

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

April 28, 2025

3:31 p.m.

MEMBERS PRESENT

Senator Löki Tobin, Chair
Senator Jesse Bjorkman
Senator Jesse Kiehl
Senator Mike Cronk

MEMBERS ABSENT

Senator Gary Stevens, Vice Chair

COMMITTEE CALENDAR

PRESENTATION(S) : AN OVERVIEW OF SCHOOL DISTRICT FUND BALANCES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ANDY RATLIFF, Chief Financial Officer
Anchorage School District (ASD)
Anchorage, Alaska

POSITION STATEMENT: Presented An Overview of School District Fund Balances - Anchorage School District

ANDY DEGRAW, Chief Financial Officer
Fairbanks North Star Borough School District (FNSBSD)
Fairbanks, Alaska

POSITION STATEMENT: Co-presented An Overview of School District Fund Balances - Fairbanks North Star Borough School District.

FRANK HAUSER, Superintendent
Juneau School District (JSD)
Juneau, Alaska

POSITION STATEMENT: Presented An Overview of School District Fund Balances -Juneau School District.

CLAYTON HOLLAND, Superintendent
Kenai Peninsula Borough School District (KPBSD)
Soldotna, Alaska
POSITION STATEMENT: Introduced himself and staff.

ELIZABETH HAYES, Director of Finance
Kenai Peninsula Borough School District
Soldotna, Alaska
POSITION STATEMENT: Presented An Overview of School District Fund Balances - Kenai Peninsula Borough School District.

KATHERINE GARDNER, Deputy Superintendent
Matanuska-Susitna Borough School District (MSBSD)
Wasilla, Alaska
POSITION STATEMENT: Co-presented An Overview of School District Fund Balances - Matanuska Susitna Borough School District.

RANDY TRAINEE, Superintendent
Matanuska-Susitna Borough School District (MSBSD)
Wasilla, Alaska
POSITION STATEMENT: Co-presented An Overview of School District Fund Balances - Matanuska Susitna Borough School District.

ACTION NARRATIVE

[3:31:02 PM](#)

CHAIR TOBIN called the Senate Education Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Cronk and Chair Tobin. Senators Bjorkman and Kiehl arrived thereafter.

PRESENTATION(S) : AN OVERVIEW OF SCHOOL DISTRICT FUND BALANCES

[3:31:52 PM](#)

CHAIR TOBIN announced An Overview of School District Fund Balances for Anchorage, Fairbanks, Juneau, Kenai, and Mat-Su.

Anchorage School District

[3:33:25 PM](#)

ANDY RATLIFF, Chief Financial Officer, Anchorage School District (ASD), Anchorage, Alaska, presented An Overview of School District Fund Balances - Anchorage School District Fund Balance Categories, Accumulation, and Planned Uses. He said his presentation would dispel misconceptions about ASD's finances.

[3:33:56 PM](#)

MR. RATLIFF moved to slide 2, Fund Balance Remaining, and addressed the misconception regarding ASD's remaining fund balance and how the funds were used:

[Original punctuation provided.]

Fund Balance Remaining

Misconception: ASD has \$121 million in savings that can be used.

Reality: The vast majority of those funds already have a planned usage.

June 30, 2024 Ending	
Unreserved Fund Balance	\$121.6 million
FY 2024-2025 Spending Plan	\$-37.2 million
FY 2025-2026 Spending Plan	\$-49.8 million
Bond Debt Rating Reserve	\$-26.7 million
Unreserved Fund Balance Remaining	\$ 7.9 million

[3:34:53 PM](#)

CHAIR TOBIN referred to the \$7.9 million in ASD's Unreserved Fund Balance and asked, "Of the \$7.9 million, can you tell us how much of the 10 percent does that equate to your budget in terms of your fund balance?"

[3:35:04 PM](#)

MR. RATLIFF replied a little over 1 percent of ASD's expenditures.

[3:35:14 PM](#)

MR. RATLIFF moved to slide 3, Anchorage School District for the year ended June 30, 2024, Table AD - General Fund Unreserved Fund Balance, taken from a state compliance report. He said the report shows \$121 million as the unreserved fund balance, representing about 18 percent of ASD's expenditures. The report also shows the categories of fund balance considered reserved and not subject to the 10 percent limitation. This includes funding for encumbrances, inventory, prepaid items, as well as insurance, impact aid, and student allotments. He said he wanted to focus on what is considered unreserved and spendable. The total of all fund balance reserves creates the cash reserves necessary to meet cash flow needs throughout the year, as some payments are not consistent from month to month.

[3:36:03 PM](#)

MR. RATLIFF moved to slide 4, Crosswalk of SOA General Fund Unreserved to GASB 54 Unrestricted Fund Balance Reconciliation of SOA Supplemental to ACFR Expenditures Percent of Unreserved/Unrestricted Fund Balance to Expenditures - Table AG. He explained that the slide shows ASD creates a separate report, which is also included in its audited financial statements, that further breaks down the \$121 million. The report includes \$37 million to support the next year's budget (subsequent year expenditures), \$26 million in bond rating reserves, and \$58 million that is unassigned.

MR. RATLIFF stated that the \$50 million being used to support the next fiscal year's budget is drawn from the \$58 million in unassigned funds. He added that the slide also includes a comparison of reporting standards based on the State of Alaska reporting model and the Governmental Accounting Standards Board (GASB), highlighting the different reporting standards districts must follow. He noted that a detailed explanation of the crosswalk between the state and GASB definitions could be discussed at another time.

[3:36:57 PM](#)

MR. RATLIFF moved to slide 5, FY 25 One-time Funding:

[Original punctuation provided.]

FY 25 One-time Funding

Misconception: ASD did not spend any of the onetime funds for FY 2024-2025.

Reality: ASD fully incorporated the \$49 million, \$680 BSA equivalent into its FY 2024-2025 budget, in addition to spending \$37 million in fund balance.

MR. RATLIFF addressed misconceptions that ASD did not spend the \$49 million in one-time funds it received for the current year. He stated that ASD fully incorporated the \$49 million into the FY25 budget and also spent down \$37 million in fund balance. He explained that two factors may have caused confusion. First was timing. The district's budget report to the state was due July 15. The district did not know the final amount of funding until June 28, leaving little time to complete a full budget revision and obtain school board approval before the state's deadline, particularly since the board is not in session during the summer.

[3:37:33 PM](#)

MR. RATLIFF said the school board subsequently approved the adopted budget in August, which included the \$49 million in one-time funds. Second, he noted that the amount of fund balance remaining or being used for the next year is roughly the same as the one-time funding amount. Because the figures are coincidentally in the same range, some may assume the district saved the one-time funding. He clarified that the funds being referenced were carried over from prior years.

[3:38:08 PM](#)

CHAIR TOBIN recognized Senator Bjorkman joined the meeting.

MR. RATLIFF moved to slide 6, Revenue Summary, and explained the slide shows ASD's general fund revenue summary for the adopted FY25 budget. He stated that the district used both the \$49 million in one-time funds and \$37 million in fund balance to prevent cuts during the current fiscal year. He noted that this budget was approved in August after the district had already been required to submit its report to the state.

[3:38:47 PM](#)

MR. RATLIFF moved to slide 7, Attrition, and addressed a final misconception that the district has an extra \$41 million in HR accounts that could be used to prevent teacher reductions. He explained that ASD incorporates an estimate of unspent funds into its budget to reduce the likelihood of ending the year with excessive fund balance.

MR. RATLIFF described the budgeting concept using an example: if an entity has \$100 in revenue but knows that some funds historically go unspent, it may budget \$105 in expenditures, taking the calculated risk that \$5 will remain unspent. The risk is that if all \$105 were spent, the budget would end in a deficit.

MR. RATLIFF stated that ASD uses this same concept in its budgeting process by estimating that approximately \$41 million will go unspent. This estimate allows those funds to be reinvested in the current budget. He noted that savings from attrition have grown over the years, largely due to increased turnover and vacancies amid funding uncertainty and expanding job requirements. As a result, the district has seen substantial savings in some years. The estimated attrition amount has also increased over time as it has tracked higher actual attrition rates.

[3:40:03 PM](#)

attrition in two accounts: salaries and benefits. He noted that the benefits attrition is higher than salaries, largely because some employees waive medical insurance, which results in savings. He explained that these attrition amounts appear as negative figures in the budget so the district can allocate additional funding to other areas while attempting to recapture savings during the year. He said the district is currently projecting about \$8.4 million as a positive variance in expenditures. Of that amount, the district plans to transfer approximately \$7 million to cover higher transportation costs and potentially fund capital repairs that are needed.

[3:41:52 PM](#)

MR. RATLIFF moved to slide 10, a table titled: Summary of GAAP Basis Projected Revenues, Expenditures, Undesignated Fund Balance and Allowable State Carryover (in millions \$) For the Year Ending June 30, 2025 Data as of 4/15/2025, and explained that the summary shows expenditures are expected to exceed revenues by approximately \$36 million. He stated that the district's ending unreserved fund balance for the year is projected to be about \$84 million. Of that amount, approximately \$27 million is restricted for bond rating requirements and \$50 million is planned to be incorporated into the next year's budget. This would leave roughly \$7.5 million as truly unassigned spending. He noted that state reporting may indicate the district has about \$84 million available once the audit is completed for the following year. However, based on how those funds are categorized, the amount actually available for discretionary spending is closer to \$7.5 million.

[3:42:43 PM](#)

MR. RATLIFF moved to slide 11, Revenue Summary, a table showing the total General Fund revenues and explained how approximately \$50 million, was incorporated into the district's FY26 budget to date. He stated that this reflects the budget approved by the school board and submitted to the municipality. He noted that once the district receives any adjustments to state funding, the budget will be revised as needed. He explained that, depending on timing, the school board may or may not be able to approve revisions before the state reporting deadline, similar to what occurred the previous year.

MR. RATLIFF stated that the \$50 million in fund balance, combined with more than \$60 million in reductions, allowed the district to balance its preliminary budget based on current statutory funding levels. He emphasized that there is no additional or hidden source of funding that could be used to

offset the significant reductions included in the current budget, as some have suggested. He thanked those who had reached out to verify the information they were receiving.

[3:43:58 PM](#)

SENATOR BJORKMAN referred to slide 11 and asked if the subsequent year expenditure of \$49.8 million was for FY26 or FY 27.

MR. RATLIFF replied it is for FY 26.

SENATOR BJORKMAN sought confirmation that the \$49.8 million was included in the budget that ASD built for the next school year, which is the year the legislature is currently funding.

MR. RATLIFF replied correct.

Fairbanks North Star Borough School District

[3:45:08 PM](#)

ANDY DEGRAW, Chief Financial Officer, Fairbanks North Star Borough School District (FNSBSD), Fairbanks, Alaska, Co-presented An Overview of School District Fund Balances - Fairbanks North Star Borough School District.

[3:45:23 PM](#)

MR. DEGRAW moved to slide 2, General Fund (FY24), and explained that Fairbanks has several different fund balance categories and that he would summarize them, beginning with the largest fund:

[Original punctuation provided.]

General Fund (FY24)

Unrestricted/Unassigned **\$13.5 M (This is available)**

Nonspendable/Restricted \$1.2 M

Impact Aid \$16.1 M

Outstanding POs \$ 2.1 M

TOTAL General Fund \$32.9 M

MR. DEGRAW noted that the figures shown are audited FY24 numbers from the district's audited financial statements. He added that the financial statements themselves were not included in the presentation but could be provided if requested. Beginning with

the general fund, he stated that the bottom figure represents the total general fund balance with all components included, which is just under \$33 million. He explained that the top line reflects the unrestricted and unassigned amount available for spending, approximately \$13.5 million. For context, he said the \$13.5 million represents roughly three weeks of expenditures for the Fairbanks School District.

[3:46:19 PM](#)

MR. DEGRAW explained that the other components listed, nonspendable and restricted, primarily include inventory and correspondence program allotments owed to homeschool families. He added that the district had a little over \$16 million in Impact Aid funds at the end of FY24. Those funds are received in advance and are assigned to the FY25 budget. He further noted that the district had just over \$2 million in outstanding purchase orders at the end of the fiscal year, representing purchases already initiated but not yet completed. He summarized that while the total general fund balance is about \$33 million, approximately \$13.5 million is actually available for the district to spend.

[3:47:25 PM](#)

MR. DEGRAW moved to slide 3, Transportation & Nutrition Services and shared the following information:

[Original punctuation provided.]

Transportation & Nutrition Services

Transportation \$2.1 M Nutrition Services \$1.9 M
(Restricted)

General Fund subsidizes transportation services (~\$2.5 M)

General Fund subsidizes NS (~\$500K)

Will be \$0.0 M by end of FY25

MR. DEGRAW stated that the transportation fund has a balance of a little over \$2 million, which is assigned specifically to transportation expenditures within the district. He noted that the district faces a significant shortfall between transportation costs and the state transportation grant. While the presentation lists the shortfall at about \$2.5 million, he recently confirmed with the transportation director that the gap is now closer to \$3 million. He explained that the district must

subsidize transportation each year using general fund dollars that would otherwise support classroom instruction. As a result, he said the transportation fund is expected to be depleted by the end of the current school year and may even be in a negative position.

MR. DEGRAW then discussed the nutrition services fund, which contains a little under \$2 million in restricted funds dedicated to food service operations. He added that the district typically supplements the nutrition services program with approximately \$500,000 annually from the general fund.

[3:48:47 PM](#)

MR. DEGRAW moved to slide 4, Other Funds, which outlines additional FNSBSD funds:

[Original punctuation provided.]

Other Funds

Capital Projects	\$1.0 M	Equipment Rep	\$(-0.3M)
Risk	\$3.0 M	Activities	\$1.6 M

MR. DEGRAW stated that the capital projects fund has a balance of about \$1 million. These funds are restricted for specific capital projects within the district. He explained that the risk fund has a balance of approximately \$3 million. The primary expenditures from the risk fund include districtwide health insurance costs, as well as unemployment insurance, workers' compensation, liability coverage, and similar expenses. For context, he noted that roughly \$35 million to \$40 million flows through the risk fund annually, meaning the current balance represents less than 10 percent of annual expenditures.

[3:49:39 PM](#)

MR. DEGRAW stated that the equipment replacement fund is dedicated to replacing technology devices for staff and students across the district. He noted that the school board has had to reduce contributions to that fund, and it is currently operating in a negative position. The funds in that account are committed to replacing devices for staff and students. He explained that the activities funds consist of money raised by students across the district through classes, programs, clubs, and other activities. Those funds are restricted and must be used only for the activities for which they were raised.

[3:50:13 PM](#)

MR. DEGRAW moved to slide 5, All Funds Summary, and summarized that the total of the previously discussed fund balances is approximately \$42.2 million.

[Original punctuation provided.]

All Funds Summary

General	\$32.9 M
Transportation	\$ 2.1 M
Nutrition Services	\$ 1.9 M
Capital Projects	\$ 1.0 M
Risk	\$ 3.0 M
Equipment Rep	\$ (.3 M)
Activities	\$ 1.6 M

Available Fund Balance

\$13.5 M

Estimated at end of FY 25

\$10.0 M

MR. DEGRAW noted that while the total may appear large, only about \$13.5 million is actually available for the district to spend. He stated that the district anticipates the \$13.5 million will decline by approximately \$3 million to \$5 million, leaving an estimated balance of about \$10 million by the end of FY25. He explained that this projected reduction is largely due to a significant enrollment decline in the Fairbanks School District, which will result in lower state revenue than originally anticipated. He added that the district expects to use approximately \$3 million to \$4 million of the FY24 fund balance by the end of FY25.

[3:51:18 PM](#)

MR. DEGRAW moved to slide 6, Final Thoughts, and noted that discussions about school district fund balances occur annually, involve large figures, and the topic is complex. He said this can lead to confusion and misinformation. FNSBSD is willing to provide clarification regarding fund balances, their use and best practices. He then outlined appropriate and inappropriate uses:

[Original punctuation provided.]

Final Thoughts

Appropriate Uses

Emergencies
Opportunities
Unanticipated revenue declines

Inappropriate Uses

Regular/Ongoing Operations
Important to Preserve FB
School Districts can't raise additional revenue

MR. DEGRAW said appropriate uses of fund balance, include emergencies, opportunities, and unexpected revenue declines. As an example of an emergency, he referenced the COVID-19 pandemic, when districts were required to respond quickly over a one- to two-year period. In Fairbanks, he said the district's spendable fund balance was reduced to zero and was technically negative from an auditing perspective.

MR. DEGRAW provided an example of an opportunity, explaining that the district previously used fund balance to help launch a one-to-one device initiative, ensuring each student had access to a device. He also noted that fund balance can help address unexpected revenue declines. He cited the district's recent enrollment drop, which will reduce state funding, and explained that approximately 8-9 percent of the district's revenue comes from federal Impact Aid, which can fluctuate significantly from year to year. He stated that a generally accepted best practice is to avoid using one-time cash reserves to support ongoing operating costs. However, he acknowledged that districts sometimes rely on fund balance to maintain operations during periods of constrained revenue. He emphasized that preserving fund balance is important because Alaska school districts rely entirely on three revenue sources, local, state, and federal funding, and do not have the authority to generate their own revenue.

[3:54:34 PM](#)

SENATOR BJORKMAN asked Mr. DeGraw, of the approximately \$10 million the district expects to have remaining after FY25, how much the school board anticipates using to support the FY26 budget.

MR. DEGRAW replied that the district currently anticipates using some of those funds, particularly to cover the transportation funding shortfall. He explained that the FY26 budget currently sets aside about \$2 million to address an anticipated \$3 million gap between transportation costs and the state transportation

grant. He stated that he generally encourages the school board to minimize the use of fund balance whenever possible. However, based on current projections, he expects the district may need to budget at least \$1 million to \$2 million of the remaining \$10 million, and possibly more depending on the outcome of the current legislative session.

SENATOR BJORKMAN asked whether part of the \$10 million would therefore be used to cover the transportation shortfall in FY25.

MR. DEGRAW replied that the district has historically used fund balance to subsidize transportation costs. He noted that the district had about \$2 million remaining in its transportation fund at the end of FY24, though the balance had been \$4 million to \$5 million several years earlier. He explained that transportation costs increased significantly during the COVID-19 period. As those reserves are depleted, the district will likely need to cover the full shortfall from the general fund beginning next year.

SENATOR BJORKMAN asked whether it was the district's intention to not use any additional fund balance from the \$8 million to support the FY26 budget.

[3:57:22 PM](#)

MR. DEGRAW responded that if the district receives no additional transportation funding during the current legislative cycle, it will likely need to use approximately \$3 million of the anticipated \$10 million balance to cover transportation costs. He added that any increase in state transportation funding would reduce the amount the district would need to draw from fund balance.

[3:58:19 PM](#)

At ease.

Juneau School District

[3:58:55 PM](#)

CHAIR TOBIN reconvened the meeting and introduced the presenter for the Juneau School District.

[3:59:11 PM](#)

FRANK HAUSER, Superintendent, Juneau School District (JSD), Juneau, Alaska, presented An Overview of School District Fund Balances -Juneau School District. He moved to slide 2, an image from the Juneau Empire with the headline, "Dunleavy's veto of

education funding bill puts pressure on lawmakers during final month of session. It also had the following quote:

[Original punctuation provided.]

"An errant characterization of Juneau's budget was made during Dunleavy's press conference by state Education Commissioner Deena Bishop, who said, 'At the \$680, the Juneau School District came out with a balanced budget. A few weeks later, their board voted on a \$0 input, and now they do have a deficit as well as others.'"

MR. HAUSER stated that he had experienced an unusual couple of weeks following a press conference by the governor in which the Commissioner of Education made what he described as an erroneous statement about the Juneau School District. According to Mr. Hauser, the commissioner stated that when the BSA was at \$680, the Juneau School District had produced a balanced budget, but that the school board later voted for zero additional funding and the district subsequently had a deficit. He said that statement was incorrect. He explained that the Juneau School District assumed a \$400 increase to the Base Student Allocation (BSA), or an equivalent amount in one-time funding, during its FY26 budget planning process. He emphasized that at no point during the FY26 budget process did the school board consider adopting a deficit budget.

[3:59:56 PM](#)

MR. HAUSER moved to slide 3, an image of a KTOO headline, "Proposed Juneau School District budget assumes \$400 increase to per-student state funding." He stated that, after difficult but necessary consolidation work in the previous year, the district was able to maintain operations, avoid layoffs, and ultimately adopt a balanced budget. He noted that the district issued a public statement to clarify the situation after the remarks were made during the press conference.

[4:00:21 PM](#)

MR. HAUSER moved to slide 4, District Statement on Governor's Press Conference, with a highlighted quote:

[Original punctuation provided.]

"The facts, as evidenced by the approved budget documents, are that the board passed a balanced budget, which included an anticipated \$400 BSA increase or equivalent one-time funds."

MR. HAUSER stated that the situation had been unusual for the district. He noted that the district had first been accused of operating with a deficit and was now being asked to address its fund balance, which he described as the latest topic of discussion regarding school district finances.

[4:00:29 PM](#)

MR. HAUSE moved to slide 5, an image of a cat relaxing in a box, and said JSD is like Schrödinger's cat, accused at the same time of having both a deficient and a fund balance.

[4:00:42 PM](#)

CHAIR TOBIN asked how much of his time is taken by navigating erroneous information about Juneau School District's finances.

MR. HAUSER replied that he had not yet quantified the time spent addressing the issue. He stated that a significant portion of his time involved responding to it. Mr. Hauser reported that from last year into this year the Juneau School District began emphasizing the phrase "spreading the facts." He indicated that widespread misinformation continues to circulate and require response.

[4:01:17 PM](#)

MR. HAUSER moved to slide 6, Spread the Facts, and stated that the accusations directed at school districts had become absurd. He said misinformation spread quickly but emphasized that people could choose to intentionally share accurate information instead. He stressed that objective facts existed, particularly regarding numbers, math, public budgets, public budget meetings, public reports, and the results of annual independent public audits. He shared the following.

[Original punctuation provided.]

"Spread the Facts"

- FY2024 JSD audit identified \$1.89M available fund balance.
- FY2025 JSD realized savings with consolidation plus vacancies and one-time funds. Fund balance is balancing the FY2026 budget.
- FY2026 JSD Board of Education adopted a balanced budget, based on an anticipated increase to state funding in the amount of \$400 through the Base Student Allocation (BSA) or one-time equivalent.

- FY2026 projected available fund balance is \$1,411,858, just over Board-policy required minimum 1.5 percent.

[4:02:02 PM](#)

MR. HAUSER moved to slide 7, FY 2024 JSD Audit Identified \$1.89 M Available Fund Balance, a bar graph showing the available fund balances for JSD from FY 2020 to FY 2024. He stated he would review the facts using several charts. He said it is misinformation that school districts do not have audits. The district undergoes an independent outside audit every year. He explained that in FY 2024 the Juneau School District had a \$1.8 million deficit. He said the chart also shows several years in which the district experienced approximately \$1 million deficits, which contributed to the financial crisis the district faced. He stated the district addressed the situation by making difficult decisions, including consolidation and school closures last year, as well as closing the district office building. He said the chart shows the beginning of the district's financial recovery following those actions.

[4:02:50 PM](#)

MR. HAUSER moved to slide 8, a pie chart showing the following information:

[Original punctuation provided.]

FY2025 JSD realized savings with consolidation plus vacancies and one-time funds. Fund balance is balancing the FY2026 budget.

**FY 2026 Estimated Revenue by Source
Operating Fund**

Fund Balance Use (OTF, Hold Harmless, and Vacancies)	7.79 percent
State Revenue	47.39 percent
Federal Revenue	0.41 percent
Local Revenue	44.41 percent

MR. HAUSER stated that in FY 2025 the Juneau School District realized savings through consolidation, staff vacancies, and remaining one-time funds. He explained that the district is using fund balance to balance the FY 2026 budget. He emphasized that if claims are made that the district has both a deficit and a fund balance, the committee should understand that the FY 2026

budget is balanced because fund balance is being used to achieve that balance. He reiterated that the available fund balance followed the district's consolidation efforts, staff vacancies, and remaining one-time funds.

MR. HAUSER stated the district is also facing the national educator shortage, noting that Alaska is already at a disadvantage because it does not have a defined benefit retirement plan. He recalled that when he began teaching, the Alaska Teacher Placement Fair attracted thousands of applicants from across the country and Alaska was considered a desirable teaching location. He said that over time Alaska became less competitive, attendance declined, and the in-person placement fair has since been discontinued.

MR. HAUSER explained that by the time Alaska school districts know their state funding levels, other states have already completed most of their hiring, leaving very few applicants available for some positions. He noted that while current vacancies are helping balance the next year's budget, they are also a symptom of a larger statewide workforce shortage.

[4:04:18 PM](#)

MR. HAUSER moved to slide 9, which provided the following information:

[Original punctuation provided.]

FY2026 projected available fund balance is \$1,411,858, just over Board policy-required minimum 1.5 percent.

BP 3470 FUND BALANCE

Fund Balance Range - Operating Fund

The District should maintain a minimum unassigned fund balance in its Operating Fund of 1.5 percent of the subsequent year's budgeted expenditures and outgoing transfers.

Official Board approval by majority vote is required to go below 1.5 percent.

[4:04:49 PM](#)

MR. HAUSER moved to slide 9, GFOA Recommendation and State Limits, and elaborated on the following points:

[Original punctuation provided.]

GFOA Recommendation and State Limits:

- The Government Finance Officers Association (GFOA) recommends that general-purpose governments, regardless of size, maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or expenditures.
- Based on our FY2025 revised budget of \$70,176,780, the state limits districts to holding a maximum of 10 percent of that amount in the unreserved fund balance, which would be \$7,017,678 for JSD.
- If districts follow the GFOA's recommendation of maintaining two months of operating expenses, this would amount to approximately \$11,696,130 (calculated by dividing the total budget by 12 months, then multiplying by two months).
- This means that the state's 10 percent limit is roughly \$4.7 million less than the amount recommended by GFOA to maintain fiscal stability.
- The district is effectively limited from holding the recommended amount to ensure long-term stability and flexibility.

[4:06:08 PM](#)

MR. HAUSER moved to slide 10, January 2024, from the desk of Superintendent Hauser, and shared the following message he penned:

[Original punctuation provided.]

January 2024, from the desk of Superintendent Hauser

I am in the unenviable position of being new to Juneau, uncovering a difficult situation that may challenge assumptions, and delivering unwelcome news.

But my job is not to tell you what you want to hear. It's to tell you the truth.

The truth is that this district must make both immediate and long-term financial changes.

All of our jobs, together, will be to look at that truth, without blinking, and with the courage and resolution to address it.

MR. HAUSER stated the committee has heard from other testifiers about best business practices. He posed a rhetorical question, asking whether a CEO of one of the largest employers in a city or region would be advised to keep no reserves in the bank, suggesting that doing so would not be sound financial practice. He said he was uniquely qualified to speak about the consequences of spending down a district's fund balance, noting that when he assumed his position the district had depleted its reserves. He stated that the district subsequently faced what has been described as the worst financial crisis in its history. He referenced an email he sent to the community in January 2024, explaining that as a new superintendent he had uncovered a difficult financial situation and needed to communicate that the district would have to make both immediate and long-term financial changes. He said his responsibility was to tell the truth about the district's financial condition, even when the message was difficult.

[4:07:10 PM](#)

MR. HAUSER stated the Juneau School District addressed the situation by making significant changes, including school consolidations and the closure of the district office building. He said the district's most recent audit showed that all fund balances had returned to positive levels. He concluded that JSD's experience demonstrates what happens when a district operates without adequate fund balance.

[4:07:32 PM](#)

MR. HAUSER moved to slide 11, Historic Trend of Audited Fund Balance in the Juneau School District, a bar graph showing the audited fund balance of the Juneau School District from FY 2020 to FY 2024. The fund balance amounts were:

FY 2020 - 4,020,295
FY 2021 - 650,372
FY 2022 - (1,787,639)
FY 2023 - (2,582,919)
FY 2024 - 1,895,914

MR. HAUSER directed attention to the zero line on the chart, noting it illustrates the district's financial crisis approaching. He explained that in order to maintain school programming without a meaningful increase in the Base Student Allocation (BSA), districts such as JSD were forced to spend down their fund balance to maintain operations. He pointed out that the chart shows this occurring in 2021, after which the district reached a breaking point and entered a deficit.

MR. HAUSER stated that deficits tend to grow each year once they occur, noting the chart shows the situation worsening in 2023. He said it required a significant effort to reverse the trend and return the district to a positive position. He concluded that many districts have already reached a financial breaking point.

[4:08:10 PM](#)

SENATOR KIEHL arrived at the meeting.

[4:08:15 PM](#)

MR. HAUSER moved to slides 12-13, pictures of repairs to Juneau schools and flooding. He stated that fund balance is often referred to as a district's savings account, but the Government Finance Officers Association (GFOA) suggests it should instead be viewed as an insurance policy. He explained that this perspective connects fund balance or reserves to their role in managing financial risk, noting that districts cannot predict when unexpected events affecting schools or the broader community may occur.

[4:08:55 PM](#)

MR. HAUSER moved to slide 15, a headline from Alaska Public Media that reads, "Education bill veto leaves Alaska school leaders disappointed, frustrated and confused." He stated that part of the district's financial recovery has included rebuilding its fund balance, which he described as a savings account or insurance policy used to help districts weather unexpected events and fiscal uncertainty while protecting student programs and opportunities.

[4:09:14 PM](#)

MR. HAUSER moved to slide 16, DEED Proposed Regulation Change to Local Contribution, and cautioned that pressure to spend down fund balance would undermine a district's financial stability. He noted that by state statute districts may not have two months of operating expenses in reserve. He further stated that a proposed Department of Education and Early Development (DEED)

regulation expected in June could further destabilize districts. He explained the proposal could reduce local funding for items not included in the disparity test, which he said would further weaken an already limited financial safety net for school districts:

[Original punctuation provided.]

DEED Proposed Regulation Change to
Local Contribution

4 AAC 09.990(b) is amended to read:

(b) In the definition of "local contribution" in AS 14.17.990,

(1) "appropriations" means money appropriated to a **district** [DISTRICTS SCHOOL OPERATING FUND] by the city or borough, **but does not include money appropriated for community services, capital outlay, or debt service;**

(2) "value of in-kind services" means the documented fair market value of insurance, utilities, energy, audits, and maintenance of facilities provided at no charge to a district by the city or borough, **but does not include value of in-kind services for community services or teacher housing** [AS REPORTED IN THE DISTRICT'S SCHOOL OPERATING FUND].

[4:10:08 PM](#)

At ease.

[4:10:42 PM](#)

CHAIR TOBIN reconvened the meeting and asked about the flood at Auke Bay. She said repairs are ongoing and asked about cost of construction materials increasing due to federal tariffs.

[4:11:08 PM](#)

MR. HAUSER replied that with the Auke Bay Elementary repair, the district was fortunate to make many of the purchases and planning decisions in January and February before certain tariffs went into effect. As a result, the district is not currently anticipating major cost increases. He explained that the flooring in the commons area still needs replacing over the summer, and the district is uncertain whether tariffs could affect those costs. He added that the district is also finalizing insurance payments related to a flood at Kaxdigoowu

Héen Elementary School several years ago, which flooded the school library. He stated the district is concerned about potential tariff impacts on construction and repair costs. If additional costs arise that are not covered by insurance or other funding sources, the district may need to use available funds, including fund balance, to address them. He said the potential impact of tariffs on costs remains an ongoing concern for the district.

[4:12:03 PM](#)

CHAIR TOBIN commented that she worries about Alaska's communities as the effects of climate change continue to be observed.

Kenai Peninsula Borough School District

[4:12:28 PM](#)

CHAIR TOBIN introduced the presenter for the Kenai Peninsula School District.

[4:12:40 PM](#)

CLAYTON HOLLAND, Superintendent, Kenai Peninsula Borough School District (KPBSD), Soldotna, Alaska, Introduced himself and staff.

[4:12:58 PM](#)

ELIZABETH HAYES, Director of Finance, Kenai Peninsula Borough School District, Soldotna, Alaska, presented An Overview of School District Fund Balances - Kenai Peninsula Borough School District. She moved to slide 1, FY 24 Audited Fund Balance, and said it is in Governmental Accounting Standards Board (GASB) format:

[Original punctuation provided.]

Kenai Peninsula Borough School District

FY24 Audited Fund Balance

Non-Spendable:	\$1,892,866
Restricted For:	\$3,779,620
Committed:	\$4,434,649
Assigned to:	\$5,844,123
Unassigned:	\$1,794,375
Total:	\$18,576,237

MS. HAYES stated that in the assigned category the district has \$4.6 million assigned for the subsequent year, which is the current year, for use this year to balance the budget for FY 25. After the FY 25 budget was passed, the district had to allocate an additional \$1.5 million of fund balance to meet the needs of rising costs in the current fiscal year, leaving the district with an unassigned fund balance of approximately \$285,000 going into FY 26. She said in the FY 26 budget the district is not using any fund balance because \$285,000 is insufficiently low. She said the district has a \$17 million deficit that it is working on resolving through cuts, anticipated revenue from the state, and possibly closure of some schools.

[4:14:23 PM](#)

MS. HAYES moved to slide 2, Total FY 24 Fund Balance - School Operating Fund. She said this slide is from a compliance report that is required by the state. It shows that the district's non-exempt, or unreserved, fund balance is \$13.6 million, which is 9.9 percent of district expenditures for FY 24:

[Original punctuation provided.]

Total FY24 Fund Balance - School Operating Fund	\$18,576,237
less exemptions per 4 ACC 09.160 (a)	
Encumbrances	\$1,166,140
Home School allotment	\$1,833,789
Inventory	\$878,448
Prepaid Items	<u>\$1,014,419</u>
Total Exemptions	<u>\$4,892,796</u>
Fund Balance subject to the 10 percent limitation	\$13,683,441

Non-Exempt fund balance as a percentage of FY24
expenditures = 9.90 percent

MS. HAYES said included in the non-exempt fund balance is the unassigned fund balance, the subsequent operations allocated for FY 25, which will not be available for FY 26. She said the district does have a committed fund balance that the board has set aside for emergencies. It rests within the [\$13.6 million]. She said \$1.9 million is fund balance for facility maintenance, which the district cannot access unless the borough releases the funds. She noted that transportation is a concern. The district is transferring \$550,000 annually to support the student

transportation department, which had an ending fund balance in FY 24 of \$34,000 that will be gone at the end of this year. The transportation department is looking at cutting eight routes. This means many students will have to get from arterial streets to the main highway, which is concerning to a district 26,000 square miles in size.

[4:16:20 PM](#)

CHAIR TOBIN asked what percentage does \$550,000 represented of total expenditure for student transportation.

MS. HAYES replied that the total transportation expenditures for FY 24 was \$8.3 million.

[4:16:57 PM](#)

SENATOR BJORKMAN said it is important for the public to review the most recent numbers available. He asked what KPBSD expects its fund balance to be at the end of FY 2025.

MS. HAYES replied that it is difficult to quantify that number this early in the process, but she does not anticipate it increasing. She said the total fund balance for FY 24 was \$18.5 million. She said the district is currently slated to use a little over \$5 million of that fund balance in the current fiscal year.

SENATOR BJORKMAN restated the question and asked for the district's anticipated unassigned fund balance, the spendable portion that KPBSD could potentially use to build its FY26 budget.

[4:18:10 PM](#)

MS. HAYES replied the sure amount is \$285,000.

[4:18:27 PM](#)

CHAIR TOBIN thanked KPBSD and said the committee would hear from the Matanuska-Susitna Borough School District.

Matanuska-Susitna Borough School District

[4:18:39 PM](#)

KATHERINE GARDNER, Deputy Superintendent, Matanuska-Susitna Borough School District (MSBSD), Wasilla, Alaska, co-presented An Overview of School District Fund Balances - Matanuska Susitna Borough School District. She introduced herself.

[4:18:58 PM](#)

RANDY TRAINEE, Superintendent, Matanuska-Susitna Borough School District (MSBSD), Wasilla, Alaska, co-presented An Overview of School District Fund Balances - Matanuska Susitna Borough School District. He said budgeting in a K-12 environment involves significant uncertainty and explained that districts use ending fund balance as a tool to manage that uncertainty. He thanked the Senate for its work on HB 57, stating that if it passes the House and receives the governor's support, it will provide districts with greater certainty moving forward. He highlighted slide three of the presentation, noting that the lower right corner shows the projected general fund balance at the start of the next year, excluding charter school funds. He said the district expects about \$5 million out of approximately \$235 million, or a little more than 2 percent. He stated that a 2 percent fund balance is a modest tool for managing uncertainty and may fall below what board code requires.

[4:20:42 PM](#)

MS. GARDNER moved to slide 2, MSBSD Available Fund Balance, as of June 30, 2024, defining nonspendable, restricted, committed, assigned, and unassigned fund balances and showing the amounts in each fund in millions of dollars:

NONSPENDABLE:

The portion of the fund balance that includes inventories and prepaid expenditures to be converted to cash.

General Operating Fund \$7.92
Other Governmental Funds \$1.47

RESTRICTED:

The portion of fund balance that includes resources that are subject to external constraints due to state or federal laws or externally imposed by grantors or creditors. This section is primarily student allotment carryovers.

General Operating Fund \$3.39

COMMITTED:

The portion of fund balance that has constraints on use imposed by the Board of Education.

These include CIP Funds & Student Activity Funds.

Renewal and Replacement Fund \$12.57
CP Fund \$5.15
Other Governmental Funds \$5.13

ASSIGNED: These are balance in the General Fund that do not meet the requirements of restricted or committed fund balance, but that are intended to be used for a specific purpose. These include Food Service Funds.

General Operating Fund \$0.75
Other Governmental Funds \$3.28

UNASSIGNED:

The portion of fund balance in the General Fund that is available for any purpose.

General Operating Fund \$21.18

MS. GARDNER explained that the district tracks four primary funds, one of which is a grouping of several smaller funds. She said that, except for the general fund, the funds generally have dedicated purposes, which is why most of the balances fall within committed, restricted, or nonspendable categories.

[4:21:23 PM](#)

MS. GARDNER said the general fund includes approximately \$7.92 million classified as nonspendable, \$3.39 million restricted, and \$21.18 million unassigned and available for use. She added that she would discuss the unassigned portion further later in the presentation.

MS. GARDNER explained that the district also maintains a renewal and replacement fund, similar to the fund used by the Fairbanks School District. She said the fund supports small capital projects such as carpet replacement, school upgrades that are not capitalized assets, the district's one-to-one student device initiative, and staff technology refreshes. She noted the district has largely stopped replenishing this fund due to budget shortfalls in recent years, but the remaining balance should support those initiatives for about five more years.

MS. GARDNER added that the district has about \$5 million in its Capital Improvement Program (CIP) fund, all of which is designated for specific projects. She stated that the district also tracks a combination of other governmental funds, including food services, student activities, and several smaller funds.

[4:22:45 PM](#)

MS. GARDNER moved to slide 3, Availability of Fund Balance, a bar graph comparing district unassigned and charter fund balance in millions of dollars for the years 2015 - 2024. She said the

graph shows the district's fund balance over the past ten years. She said that at the end of FY 24 the Mat-Su School District had about \$21 million in unassigned fund balance. She said the district reserves a portion of that balance for charter schools; approximately \$3.5 million represents charter school unassigned fund balance, leaving about \$17.5 million available for the district's general fund.

MS. GARDNER said the district budgeted about \$11.8 million of that amount for use in FY 25 and anticipates using most, if not all, of those funds. She said that would leave roughly \$5 million available for FY 26. She stated that the superintendent's proposed budget, approved by the board, includes the use of about \$2.5 million of that balance in FY 26, which could reduce the unassigned fund balance to approximately \$2.5 million by the end of FY 26. She noted the district hopes it will not need to use the entire amount but said that level would be very low for a district with a general operating budget of about \$270 million.

[4:24:16 PM](#)

MS. GARDNER moved to slide 4, Importance of Fund Balance, a graphic showing what fund balance supports and explained that it illustrates how the district manages its fund balance. She said, as other districts noted, fund balance helps address unexpected fluctuations in revenue. She added that the district experienced a reduction in student enrollment during the current year and used fund balance to help cover costs that had already been incurred.

MS. GARDNER said fund balance also allows the district to respond to emergent situations. She noted that a boiler failed at one of the district's schools the previous year and required an unanticipated replacement.

MS. GARDNER stated that maintaining fund balance also allows the district to budget more precisely. She explained that the district can budget for vacancy factors and attrition with greater confidence, knowing that fund balance is available if those assumptions prove inaccurate.

MS. GARDNER added that the Mat-Su School District also faces challenges with pupil transportation and does not maintain a fund balance for pupil transportation. She said the district's pupil transportation system costs about \$20 million annually, while the state grant provides about \$15 million. She said the district uses about \$5 million from the general operating fund

to subsidize pupil transportation each year, depending on the rate set for the upcoming year.

[4:26:12 PM](#)

SENATOR KIEHL asked on what BSA amount did the district determine its upcoming use of the fund balance.

MS. GARDNER replied that the school board approved a FY 26 budget assuming a \$1,000 BSA increase. She said the district still budgeted the use of about \$2.5 million in fund balance under that assumption. She added that if the final BSA increase is lower, the district does not anticipate increasing the use of fund balance because the remaining balance is already very limited. She said the district would instead identify reductions in personnel and non-personnel areas once the state funding decision is finalized.

[4:27:10 PM](#)

CHAIR TOBIN noted that BASIS includes a letter from Anchorage School District Superintendent Bryant explaining the district's fund balance. She added that a document dated December 2023 is also available that explains fund balance terminology, including information about the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB). She stated the document provides additional context for the financial terms used during the presentation.

[4:28:48 PM](#)

There being no further business to come before the committee, Chair Tobin adjourned the Senate Education Standing Committee meeting at 4:28 p.m.