



MEMORANDUM

To: State Board of Education & Early Development
Date: October 9, 2025
Thru: Dr. Deena Bishop
Commissioner
Telephone: (907) 465-2785
From: Heather Heineken, Director
Finance & Support Services
Subject: Agenda 8.C Division Standing Report

School Finance

Foundation Funding Program

- Last legislative session the base student allocation increased from \$5,960 to \$6,660. Under long historical precedent, Foundation payments in the first nine months of a fiscal year are 1/12 of the prior fiscal year's state aid, with the final three months serving as an adjustment to the current calculation. The division thoroughly reviewed statutory language and successfully advocated that the initial payments of the FY2026 funding calculation should be updated to account for the change in formula. With the Governor's Office of Management and Budget agreement, payments reflecting this increase have been issued to Alaska school districts, ensuring districts benefit from the increased funding throughout the school year to better support students and educational programs.
- The 20-day count period ends on the fourth Friday of October each year. For FY2026 the 20-day count will run from September 29 to October 24, 2025.
- Projections for FY2027 are due to the department by November 5, 2025; this provides data for the governor's upcoming budget proposal.
- The federal Impact Aid Program (IAP) determination on the FY2026 disparity test, which will determine whether the state can consider a portion of district IAP funds in state entitlement funding this year, is still under appeal proceedings.

Pupil Transportation Program

- For FY2026, 47 districts are participating in the program with 20 district-operated, 21 contractor-operated, and 14 fee-in-lieu-of operations. Some districts operate a combination of programs. The first payment of FY2026 was issued in August.
- The state contracted school bus inspectors began the first of two annual inspections of school buses in July 2025. Seven districts received an inspection as of the beginning of the fiscal year with 665 initial bus inspections as of August 7.

Residential Schools

- During the open enrollment through June 30, 2025, the department received a residential school program application from Bristol Bay Regional Career and Technical Education program through a consortium of districts lead by Lake & Peninsula Borough School District. The application was approved by the department and will be forwarded for FY2027 funding consideration and approval.
- The FY2026 approved residential school programs will submit residential counts to the department by December 1, 2025, with grant payments being issued January 2026.

School Debt Reimbursement

- The request for FY2027 bond reimbursement allocations is due to the department no later than October 15; with the June 30 end of the moratorium on new school bond reimbursement approval, the department expects additional anticipated debt allocations to be requested by municipalities. This may be offset by statements by legislators on the Finance Committees that an open program does not guarantee program funding.

State and Federal Reporting Requirements

- **District Budget Approval:** School district operating fund budgets are due to the department annually by July 15. The department reviewed FY2026 school district operating fund budgets for compliance with statutes and regulations. The review and approval of school district budgets was completed at the end of August.
- **School District Audits:** Certified audits are due to the department by November 15 in accordance with AS 14.14.050, or state funding is withheld until the audit is received, and the withheld funds are released to the district upon receipt of the audit.
- **Special Education Maintenance of Effort (SPED MOE) Compliance Test:** The SPED MOE Compliance Test assesses whether districts are meeting federal requirements by comparing audited SPED expenditures from the two most recent fiscal years available (FY2024 and FY2023). All districts passed the test except for one. Following extensive review and collaboration, DEED and the district were able to minimize the liability and will be required to return an amount to US ED equal to the shortfall in the district's special education expenditures: \$29,535. The district is working with DEED to address this outcome and ensure compliance going forward.
- **SPED MOE Eligibility Test:** The SPED MOE Eligibility Test ensures that the district's current fiscal year budget for SPED expenditures meets or exceeds the most recent audited expenditures (FY2026 to FY2024), determining eligibility for the IDEA entitlement grant. This test is conducted in September.
- **Federal Reporting:** The Department completed and submitted the FY2024 National Public Education Finance Survey and the Local Education Agency Finance Survey (F-33) Reports.

School Broadband Assistance Grant (BAG)

- For FY2026, BAG program awarded \$19,186,871 in funding to 133 schools across 23 school districts. Funds support broadband infrastructure improvements, building on progress from FY2025 when many schools first increased their internet speeds from 25 Mbps to the 100 Mbps benchmark. More than 125 of the awarded schools have reached or maintained 100 Mbps service. Eight awarded schools from FY2025 BAG exited the program this year after obtaining more cost-effective solutions that met or exceeded the 100 Mbps threshold, while 3 new schools entered the BAG program in FY2026 for the first time to improve their connectivity.

E-Rate Support

- Providing continuous E-Rate support for school districts and libraries in application processes, including program integrity assurance review inquiries and rate application for 30-plus small and rural libraries. Began bi-weekly Q&A sessions to guide schools and libraries through their E-Rate applications.
- Supreme Court ruled the Universal Service Fund (USF) constitutional, affirming the stability of E-Rate and related USAC programs.

School Facilities

Capital Improvement Projects (CIP)

The Facilities section annually reviews applications for state aid for school construction and major maintenance and produces statewide priority lists (additional details below). When funded, the section administers state-aid for school capital projects ranging in size from \$50,000 to \$100,000,000.

Project-Related Statistics for This Quarter	Debt Reimbursement	Grant
Project agreements issued	0	2
Deliverables reviewed under 4 AAC 31.030, 4 AAC 31.040, and for "pre-CIP" projects	0	1
Project agreement close outs	0	2
Total active projects	9	51
Total active project value (debt approved principal and grant state share)	\$28,038,381	\$483,260,811

- **Preventative Maintenance (PM) Program:** Site visits and assessments are underway for FY2028 CIP eligibility; two visits were conducted between June 1 and September 5, 2025. A recurring challenge is the use of varied Computerized Maintenance Management Systems (CMMS) across districts. Staff turnover often results in a loss of system knowledge. Facilities is looking at ways to assist districts with training and resources for better utilization of Computerized Maintenance Management Systems (CMMS) to enhance facility management in school districts across the state.
- **FY2026 CIP Cycle:**
 - **School Construction:** The top two projects on the list received full funding through the FY2026 REAA appropriation. The rank three project will receive a limited grant to coordinate site preparation work in conjunction with a state Dept. of Transportation project in a remote community, which will provide long-term savings to the project. Two projects are in REAA districts, and one is in a municipal district.
 - **Major Maintenance:** FY2026 budget appropriations were sufficient to fund the top three major maintenance grant fund projects. One project is in a municipal district, and two projects are in REAA districts.
- **FY2027 CIP Rating Cycle:** For the FY2027 CIP application rating cycle, 126 applications were received. Fifty-three are reuse of scores and 73 will be rated in the next six weeks. The initial lists for School Construction and Major Maintenance will be published by November 5, 2025.
- **Bond Reimbursement & Grant Review (BRGR) Committee:** Three subcommittees are underway including: (1) CIP Application and Process, (2) Preventative Maintenance Administration, and (3) Space

Utilization. Reports of initial findings will be presented to the full BRGR Committee at the December 2025 BRGR Committee Meeting.

Land

The Facilities section manages state-owned land in support of school facilities for Regional Educational Attendance Area (REAA) districts, and Mount Edgecumbe High School (MEHS).

- **MEHS**

- A land covenant with DEC promising for Lot 15D to not disturb contaminated below surface soil without first contacting DEC is in final draft and out for signature.
- A temporary Cell on Wheels (COW) lease has been executed for Verizon to place COW in MEHS parking lot.
- Phase 1 of a permanent Verizon cell tower to be located on MEHS property is in the initial stages.
- A last extension for a SEARHC lease has been granted ending on June 30, 2026 for Millerville Lot 15G.
- A SEARHC land transfer determination is under review due to age of last approval (Stale and prior administration) for Millerville Lot 15G.

- **REAA**

- Alaska Gateway School District, City of Eagle, and Alaska Power & Telephone lease issues are ongoing.
- Facilities worked with the Kuspuk School District to renew a lease with DOT in Aniak on airport land.

Special Projects

The department received an FY2022 appropriation to develop a capital funding forecast database. This database will document the statewide need for K-12 construction and capital renewal each year and will identify how existing funding mechanisms could meet that need. Six capital planning dashboards have been released for use by the public and are available here:

<https://education.alaska.gov/facilities/capitalplanning>. Work continues on the capital forecasting tool with expected completion by November 1, 2025.

Child Nutrition Program Program Monitoring

DEED performed federally required on-site monitoring of six sponsors of the Summer Food Service Program. Monitoring was performed at eight feeding sites including two rural locations in Petersburg and Old Harbor. During these visits, DEED monitors the program and site for compliance in meal service operations, nutrition, financial, safety, and civil rights requirements.



Photos from Petersburg Borough School District Summer Food Service Program and school garden.

Program Training

The School Nutrition Programs team hosted virtual training for new and returning program directors and staff operating meal programs in participating schools and residential childcare institutions. Ninety-two people participated in the two-day training that included presentations from DEED and partners from the Institute of Child Nutrition, a US Department of Agriculture-funded cooperative at Ole Miss. The team added a new and aspiring program directors' training that attracted 26 participants.

The Child and Adult Care Food Program team hosted virtual training for new and existing program directors and staff operating in childcare centers, day care homes, and after school and outside school hours care centers. One hundred and four people participated in a variety of training modules that were hosted over the course of a week that included new modules presented by our partners at the Institute of Child Nutrition.

Grant Funding for School Nutrition Programs

- **State Administrative Expense Reallocation:** DEED received \$373,692 in State Administrative Expense (SAE) Reallocation funds. SAE Reallocation is a redistribution of prior year unused funding from state child nutrition agencies. This funding will allow DEED to:
 - Reimburse program sponsors approximately \$309,000 administrative costs incurred from the Food Distribution Program.
 - Develop new Request for Proposal (RFP) templates for program sponsors that wish to solicit the services of a Food Service Management Company (FSMC). These templates replace an outdated template and provide for a wider range of options for program sponsors including contracting all services to a more limited scope of services.
 - Develop a new Food Safety and Hazard Analysis Critical Control Point (HACCP) plan template based upon training already available from the Institute of Child Nutrition. This template will ensure program sponsors can implement a comprehensive food safety plan without draining excessive administrative resources.