



Finance and Support Services

To: Members of the State Board of Education & Early Development
From: Heather Heineken
Date: October 14, 2026
Item: 23.0C

Standing General Report

Introduction

Finance and Support Services has had a busy start to the new fiscal and school year, with each section focused on annual program activities. The division has also filled several vacancies, and new staff are learning their programs and responsibilities while maintaining ongoing services and support. School Finance is working through annual funding, reporting, and compliance activities; School Facilities is administering newly funded capital projects while reviewing applications for the next CIP cycle; and Child Nutrition Programs is supporting the new program year while continuing implementation of program improvements and new grant opportunities. Across the division, staff continue to provide technical assistance and support to districts and program partners while managing evolving state and federal requirements.

Updates

School Finance

Foundation Funding Program

- The 20-day count period ends on the fourth Friday of October each year. For FY2027 the 20-day count will run from September 28 to October 23, 2026.
- Projections for FY2028 are due to the Department by November 5, 2026; these data inform 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.
- Energy relief grants provided under HB 263 were distributed to qualifying districts in September. To meet the grant requirements while keeping the process as simple as possible for districts, the Department used the FY2027 budgets submitted by the district rather than requiring a separate application or additional documentation. The Department is now developing the criteria and reporting requirements for the new energy reimbursement grant established under HB 28 beginning in FY2028. School Finance and Facilities have met with a working group to develop a process that meets the statutory requirements and minimizes the administrative burden on the districts.

Pupil Transportation Program

- For FY2027, 47 districts are participating in the Pupil Transportation program with 20 district-operated, 23 contractor-operated, and 17 fee-in-lieu-of operations. Some districts operate a combination of programs. The first payment of FY2027 was issued in September.
- During the summer training course, 15 new school bus driver instructors were certified and 3 certificates were extended. This was the first year that AVTEC was not able to hold the courses; AVTEC has indicated it will continue to not have capability in the future. The Department will be soliciting another vendor.
- The state contracted school bus inspectors began the first of two annual inspections of school buses in July 2026. Seven districts received an inspection as of the beginning of the fiscal year with 660 initial bus inspections as of August.

Residential Schools

- The Department received a residential school program application for the Yukon-Koyukuk School District Career and Technical Education Center During the open enrollment through June 30, 2026. The application is under review by the department for a potential FY2028 legislative funding request.
- The FY2027 approved residential school programs will submit residential counts to the department by December 1, 2026, with grant payments being issued January 2027.

School Debt Reimbursement

- The request for FY2028 bond reimbursement allocations is due to the department no later than October 15. The moratorium on the program ended July 1, 2025, but no municipal districts have yet contacted the department to participate in the program. Although, some municipalities have discussed putting potential school bonds to their voters.

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 FY2027 school district operating fund budgets for compliance with statutes and regulations. The review and approval of school district budgets was completed by September 1.
- **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. 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 (FY2025 and FY2024).
- **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

(FY2027 to FY2025), determining eligibility for the IDEA entitlement grant. This test is conducted in September.

- **Federal Reporting:** The Department completed and submitted the FY2025 National Public Education Finance Survey and the Local Education Agency Finance Survey (F-33) Reports.

School Broadband Assistance Grant (BAG)

- In FY2027, BAG awarded \$15.3 million to 125 schools across 20 school districts, compared with \$19.2 million to 133 schools across 23 districts in FY2026. The reduction reflects continued broadband improvements, with four school districts representing nine schools exiting the program after achieving service above 100 Mbps, while one new school entered BAG. The program continues to provide critical broadband support for Alaska schools, particularly in rural and remote communities.

E-Rate Support

- The Department will be 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.
- The Department will be monitoring significant Federal Communications Commission (FCC) policy developments affecting E-Rate. This includes the FCC's Notice of Proposed Rulemaking (NPRM) and a Further NPRM reviewing E-Rate, student screen time, Children's Internet Protection Act (CIPA), program eligibility, and administration. Continuing to provide updates and resources to Alaska schools and libraries. Drafted DEED comments with particular emphasis on CIPA and the potential effects of proposed changes on Alaska's rural schools and libraries.

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 detail below). When funded, the section administers state-aid grants for school capital projects greater than \$50,000. The section also administers state aid for school capital projects greater than \$200,000 under the debt reimbursement program.

Project-Related Statistics	Debt Reimbursement	Grant
Project agreements issued	0	14
Project agreements in process (FY2027)	0	26
Deliverables reviewed under 4 AAC 31.030, 4 AAC 31.040, and for "pre-CIP" projects	1	12
Project agreement close outs	3	7
Total active projects	7	66
Total active project value (debt approved principal and grant state share)	\$18,848,925	\$ 433,211,916

FY2027 CIP Rating Cycle

- Following State Board approval of the final FY2027 CIP priority lists, the Legislature provided funding for both School Construction and Major Maintenance projects. School Construction funding included \$17.5 million for the Stebbins K-12 School Replacement and \$6.0 million for the Deering K-12 School Replacement projects.
- Approximately \$95.8 million was funded for Major Maintenance projects through priority 33. An additional \$10.65 million for the five Major Maintenance projects at priorities 34–38 was included in a contingent “waterfall” provision. This funding is contingent on the FY2027 fiscal year-to-date average price of Alaska North Slope crude oil being \$80 per barrel or greater on December 31, 2026.
- The facilities section is now administering the funded projects and developing project agreements with the respective school districts.

FY2028 CIP Rating Cycle

- Applications from school districts were due on September 1, 2026. The facilities section is currently reviewing and rating submitted applications and will publish the initial School Construction and Major Maintenance priority lists on November 5, 2026.

Preventative Maintenance (PM) Program

- The building management specialist position was vacant from February to June 2026. The position is now filled. During FY2027, that position will conduct preventive maintenance site visits to 11 school districts across the state.
- Use of computerized maintenance management systems (CMMS) continues to be a challenge for many districts. The concept of a State-managed centralized CMMS continues to be discussed internally as a potential way to improve consistency and support district maintenance programs.

Land

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

MEHS

- Consideration for a long-term use license with Verizon for a permanent cell tower on MEHS property is being reviewed.
- A new lease was formalized and executed between the State and SEARHC for Millerville Lot 15G.
- The SEARHC land transfer determination for Millerville Lot 15G is back under review due to age of prior approval.
- A use license with Hansen Maritime for use of the old WWII seaplane ramp on the northwest side of MEHS, allowing limited summer use (up to four days per year) to remove derelict boats will be considered.

REAA

- Alaska Gateway School District, City of Eagle, and Alaska Power & Telephone (AP&T) lease issues are ongoing. The district and AP&T have come to an agreement; the city is not communicating.
- Potential use license with a local cell phone company in the Kuspuk School District at Stony River.
- Environmental monitoring continues at the former Pitkas Point School site, where petroleum contamination remains in portions of the soil and groundwater. DEED is coordinating with ADEC on additional investigation and remediation requirements; funding for the remaining work has not yet been identified.

Child Nutrition Programs

National School Lunch Program (NSLP)

- For the FY2026-27 school year there are 386 sites operating under the NSLP in Alaska. Of these, 217 are Community Eligibility Provision (CEP), which means meals are provided at no cost to all enrolled students, and 169 operate a regular/pricing program. Additionally, 66 sites are participating in the Afterschool Snack Program and 210 participate in the Fresh Fruit & Vegetable Program. While districts across the state have closed schools (and subsequently fewer programs on NSLP), residential childcare institutions (RCCI) have expanded in participation.

Child and Adult Care Food Program (CACFP)

- To prepare program operators for Program Year 2027, AK DEED conducted annual training in July and August, covering topics such as meal pattern compliance, administrative updates, civil rights, and program integrity, among others. Program Year 2026 ends with 47 participating institutions operating 164 active sites and 139 homes.

Summer Food Service Program (SFSP)

- Over one million meals were delivered to over nine thousand children during summer 2025, and the count has already exceeded that in 2026 with final numbers to be confirmed in fall 2026. 2026

is the final year of the current demonstration project. AK DEED is working with USDA Food Nutrition Administration to implement a one-year No Cost Extension.

Additional Meals to You program information:

<https://foodbankofalaska.org/meals-to-you>

<https://education.alaska.gov/cnp/m2y>

United States Department of Agriculture (USDA) Food Distribution Program

- New computer software from PrimeroEdge was implemented last school year to support Child Nutrition Program operations, improve efficiency, data management, and reporting capabilities statewide. The transition for school districts using the new Food Distribution module for their SY27 orders for USDA Foods (commodities) has been successful.

Grants

- AK DEED was awarded two-year funding through the US Department of Agriculture's (USDA) National School Lunch Program (NSLP) Equipment Assistance Grant to help ensure that schools have the equipment they need to serve healthier meals, improve food safety, and to support the establishment, maintenance, or expansion of the School Breakfast Program (SBP).
- AK DEED was awarded three-year funding through the US Department of Agriculture's (USDA) Technology Innovation Grant for CACFP Program Integrity. The award is intended for technology improvements to data accuracy, compliance, and program integrity at both the State agency and program operator level.