika affirmed that it was not possible to close the only high school or only junior high school.

Co-Chair Stedman asked Dr. Mika to discuss school transportation.

Ms. Daws identified that KIBSD was in a unique position with pupil transportation, and that the district was maintaining a fund balance of about \$1 million in its transportation fund. She explained that the district was unable to hire enough bus drivers or contractors and would be using all available state funds if it was to hire for all bus routes. She detailed that the district had consolidated routes.

[10:28:43 AM](#)

Co-Chair Olson asked about potentially closing an elementary school, and whether it would be a school from one of the outlying villages.

Dr. Mika answered "no," and relayed that the district would look at the town schools.

Co-Chair Olson shared a concern that a closure of a school would heavily impact a village.

Co-Chair Olson understood that KIBSD had hiring success with international teachers. He asked about the hiring efforts, which he thought were different than in other districts.

Dr. Mika explained that the district was not using a hiring agency and had travelled to the Philippines to conduct job fairs. The district was doing its own applicant processing through an immigration lawyer. She explained that the teachers preferred H-1B visas as a pathway to immigration that would also provide stability in the workforce. She noted that the district had travelled to Manila as well as a more rural, remote location in Sebu City to find teachers that could better integrate into rural Alaska. The district had screened about 243 candidates, 50 percent of which met the standards. She noted that the district primarily went because of the special education teacher shortage and had invited another district to come along. Any teachers that had met English and pedagogy standards had been shared with the teacher application system so that other districts could benefit from KIBSD's recruitment efforts.

[10:31:06 AM](#)

Senator Merrick asked about the requirements for retention bonuses.

Dr. Mika explained that all staff received retention bonuses, and certified staff received the bonus in June after signing a contract. The bonus was \$2,500 for the current school year. The classified staff not on contract received the funds on the first paycheck in September if they returned to their position.

[10:31:38 AM](#)

Senator Wilson asked if the district found that retention bonuses were successful. He asked how long the district had been giving the bonuses and if it would continue should the funds be available.

Ms. Daws relayed that the contract had started in 2024, and she felt that the bonuses had been very successful. It had been the first time the bonuses were offered to classified staff. The bonus was an agreement that was given in lieu of a raise. She relayed that the bonuses were well received by the classified staff and teachers.

Co-Chair Stedman relayed that the legislature was concerned with cannery closure up and down the coast and would be working on the matter over the next couple of years.

10:32:46 AM

AT EASE

10:34:14 AM

RECONVENED

Co-Chair Stedman relayed that the committee would be hearing from the Northwest Arctic Borough School District (NABSD). He stated that the NABSD enrollment was sideways relative to the ones that were advancing and declining.

10:34:43 AM

TERRI WALKER, SUPERINTENDENT, NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT, introduced herself.

MEGAN WILLIAMS, DIRECTOR OF ADMINISTRATIVE SERVICES, NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT, introduced herself.

Ms. Walker discussed a presentation entitled "NWABSD Senate Finance Presentation," (copy on file). She showed slide 2, "Student Average Daily Membership," and pointed out that the district's enrollment had stayed steady over the previous ten years. In FY 14 the ADM was 1,880, and although it had fluctuated, in FY 24 it was also 1,880.

Ms. Walker addressed slide 3, "Budget Building Schedule and Preliminary Deficits":

December/January of each year - Preliminary budget for next year is drafted including negotiate staff salary increases and projected fixed cost increases.

January/February - Administration reviews all expenditures and revenues to make adjustments before

bringing a proposed budget and budget cuts to the local School Board and Community
March/April - Local School Board and community have input on proposed budget and budget cuts.
May 1st - Adopt Budget for next fiscal year.

FY23 Preliminary Budget Deficit - \$1,577,399
FY24 Preliminary Budget Deficit - \$8,203,568

How we balanced the budgets:

- Increase Class Sizes
- Reduced Student Activities
- Donations & Grants
- ESSER

FY25 Preliminary Budget Deficit - \$14,090,189

Ms. Walker highlighted that in FY 23, the district had a budget deficit of \$1.5 million. In FY 24, the deficit increased to \$8.2 million. She pointed out how the district had balanced the budget the previous year, and for FY 25, there was a \$14 million deficit.

[10:35:57 AM](#)

Ms. Walker showed slide 4, " FY24 Projected Budget and Year End Fund Balance," which showed a table. She highlighted that the beginning of the year fund balance for FY 24 was \$9.9 million. The projected end-of-year fund balance was \$3.5 million.

[10:36:11 AM](#)

Ms. Walker spoke to slid 5, "FY24 Budget Expenditures by Function," which showed a pie chart.

Ms. Walker showed slide 6, "FY25 Preliminary Budget & Year End Fund Balance," which showed a table. She cited a FY 25 beginning-of-year fund balance of \$3.5 million, and a projected end-of-year fund balance deficit of \$14 million.

Co-Chair Stedman asked what BSA the district was using for its calculations.

Ms. Walker identified that the district used the current BSA of \$5,960 in the budget. She relayed that if the district received a BSA increase of 680 it would add \$5.1

million to the budget, but the district would still need to find \$9 million to cover the deficit.

[10:37:15 AM](#)

Ms. Walker spoke to slide 7, "Reason for FY25 Preliminary Budget Deficit":

Fixed Cost increases in FY24 - 30% Property & Liability Insurance, 20% Heating Fuel

FY25 Increases:

- \$3.2 million - Increase in Salaries based on collective bargaining agreements and additional needed positions.
- \$3.6 million - Budgeted use of fund balance from FY24
- \$1.4 million - Decrease in Impact Aid funding based on FY21 Impact Aid Review
- \$100k - Decrease in Indirect Revenue (ESSER Funding)
- \$4.5 million - Increase to Health Insurance Program Costs - 15%
- \$1.2 million - Increase to Transfers out - Food Service Program

FY25 Preliminary Budget Deficit - \$14,090,189

[10:37:35 AM](#)

Ms. Walker showed slide 8, "Summary of Unrestricted Capital Improvement Project Funds," which showed at table. She discussed capital projects over the previous few years, and highlighted an FY 22 fund balance of \$3.26, which was currently down to \$1.7 million.

[10:38:01 AM](#)

Ms. Walker showed slide 10, "Unexpected FY24 Capital Improvement Costs & other needs":

1. Selawik Fire Panel ~ \$750,000
2. Noatak pump house ~ \$344,600 - Already in CIP funds
3. Freezeup in Selawik/Kotzebue/Deering/Kiana - No current estimate
4. Buckland HVAC ~ \$450,000 to complete project
5. Kobuk backup generator ~ \$200,000

TOTAL ~ \$1,400,000

Unrestricted CIP fund balance = ~ \$1.7 million

Ms. Walker explained that several villages had outdated fire panels, one of which had quit working. The board had prioritized funding \$750,000 for replacement of the non-working panel. She mentioned another community that did not have a backup generator. She emphasized that the district was spread out over 39 square miles with 11 villages. She recounted that every year the city generator would go out in a village, and the elders and children would seek refuge in the school, which had a backup generator. She emphasized that the schools were a safe place during times of hazardous events. The school without a generator was a priority and would cost closer to \$350,000 rather than the \$200,000 listed on the slide.

Ms. Walker referenced slide 9, "6 Year Capital Improvement Needs," which showed a table. She discussed the failure of the Noatak pumphouse. The tank had cracked and required a \$345,000 solution. She summarized that the fund balance for capital projects had repeatedly been used for emergencies.

[10:40:20 AM](#)

Ms. Walker advanced to slide 11:

Teacher Recruitment Efforts

40 out of 144 Teachers short beginning of FY24 ~ 28%
Recruiting year round
Contracting out for recruiting assistance
Foreign Teachers ~ 40 Teachers
Retiree Rehire - 1
Long Term Subs ~ 20 Teachers

Transportation Funding

Northwest Arctic Borough School District currently receives \$27 per ADM in transportation funding, this funding covers roughly 25% of the overall program cost.

NWABSD would need \$106 per ADM to fully fund Student Transportation needs in Kivalina, where our school is 8 miles from the community.

Ms. Walker discussed the hiring of new teachers, most of which were from the Philippines. She noted that 17 of the teachers had come during winter break due to vacancies in the classrooms. She mentioned the Alaska Reads Act. She discussed teachers expanding their work to accommodate vacancies. She discussed transportation, which was only in the Kivilina School located eight miles outside the community. The route was about an hour round-trip by bus. She cited that the district currently received about \$27 per ADM, and it would need \$106 per ADM to fully fund the transportation to for Kivilina.

[10:42:51 AM](#)

Senator Merrick asked how the salary for Filipino teachers compared to what they would make in the Philippines.

Ms. Walker relayed that she was told that the teachers in from the Philippines received a large increase in pay when working in Alaska. She was unsure of the amount and offered to get back to the committee with more information.

[10:43:29 AM](#)

Co-Chair Olson asked if the international teachers were bringing children when they relocated.

Ms. Walker answered affirmatively. She noted that teachers thought brought children increased the district's enrollment.

Co-Chair Olson asked who paid for the increase.

Ms. Walker relayed that the teachers paid for their children, however the district had to pay for the teachers. The cost was about \$20,000 per teacher.

[10:44:16 AM](#)

Ms. Walker addressed slide 12, "What happens if funding is flat?":

If funding is flat, NWABSD will have to find \$14 million of expenditures to cut, 20% of NWABSD's General Operating Budget.

Without a BSA increase of \$680, our District would have to close buildings, furlough employees, cut meal program completely, cut all student activities, cut student transportation, and all reductions below.

With an increase to the BSA of \$680, the District will still have to do the following:

- Increase Classroom sizes
- Increasing number of grade levels/classroom
- Increasing number of concurrent courses taught by one teacher within one class hour
- Reduce Counseling & CTE Programs
- Reduce Professional Development offerings and staff
- Reduce Student Activities
- Reduce community use of School Buildings
- Reduce Meal Program
- Reduction in Health Insurance Program for Staff

Ms. Walker explained that there was no way to close schools (which were Pre-K through 12th grade) that functioned as the school for a whole community. The district was a Title 1 district, and over 80 percent of the students qualified for meals. She noted that the district subsidized over \$1.2 million above the U.S. Department of Agriculture subsidy to feed students.

Co-Chair Olson asked to touch on the topic of deferred maintenance. He referenced "horrific" slides shown by other school districts.

Ms. Walker relayed that in the past there had always been a fund balance to move into deferred maintenance to help communities. The district had been saving what little was available for emergency situations. She mentioned a school that had a classroom that was unable to be heated above 50 degrees, and it was necessary to have class in the gym. Several schools had outdated heating controls and outdated fire panels. She discussed teacher housing and referenced rotten floors. She mentioned that schools had tiles stapled to the floor for stability.

Co-Chair Olson asked about special needs students in villages and asked about students with significant disabilities.

Ms. Walker relayed that the district sourced out specialists for PT and OT, and the professionals had to travel to the village twice per year. The students were also served via online access. She emphasized that special needs students were prioritized and were very important to the district.

10:47:32 AM

AT EASE

10:48:30 AM

RECONVENED

Co-Chair Stedman relayed that the committee would hear from the Ketchikan School District.

10:48:52 AM

MICHAEL ROBBINS, SUPERINTENDENT, KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT (KGBSD), showed a school fund balance data sheet (copy on file) and commented that the district had started the year with no fund balance. He noted that the district had a negative fund balance the previous year. He thought that without an increase to the BSA, his district would be in the same position as the other school districts that had presented. He identified that although Ketchikan had seen declining enrollment over the previous decade, the BSA did not increase, and the district had to cut over 12 percent of its employees the previous year. The cut equated to over 50 employees including district office employees, maintenance, teachers, paraeducators, administrative assistants, and IT staff.

Mr. Robbins noted that there had been a 14 percent increase in health insurance, which equated to \$1.1 million on top of the \$8.9 million the district currently paid. There were increases in technology, special education. He mentioned preventative maintenance the district was unable to do. He mentioned increased class sizes and an inability to maintain the district's academic program. He continued to discuss budget challenges, including cutting Pre-K. He emphasized the importance of Pre-K, which was correlated with higher graduation rates.

Mr. Robbins relayed that KGBSD would request that the borough fund at 100 percent of the funding cap due to an increase in special education staffing and federal requirements for individual education plans. He listed additional increases in maintenance, shipping, and energy. He noted that 89 percent of the budget was personnel fixed costs, so when cuts were made it had to be a cut to staff at all levels. He discussed increased expenditures for the following year, driven by an increase to healthcare of 4.5 to 6 percent.

[10:51:26 AM](#)

Co-Chair Stedman asked if the district put unfunded positions in its budget as Anchorage did.

Mr. Robbins answered in the negative and relayed that the district had budgeted in the current year using a \$100 BSA increase. The district had tried to make staffing levels reflect exactly what was needed. The district was going to the borough for a greater allocation was due to an increase in students that needed special education services. In order to stay in compliance with federal regulations, the district had to add positions.

Co-Chair Stedman asked about a \$100 addition to the BSA, and what BSA number the district was using.

Mr. Robbins relayed that the district was using the \$340, and there was \$240 left on the BSA cap from the borough.

Co-Chair Stedman asked if the \$100 was in addition to the current year's funding.

Mr. Robbins answered affirmatively.

Co-Chair Stedman discussed the BSA, which was a statutory formula, and clarified that outside funding also had to be run through the formula.

[10:53:16 AM](#)

Senator Wilson asked about the current amount the city funded and if the city funded to the cap the previous year.

Mr. Robbins relayed that the district was funded to the cap the previous year for the first time in about 20 years. In the current year there was a gap of about \$1.7 million.

Co-Chair Stedman asked Mr. Robbins to discuss fund balance carry-overs and whether there was a different cap on a local level.

Mr. Robbins explained that the district did not have an unassigned fund balance. He noted that the district did have a transportation fund balance. He emphasized that the district was operating "hand to mouth," and with a \$49 million budget and as one of the largest employers in Southeast Alaska it was very difficult to run the district without any fund balance.

Co-Chair Stedman asked if the district had already done reductions in staffing levels.

Mr. Robbins answered affirmatively and noted that the district had reduced employees by about 12 percent. The reduction in students was only around 3 to 4 percent.

Co-Chair Stedman thought the population of Ketchikan was down about 20 percent in the current century. He mentioned that the populations of Sitka and Ketchikan were roughly down about 30 percent in the same time period. He noted that the committee had chosen the district out of Southeast to present because it had already completed reductions.

Mr. Robbins answered, "Yes."

Co-Chair Stedman asked Mr. Robbins to discuss potential school closures if there was continued erosion of headcount numbers.

Mr. Robbins relayed that that there was one comprehensive high school and one alternative high school. There was one middle school, three elementary schools, and two charter schools in the district. He explained that closing a school would be difficult based on the numbers. He pondered that it could be possible to consolidate to have a school with Pre-K through 3rd grade, and a school with grades 4 through 6. He thought without such a consolidation, the class sizes would be too large.

Co-Chair Stedman added that he would like school districts to provide information on any labor contracts and agreements in the following two to three years that might add to overhead.

Mr. Robbins relayed that when considering the budget for the following school year, the district did not consider added items outside of the academic program. He cited contract step extensions, a \$1.1 million healthcare increase, a preventative maintenance budget, and a technology budget. He thought the district was right-sized, but suggested that if there was no BSA increase, one or some of the items would have to be cut or class sizes would have to be increased.

[10:57:47 AM](#)

Co-Chair Stedman asked about where the district would be with a \$340 BSA increase and a status quo budget.

Mr. Robbins estimated that the district would be about \$1.8 million to \$1.9 million short.

Co-Chair Stedman asked how the district would handle the deficit without a fund balance.

Mr. Robbins relayed that the district would have to look at cuts to staffing, class sizes, preschool, music, PE, art, and things that were not part of the core curriculum. He emphasized that the items he listed were the things that kept kids in school. He thought music was the reason that many kids went to school. He emphasized CTE and other things that helped students get jobs after graduation.

[10:59:02 AM](#)

Co-Chair Olson asked if KGBSD had a teacher retention program.

Mr. Robbins identified that there was a teacher retention program for teachers that were in the first four to five years. He noted that the district had many veteran teachers that had been with the district for a long time. He stressed that it was almost impossible to keep new teachers that would replace veteran teachers after retirement. He reasoned that teachers were migrating to the Lower 48 after a few years due to the state's retirement system and lack

of a defined benefit option. He lamented losing one of his best directors based on retirement system factors. He felt strongly that the retirement option made it hard to keep talented teachers for the long term.

Co-Chair Stedman asked if salaries were a factor.

Mr. Robbins thought the KGBSD salaries were close to those in Washington. He noted that when he was in Toksook Bay, a much higher salary schedule was necessary due to the high cost of living and the cost of relocating. He thought with an increased BSA, teacher salaries could increase. He discussed the challenge of finding and retaining paraeducators and losing the employees to the tourism industry jobs.

Co-Chair Stedman asked about teacher housing.

Mr. Robbins conveyed that there were tremendous problems with teacher housing.

[11:01:49 AM](#)

Co-Chair Olson referenced the governor's proposal for a teacher retention bonus. He asked if Mr. Robbins wanted to comment on the proposal and what it would do to his district.

Mr. Robbins thought that a retention bonus should be available for anyone that impacted students in school. He emphasized that caring adults made the difference in students' lives and could be a cook, custodian, or any educator. He thought all caring adults in the school were educators and should be rewarded.

Co-Chair Stedman discussed the agenda for the following day.

#

ADJOURNMENT

[11:04:10 AM](#)

The meeting was adjourned at 11:04 a.m.