

State Board of Education & Early Development
Tentative Agenda
Audio-conference Meeting
October 26, 2015
State Board Room
Department of Education & Early Development
801 West 10th Street
Juneau, AK 99801

Mission Statement: To ensure quality standards-based instruction to improve academic achievement for all students.

October 26, 2015

12:00 PM

Call to Order and Roll CallJames Fields, Chair
Pledge of AllegianceJames Fields, Chair
Adoption of Agenda.....James Fields, Chair
Disclosures of potential conflicts of interest.....James Fields, Chair

12:10 PM

Public Comment

Public comment is open on agenda and non-agenda items. Comment at this oral hearing is limited to three minutes per person and five minutes per group. The public comment period is an opportunity for the board to hear the public's concerns. The board will not engage in discussions with members of the public during the comment period.

Public comment can be made for this meeting, during this time only, by calling 1-844-586-9085 if you are outside of Juneau. For participation from Juneau, call 586-9085. This meeting will be streamed through the Legislative Information Office over <http://www.alaskalegislature.tv/> beginning at noon on October 26, 2015, (audio only). Click on the meeting name to listen to the proceedings. When public comment is over, the meeting will continue to be broadcast at the above web site.

In the event there are more than two hours of public comment, the board may move to amend the agenda to extend the oral hearing to accommodate those present before 11:55 a.m. who did not have an opportunity to comment. The board also reserves the right to adjourn at a later time.

Business Meeting

12:40 PM

1. School District Budget Waiver Requests.....Commissioner Mike Hanley
.....Elizabeth Nudelman, Director
.....Elwin Blackwell, School Finance Manager

- 1.1 Alaska Gateway School District
- 1.2 Bristol Bay Borough School District
- 1.3 Chatham School District
- 1.4 Copper River School District
- 1.5 Hoonah City School District
- 1.6 Hydaburg City School District
- 1.7 Iditarod Area School District
- 1.8 Kake City School District
- 1.9 Kashunamiut School District
- 1.10 Klawock City School District
- 1.11 Lake and Peninsula Borough School District
- 1.12 Nome Public Schools
- 1.13 North Slope Borough School District
- 1.14 Northwest Arctic Borough School District
- 1.15 Pelican City School District
- 1.16 Pribilof School District
- 1.17 Saint Mary’s School District
- 1.18 Skagway School District
- 1.19 Southeast Island School District
- 1.20 Tanana City School District
- 1.21 Wrangell Public School District
- 1.22 Yakutat School District
- 1.23 Yukon Flats School District
- 1.24 Yupiit School District

1:40 PM Board Comments

1:55 PM Adjourn

To: **Members of the State Board of
Education & Early Development**

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1

◆ **ISSUE**

The board is being asked to consider 24 school district requests for a waiver of the 70% minimum expenditure for instruction requirement for Fiscal Year 2016 budgets.

◆ **BACKGROUND**

- AS 14.17.520 requires that a school district budget for and spend a minimum of 70% of its school operating expenditures in each fiscal year on the instructional component of its budget. AS 14.17.520(d) allows a district unable to comply with the requirement to request a waiver from the board. The board may grant the waiver if the board determines that the district's failure "was due to circumstances beyond the control of the district." A copy of AS 14.17.520 follows this memorandum.
- The law requires that the board consider requests for waivers under two separate conditions. Each fall, the board considers waivers of the requirement based on the school district's proposed budget for the current school year. In the spring, the board is asked to consider waiver requests if a school district had budgeted at the required amount, but failed to meet the requirement on the actual audited expenditures for the prior school year. The following table highlights the required instructional percentage since the minimum expenditure law was passed and the number of waivers granted under both the budget and audit requirements:

Fiscal Year	% Required	# of Budget Waivers Granted	# of Audit Waivers Granted
1999	60%	13	2
2000	65%	16	4
2001	70%	24	0
2002	70%	29	1
2003	70%	27	3
2004	70%	32	1
2005	70%	32	1
2006	70%	32	2
2007	70%	24	5
2008	70%	24	3
2009	70%	28	3
2010	70%	27	5
2011	70%	26	2
2012	70%	23	5
2013	70%	23	5
2014	70%	24	3
2015	70%	23	Consider in March 2016

- After review, analysis, and follow-up of the FY2016 budgets, the department sent notification to each district accepting or rejecting its budget. Those districts below 70% received a letter dated September 1, 2015 rejecting the budget based on not meeting the 70% at AS 14.17.520(d). A copy of the September 1 letter and the attachments making up two pages are in your board packet before the six-page overview.
- The department has prepared a six-page overview detailing the history and results for the minimum expenditure requirement. The first two pages are the department's discussion. Pages three and four present the instructional percentage for both budgets and audits for all districts since FY2006. Page five categorizes the waiver requests by reasons and causes, and page six presents the instructional calculation.
- The waiver requests for each district are under separate tabs 1.1 through 1.24.
- Elizabeth Nudelman, Director of School Finance, and Elwin Blackwell, School Finance Manager, will be present to brief the board.

◆ **OPTIONS**

Approve all 24 district waiver requests.

Approve each individual district waiver request.

Do not approve the district waiver requests.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve all 24 district waiver requests.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development approve the district waiver requests for 70% minimum expenditure for instruction requirement for Fiscal Year 2016 for the following school districts: Alaska Gateway, Bristol Bay Borough, Chatham, Copper River, Hoonah City, Hydaburg City, Iditarod Area, Kake City, Kashunamiut, Klawock City, Lake and Peninsula, Nome, North Slope Borough, Northwest Arctic Borough, Pelican City, Pribilof, Saint Mary's, Skagway, Southeast Island, Tanana City, Wrangell, Yakutat, Yukon Flats, and Yupiit.

Alaska Statute 14.17.520

Sec. 14.17.520. Minimum expenditure for instruction.

(a) A district shall budget for and spend a minimum of 70 percent of its school operating expenditures in each fiscal year on the instructional component of the district budget.

(b) The commissioner shall reject a district budget that does not comply with (a) of this section and, unless a waiver has been granted by the board under (d) of this section, shall withhold payments of state aid from that district, beginning with the payment for the second full month after rejection and continuing until the school board of the district revises the district budget to comply with (a) of this section.

(c) The commissioner shall review the annual audit of each district for compliance with the expenditure requirements of (a) of this section. If the commissioner determines that a district does not meet those requirements, the commissioner shall advise the district of the determination, calculate the amount of the deficiency, and deduct that amount from state aid paid to the district for the current fiscal year. A deduction in state aid required under this subsection begins with the payment for the second full month after the determination, unless a waiver has been granted by the board under (d) of this section.

(d) A district that has been determined by the commissioner to be out of compliance with the requirements of this section may, within 20 days of the commissioner's determination, request a waiver by the board of the imposition by the commissioner of any reduction in state aid payments under (b) or (c) of this section. The request must be in writing and must include an analysis of the reasons and causes for the district's inability to comply with the requirements of this section. The board may grant the waiver if the board determines that the district's failure to meet the expenditure requirements of this section was due to circumstances beyond the control of the district. The request must also be submitted to the Legislative Budget and Audit Committee, which shall review the district's request and forward the committee's recommendations on it to the board.

(e) The commissioner shall submit an annual report on actions taken by the commissioner or the board under this section to the Legislative Budget and Audit Committee by April 15 of each year.

(f) In this section, "instructional component" includes expenditures for teachers and for pupil support services.

SCHOOL FINANCE / FACILITIES

801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500
Main: 907.465.2891
Fax: 907.463.5279

September 1, 2015

Dear:

In accordance with regulation 4 AAC 09.120, the Alaska Department of Education & Early Development (the department) reviewed your FY 2016 school operating fund budget and rejected it, at this time, for not meeting the 70% minimum expenditure for instruction requirement in Alaska Statute 14.17.520. Alaska Statute 14.17.520(d) allows a district to request a waiver from the requirements of this statute within 20 days of this determination. A revised budget or waiver request must be submitted to the department by **September 20, 2015**.

The waiver request letter must include a statement of the reason(s) and cause(s) that are beyond the district's control and account for the district's inability to comply with the minimum expenditure for instruction requirement. The body of the waiver request letter is to contain a persuasive argument providing detailed information to support the reasons and causes that account for the districts inability to comply with the minimum expenditure for instruction requirement. You are encouraged to submit any additional documentation that would aid the department in understanding more fully the reason(s) and cause(s) behind the districts inability to comply with the minimum expenditure requirement.

Enclosed is a document outlining the budget review and waiver request instructions and a spreadsheet with the district's function and object code comparisons. If you need further information, **assistance is available** from the Department of Education & Early Development, Division of School Finance. Please contact Elwin Blackwell at (907) 465-8665.

Sincerely,

Elizabeth Nudelman
Director

Enclosure

Budget Review, Waiver Request Letter Instructions and Other Information

September 1, 2015

The following information is provided to summarize the budget review and waiver process. Further information can be obtained from Alaska statutes, regulations, or the Department of Education & Early Development - School Finance.

AS 14.17.520, minimum expenditure for instruction, requires school districts to budget and expend 70% of their school operating expenditures on instruction. Budgets are due to the Department of Education & Early Development (the department) by July 15, annually. The calculation for the FY2016 budgeted minimum expenditure for instruction is functions 100-400 divided by functions 100-780.

Budget Review

Following the July 15 due date, the department reviews each budget and notifies the district by September 1 of approval or rejection. As presented in 4 AAC 09.120, a budget will be rejected when:

1. not in the form required by the department;
2. not balanced;
3. does not meet the local effort provisions of AS.14.17; or
4. does not meet the minimum expenditure for instruction requirement of AS 14.17.520.

Notification that a budget is rejected will include the department's specific reasons for the rejection. A district must resubmit an amended budget within 20 calendar days of the date of the notification for those budgets rejected under 1, 2, or 3 above. For those budgets rejected under 4 above, the district must either resubmit an amended budget that complies with the requirement or request a waiver from the State Board of Education & Early Development within 20 calendar days of the date of the rejection notification.

Waiver Request Instructions

The waiver request **is to be in a letter format** and is to be addressed to the State Board of Education with a carbon copy going to the chair of the Legislative Budget and Audit (LB&A) committee. The waiver request letter should start by requesting a waiver from the State Board of Education & Early Development then move to the reasons and causes statement.

In accordance with statute, submit your waiver to:

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500

In accordance with statute, a copy of your waiver request must be submitted to:

The Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee (LB&A)
State Capitol, Room 502
Juneau, AK 99801-1182

The reasons and causes statement must clearly identify the reasons and causes that are beyond the district's control and prevent the district from budgeting in compliance with the minimum expenditure for instruction requirement. **The reasons and causes statement should be clear,** such as, "*The [District Name] requests a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the district's control including [district's reasons and causes, examples declining enrollments, increasing energy costs].*" A comparative spreadsheet has been supplied that details out by function and object code the district's current and prior year budgets and the last three years audited financial statement information. The spreadsheet should be used as a tool to aid the district in identifying and explaining the reasons and causes for not meeting the minimum expenditure for instruction requirement.

The paragraphs that follow the reasons and causes statement are to contain an explanation and discussion of the details supporting the reasons and causes. These paragraphs should convince the State Board of Education & Early Development that it is not possible based on the reasons and causes to budget at the minimum expenditure for instruction. If the district, for example, cited declining enrollments in the reasons and causes then the district would want to explain the decline by telling how much enrollments have declined from the prior year or over the last several years. The district would then want to discuss how the declining enrollments have impacted funding and the instructional program. The district, if relevant, should discuss what they have done to mitigate the impacts on the instructional programs.

The reasons and causes statement, the explanation, and discussion of the details are to be based on the current budget. The district may want to include supporting evidence from the prior year financial statements that supports the reasons and causes statement. The waiver request letter should conclude by summarizing why the district needs a waiver for this budget.

The State Board of Education & Early Development may grant a waiver if it determines the district's inability to meet the requirement is due to circumstances beyond the control of the district.

Department of Education & Early Development
70% Minimum Expenditure for Instruction – Summary

In 1998, the legislature passed the new public school funding formula. Included in this legislation is the requirement for school districts to spend 70% of the school operating fund on instruction.

FY2016 Budget Waiver Requests:

FY2016 is the eighteenth year under the minimum expenditure for instruction law.

The FY2016 budgets and waiver request process continue to follow the procedures and patterns identified over the past several years. The two patterns identified are that waiver requests are most often needed from: 1) districts with budgets of three million dollars or less, and 2) districts with operations and maintenance over 20% of the operating fund budget.

For FY2016, there are eight school districts requesting budget waivers that have operating budgets of approximately three million dollars or less. These range from Pelican (\$553,463) to Klawock (\$3,141,917). Six of these school districts requested budget waivers in both FY2014 and FY2015. The eight school districts with operating fund budgets of approximately three million dollars or less are identified in the schedule on page five of this report.

For FY2016, there are 12 school districts in the category of operations and maintenance expenditures at or above 20%. The 12 school districts with operations and maintenance expenditures at or above 20% are identified in the schedule on page five of this report. In many of the school districts, there were multiple rural sites contributing to high operations and maintenance. Energy costs were a significant component in the costs in this category.

Categories one and two account for 18 districts (two of the districts meet both categories), the six remaining school districts requesting waivers have a variety of components that contribute to falling below the 70% requirement. The six remaining districts are: Chatham (\$4.4 million budget and 17% Operations and Maintenance), Hoonah (\$3.3 million budget and 13% Operations and Maintenance), Kashunamiut (\$7.3 million budget and 18% Operations and Maintenance), Lake and Peninsula (\$14.5 million and 19% Operations and Maintenance), Southeast Island (\$6.4 million and 17% Operations and Maintenance), and Wrangell (\$5.3 million budget and 15% Operations and Maintenance).

The board packet includes all 24 school district waiver requests. The department will present these waiver requests, provide additional information, and answer questions during the October 26, 2015 board meeting.

The department's school finance staff review all 53 school district operating budgets and contact each district. The budget review includes many components including compliance with law and regulation; review of revenues; review of expenditures at the object level; review of beginning and ending fund balance; review of use of chart of accounts for consistent statewide reporting; observation of staffing levels by function; observation of progress towards 70% as revenues

increase. During this process, the department provides feedback and suggestions and districts often make revisions or corrections to budgets based on this process.

Those districts below 70% must revise their budget to 70% or submit a waiver to the state board. The department's school finance staff proceeds with a second review of those districts requesting a waiver. The waiver review covers multiple components. School finance staff confirms that the information presented in the waiver request to the state board is accurate and supported by financial transactions. The department reviews categories to ascertain that the budget and waiver are congruent with prior year's expenses and questions districts when necessary to explain or revise their budget. The department reviews transfers out to other funds and in the 24 FY2016 waiver requests, there are only three small transfers out to capital projects. Some districts continue to transfer funds to food service, pupil transportation, and teacher housing operations to ensure these services are available.

The department also reviews budgets to determine if there appears to be a strategy by which a district could revise a budget and meet the 70% requirement. In some instances, based on department feedback, districts have sharpened projections for revenues or expenditures and completed a revised budget at 70% rather than submit a waiver.

Some districts that just meet the 70% with a budget could fall below with actual results due to issues such as energy costs or enrollment. Those districts would need to submit a financial statement waiver. The department recognizes that, especially with smaller budgets while districts work to achieve 70%, they may need a financial statement waiver if items come up that are beyond their control.

The waiver review process was developed to provide assistance to the state board in their decision making process. Prior to recommending to the state board that a district be considered for a budget waiver, the department has turned back any requests that are not accurate, not supported, or for which the department identified adjustments that would place the district budget at 70%. For FY2016, the department has reviewed 24 district waivers for the board's consideration.

The following three spreadsheets summarize components of the 70% minimum instructional expenditure requirement:

- Operating Fund Minimum Expenditures for Instruction Summary,
- Districts' Reasons and Causes for FY2016 Budget Waiver Requests, and
- Minimum Expenditure for Instruction Calculation Overview.

Department of Education & Early Development Operating Fund Minimum Expenditure for Instruction Summary

	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	
	FY 2006	FY 2006	FY 2007	FY 2007	FY 2008	FY 2008	FY 2009	FY 2009	FY 2010	FY 2010	FY 2011	FY 2011	FY 2012	FY 2012	FY 2013	FY 2013	FY 2014	FY 2014	FY 2015	FY 2016
	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Budget
Alaska Gateway	66%	63%	66%	65%	63%	67%	66%	66%	67%	67%	67%	65%	70%	65%	70%	68%	69%	69%	69%	*67%
Aleutian Region	69	72	70	70	72	71	68	69	63	63	65	63	67	64	67	66	69	69	67	73
Aleutians East Borough	66	64	68	64	64	66	66	67	67	68	66	66	67	67	66	66	68	68	70	70
Anchorage	77	77	78	77	77	80	79	79	79	79	79	79	79	79	80	80	77	80	82	79
Annette Island	70	71	71	72	70	73	70	70	70	70	70	72	73	70	71	72	72	71	74	73
Bering Strait	71	69	70	66	70	71	67	66	67	69	67	70	67	69	70	70	70	71	70	70
Bristol Bay Borough	62	61	64	64	60	61	63	60	60	61	62	61	63	61	64	62	62	60	60	*58
Chatham	65	65	66	67	67	66	66	63	65	67	65	66	64	62	64	66	66	64	68	*66
Chugach	74	80	79	76	79	83	77	84	77	81	81	79	74	78	70	79	78	78	77	77
Copper River	69	69	68	68	67	70	68	66	67	67	65	65	65	66	66	67	65	67	67	*64
Cordova City	69	69	67	70	67	71	69	70	71	70	72	71	70	71	70	70	69	72	71	71
Craig City	79	79	78	78	80	80	79	78	80	79	76	73	77	77	76	75	75	74	76	78
Delta Greely	72	73	74	74	70	72	73	72	71	70	72	70	70	71	71	71	71	71	72	71
Denali Borough	72	70	71	69	68	71	70	71	68	71	70	70	72	71	72	74	72	72	72	70
Dillingham City	72	70	72	70	73	73	70	70	74	72	74	73	75	74	77	76	75	75	79	77
Fairbanks North Star Borough	75	75	75	76	74	78	77	77	76	78	78	78	77	77	78	79	79	79	79	77
Galena City	72	70	73	73	71	75	70	71	70	71	70	71	71	68	71	69	70	72	73	71
Haines Borough	69	70	70	70	70	73	71	73	72	74	72	74	75	76	74	75	74	76	75	75
Hoonah City	53	56	60	59	62	63	60	62	60	61	62	65	65	64	66	68	64	64	64	*68
Hydaburg City	67	60	70	56	71	62	58	59	55	55	59	59	60	57	61	61	64	62	69	*69
Iditarod Area	62	60	61	62	60	64	61	62	60	61	60	62	63	65	61	62	61	62	63	*63
Juneau Borough	76	77	77	78	79	80	77	78	78	78	78	78	78	79	79	80	80	80	86	77
Kake City	59	59	61	55	54	58	59	58	58	57	59	61	60	60	60	61	60	66	65	*62
Kashunaniut	70	68	70	70	70	70	65	70	65	70	68	70	66	64	61	63	62	66	*64	
Kenai Peninsula Borough	73	72	74	73	74	75	73	74	74	74	74	74	75	74	76	76	75	75	77	76
Ketchikan Gateway Borough	77	77	77	76	74	77	76	78	77	77	78	77	78	78	78	79	80	81	82	80
Klawock City	68	66	67	65	66	65	66	65	71	69	72	70	72	68	70	68	70	67	70	*67
Kodiak Island Borough	74	72	74	73	72	74	72	73	73	72	74	74	73	72	74	73	74	74	74	71
Kuspuk	63	61	65	67	62	63	64	65	62	61	64	62	66	62	66	66	66	66	64	75
Lake & Peninsula Borough	65	65	66	65	66	67	65	64	67	66	65	62	66	65	65	67	67	67	68	*69
Lower Kuskokwim	73	74	71	75	72	75	75	74	76	74	75	74	74	76	78	78	78	78	78	77
Lower Yukon	68	69	70	69	70	68	67	69	67	67	71	68	70	71	71	70	71	71	72	70
Matanuska Susitna Borough	77	76	79	78	78	80	80	79	79	78	79	78	78	78	78	79	78	79	79	78
Nenana City	69	70	70	71	70	74	75	75	75	74	72	73	75	74	73	74	73	74	74	73
Nome City	66	64	65	66	62	66	64	64	65	64	65	64	66	64	68	66	68	70	69	*64
North Slope Borough	64	63	64	64	63	65	61	61	64	63	65	65	66	65	67	66	66	66	67	*66
Northwest Arctic Borough	63	62	63	63	65	67	65	61	60	61	60	62	62	61	66	67	64	65	66	*65
Pelican City	56	55	60	60	59	56	59	63	61	56	58	49	62	53	56	45	52	52	52	*51
Petersburg City	71	74	71	71	70	74	73	74	74	75	74	73	73	72	72	72	73	74	73	72

Department of Education & Early Development Operating Fund Minimum Expenditure for Instruction Summary

	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
	FY 2006	FY 2006	FY 2007	FY 2007	FY 2008	FY 2008	FY2009	FY 2009	FY2010	FY2010	FY2011	FY2011	FY2012	FY2012	FY2013	FY2013	FY2014	FY2014	FY2015	FY2016
	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Budget
Pribilof Islands	68	62	64	63	65	66	69	67	68	64	68	61	67	61	64	54	60	64	62	*64
Saint Mary's	65	62	65	64	62	62	62	58	61	47	61	60	61	54	61	55	61	56	64	*63
Sitka Borough	78	76	78	77	77	79	79	79	77	78	77	78	79	78	79	80	80	80	81	79
Skagway City	65	65	67	66	68	74	70	71	66	66	64	65	61	62	63	58	63	64	67	*66
Southeast Island	67	60	71	70	72	67	69	67	68	67	67	72	67	67	67	65	69	69	71	*67
Southwest Region	67	67	67	65	67	69	67	68	68	65	66	65	68	67	69	70	70	68	72	71
Tanana City	48	41	48	40	54	51	54	49	54	56	53	54	54	54	62	51	62	58	65	*60
Unalaska City	70	72	70	70	71	72	70	71	72	72	72	72	72	71	72	72	71	72	72	72
Valdez City	71	74	74	76	71	74	74	76	76	76	75	76	76	77	77	74	76	76	76	74
Wrangell City	69	70	68	70	67	71	68	70	68	70	69	71	71	74	72	72	72	72	68	*66
Yakutat City	69	70	71	71	70	71	70	67	70	66	69	71	70	66	70	69	70	72	73	*66
Yukon Flats	62	60	62	61	64	65	60	60	61	61	61	57	64	62	67	63	66	66	68	*63
Yukon/Koyukuk	66	68	73	67	71	70	67	67	70	68	71	73	72	70	71	71	72	71	72	73
Yupit	69	71	68	60	70	70	72	68	70	65	71	# 63	70	71	71	68	66	64	67	*68
Total Waivers	32	2	24	5	24	3	28	3	27	5	26	3	23	5	23	5	24	3	23	24

Bold = Waiver Requested and Approved
 * = Waiver being requested
 # = Waiver Requested and Denied

SUMMARY OF PERCENTAGES BY CATEGORY

Districts below 60%	4	4	1	4	3	3	4	4	3	4	4	4	1	4	1	5	1	3	1	2
Districts between [60% - 65%]	5	13	9	10	10	6	8	10	10	10	8	11	10	11	10	7	11	10	6	10
Districts between [66% - 70%]	23	11	14	13	11	13	16	14	14	16	14	10	12	13	12	15	12	14	16	12
Districts at 70% and above	21	25	29	26	29	31	25	25	26	23	27	28	30	25	30	26	29	26	30	29
	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53

† Minimum Expenditure for Instruction Percentages for FY1999 and FY2005 Budgets and Audits have been removed.

**Department of Education & Early Development
Districts' Reasons and Causes for FY2016 Budget Waiver Requests**

	EED Budget Review			District Reasons and Causes for FY2016 Budget Waiver Request			
	70% Instructional % FY2016 Budget	Category 1 w/ Operations & Maintenance Above 20%	Category 2 w/ Total Revenues at or Below \$3 Million	Economies of Scale & Small Populations at Multiple Sites	Operations and Maintenance	Costs Related to Remote Location	Low/Declining Enrollment
Alaska Gateway	67%	X		X	X		X
Aleutian Region	73						
Aleutians East Borough	70						
Anchorage	77						
Annette Island	73						
Bering Strait	70						
Bristol Bay Borough	58	X			X	X	
Chatham	66				X	X	X
Chugach	77						
Copper River	64	X			X		X
Cordova City	71						
Craig City	78						
Delta Greely	72						
Denali Borough	70						
Dillingham City	77						
Fairbanks North Star Borough	77						
Galena City	71						
Haines Borough	75						
Hoonah City	68				X	X	X
Hydaburg City	69		X		X		X
Iditarod Area	63	X			X		X
Juneau Borough	77						
Kake City	62		X		X		X
Kashunamiut	64			X	X	X	
Kenai Peninsula Borough	76						
Ketchikan Gateway Borough	80						
Klawock City	67		X				X
Kodiak Island Borough	71						
Kuspuk	75						
Lake & Peninsula Borough	69			X	X	X	
Lower Kuskokwim	77						
Lower Yukon	70						
Matanuska Susitna Borough	78						
Nenana City	73						
Nome City	64	X			X	X	
North Slope Borough	66	X			X	X	
Northwest Arctic Borough	65	X			X		
Pelican City	51		X			X	X
Petersburg City	72						
Pribilof Islands	64	X	X	X	X	X	X
Saint Mary's	63	X			X	X	
Sitka Borough	79						
Skagway City	66		X		X		
Southeast Island	67				X	X	X
Southwest Region	71						
Tanana City	60	X	X	X	X	X	
Unalaska City	72						
Valdez City	74						
Wrangell City	66						X
Yakutat City	66		X		X	X	X
Yukon Flats	63	X			X	X	
Yukon/Koyukuk	73						
Yupit	68	X			X	X	
Totals		12	8	5	21	15	13

**Department of Education & Early Development
Minimum Expenditure for Instruction Calculation Overview**

School Operating Fund Only

Calculation for FY 1999 and FY 2000	Calculation for FY 2001	Calculation for FY 2002 / Beyond
FY99 Minimum Expenditure for Instruction is 60% FY00 Minimum Expenditure for Instruction is 65%	FY01 Minimum Expenditure for Instruction is 70%	FY02 Minimum Expenditure for Instruction is 70%
100 Instruction _____ 200 Special Education _____ 220 Special Education-Support Svc. _____ 300 Support Services – Students _____ 350 Support Services – Instruction _____	100 Instruction _____ 200 Special Education _____ 220 Special Education-Support Svc. _____ 300 Support Services – Students _____ 350 Support Services – Instruction _____ 400 School Administration _____	100 Instruction _____ 200 Special Education _____ 220 Special Education-Support Svc. _____ 300 Support Services – Students _____ 350 Support Services – Instruction _____ 400 School Administration _____
Total Instructional Expenditures 100-350 (a) _____	Total Instructional Expenditures 100-400 (a) _____	Total Instructional Expenditures 100-400 (a) _____
400 School Administration _____ 510 District Administration _____ 550 District Administration-Support _____ 600 Operation & Maintenance _____ 700 Student Activities _____ 780 Community Service _____	510 District Administration _____ 550 District Administration-Support _____ 600 Operation & Maintenance _____ 700 Student Activities _____ 780 Community Service _____	450 School Administration Support _____ 510 District Administration _____ 550 District Administration-Support _____ 600 Operation & Maintenance _____ 700 Student Activities _____ 780 Community Service _____
Total Expenditures 100-780 (b) _____	Total Expenditures 100-780 (b) _____	Total Expenditures 100-780 (b) _____
Total Instructional (a) divided by total expenditures (b) _____%	Total Instructional (a) divided by total expenditures (b) _____%	Total Instructional (a) divided by total expenditures (b) _____%

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.1

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Alaska Gateway School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Alaska Gateway School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$7,167,327	69%	\$6,137,186	67%
School Administration Support Services: 450	228,052	2%	172,742	2%
District Administration: 510	332,083	3%	283,774	3%
District Administration Support Services: 550	370,828	4%	328,740	4%
Operation & Maintenance: 600	2,211,662	21%	2,154,624	23%
Student Activities: 700	76,852	1%	71,525	1%
Community Services: 780	0	0%	0	0%
Total	\$10,386,804	100%	\$9,148,591	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	63%	66%	67%	67%	65%	68%	69%	69%	67%
Enrollment *	375	383	362	385	375	362	388	373	366

* Alaska Gateway School District operates seven schools in seven communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Alaska Gateway School District's request for a waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Declining enrollment.
- High operations and maintenance costs from fuel and utility expenses and facility maintenance.
- Lack of economies of scale.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Alaska Gateway School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



ALASKA GATEWAY SCHOOL DISTRICT

P.O. BOX 226 TOK, AK 99780

907-883-5151 Fax: 907-883-5154

TODD POAGE, SUPERINTENDENT

September 3rd, 2015

State of Alaska board of Education & Early Development
801 West 10th Street, Suite 200
P.O. BOX 110500
JUNEAU, AK 99811-0500

Dear State Board of Education & Early Development:

Pursuant to Chapter 83 SLA 1998, the Alaska Gateway School District (AGSD) is required to budget and expend 70% of its school operating funds for FY16 on instruction. AGSD is unable to meet this requirement in the current fiscal year. Therefore we are respectfully requesting a waiver of the 70% minimum expenditure for instruction as set forth in Alaska Statute 14.17.520(d)

AGSD has long continued efforts to provide quality educational services in the most financially efficient manner, and doing this without compromising our high quality of education and teaching standards. AGSD will continue to attempt to meet the minimum expenditure requirement by reviewing expense classifications and working directly with the Department of Education. At this time, however, AGSD is unable to meet the 70% minimum expenditure required for instruction due to a declining enrollment and continued high costs with Operations & Maintenance (O&M). We are at 67%, not quite there. Therefore, AGSD is requesting a waiver.

The main factors that result in AGSD not meeting the 70% instructional expenditure are the following: AGSD continues to have high fixed costs that are required to maintain each of the schools and the Main office. The District has seen an increase in both fuel and power costs for FY16 making the cost of energy unpredictable. Even though we have changed our lighting to more energy efficient LED bulbs in three of our seven schools to help save energy, we still struggle to keep up with increases. Although we have slightly lower fuel cost, energy is still a significant part of our budget. Fuel and power costs are high in the villages, for example in Northway we pay .74 a KWH which equates to an average of \$16,500K per month during the cold months of Nov-Feb. The cost of fuel is currently \$3.50/gallon. As our school buildings age it is harder to keep them energy efficient, our newest school (Tok School) is now 23 years old and our oldest is Northway at 38 years. We do have four of our schools on the CIP list for improvements but none are close to being funded at this time.

Our enrollment over the past six years has remained relatively flat. In FY10 we recorded 362 students, this year we are anticipating 366 including Correspondence. In addition, our low economy of scale also creates a high per pupil expense in the area of utilities. For example in Eagle where we have 16.75 students the average cost per pupil for O&M is \$8,092 where the average for the whole district of 305.05 students (not including Correspondence) is \$7,067.00.

As Alaskans know, the interior still has severe cold snaps that may last for days and weeks, and the cost of electricity is extremely high. While the district has taken steps to save power and heating costs, more recently our maintenance costs regarding our aging schools is increasing, offsetting the money that we have saved in the our

energy cost saving efforts. There are always those "special or unforeseen projects" that have to be completed to keep a school in operation. For example this year we had our hot water heater go down in Tok School. This project alone is going to cost the district between \$40,000 and \$50,000 to replace. At this time we do not know if this is covered by our insurance carrier, making us responsible for the full replacement cost. With this in mind, we must budget accordingly. AGSD operations and maintenance budget represents 23% of the school operating fund expenditures. These high fixed O&M costs which must be taken into account and budgeted for do not allow AGSD to meet the 70% instructional expenditure. AGSD is always working on energy projects to assist in closing this percentage gap. Should you need clarification or further information regarding the District's FY16 School Operating Budget or the requested waiver, please do not hesitate to call.

Sincerely,



Todd Poage
Superintendent
Alaska Gateway School District
(907) 883-5151

cc: Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.2

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Bristol Bay Borough School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Bristol Bay Borough School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$2,336,997	60%	\$2,027,639	58%
School Administration Support Services: 450	80,029	2%	75,637	2%
District Administration: 510	254,366	7%	237,168	7%
District Administration Support Services: 550	291,380	8%	283,965	8%
Operation & Maintenance: 600	813,914	21%	775,905	22%
Student Activities: 700	94,950	2%	103,925	3%
Community Services: 780	0	0%	0	0%
Total	\$3,871,636	100%	\$3,504,239	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	60%	63%	60%	62%	63%	64%	62%	60%	58%
Enrollment *	182	145	155	160	150	140	138	123	114

* Bristol Bay Borough School District operates two schools in two communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Bristol Bay Borough School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

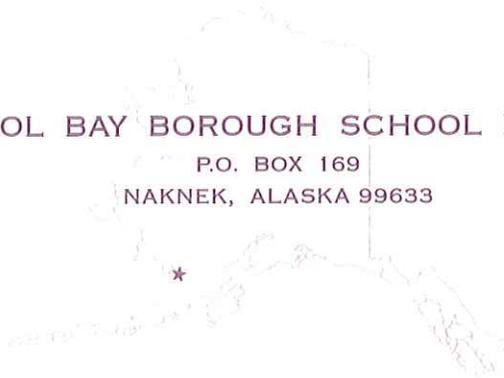
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Operations and maintenance including high costs of heating and utilities.
- High costs related to shipping, travel, and related service providers.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Bristol Bay Borough School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



BRISTOL BAY BOROUGH SCHOOL DISTRICT

P.O. BOX 169
NAKNEK, ALASKA 99633

September 14, 2015

State of Alaska Board of Education & Early Development
ATTN: Shawn Sypeck, Executive Secretary to the Board
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500

Subject: FY 2016 Waiver Request

Dear Chairperson Fields and Members of the State Board:

The Bristol Bay Borough School District (BBBSD) acknowledges its statutory responsibility to expend 70% of its operating budget on instruction and 30% or less of its total budget on other costs. This requirement has been unattainable for many years and continues to become increasingly more difficult. For FY 2016 BBBSD is requesting a waiver in accordance with AS 14.17.520(d).

The BBBSD requests a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the district's control. The factors most responsible are: the high cost of heating and utilities, high cargo rates for the shipment of supplies and equipment, the high cost of air travel, and related service providers.

To more clearly define the struggles we face, please consider the following:

- Despite our best efforts in reducing energy consumption, our heating, electricity and fuel costs have the most significant impact on our overall budget. With less than 120 students our district often pays in excess of \$32,000/month for heating and electricity.
- BBBSD maintains a facility that is nearly 90,000 square feet. Our maintenance efforts provide a safe, clean, well-light environment for our students. This facility requires a large expenditure in maintenance and custodial expenses; overall our Operations and Maintenance budget will exceed 21% of our overall costs. Our facility has not decreased in size, but our student body has seen a significant decrease in the past decade.

- Transporting goods and supplies to maintain operations often doubles the cost of the goods and supplies. The 1 lb. rate for shipping goods via airfreight from Anchorage is 0.77/pound and there are times when the fuel surcharge & federal excise tax pushes this to a \$1/lb or more.
- The cost of fuel in our region is extremely high. Our summer fuel delivery has resulted in the following cost of petroleum products using local suppliers: Heating Fuel = \$4.73/gallon, Diesel=\$6.25/gallon, Gas=\$6.18/gallon and Propane=\$275/100 lb. cylinder.
- Uncertain and declining enrollment numbers required our administrative team to reduce the number of certified personnel; in the past decade we have seen a decrease in our enrollment of 34%.

BBBSD continues to work toward resolving the issues that necessitate the request for a waiver from AS 14.17.520. Some examples of the work we are doing to meet the mandate are:

- Working closely with our Borough to prioritize education funding. The result has been a local contribution that nears the cap on almost a yearly basis. Our community values education and this is reflected in the Borough's budget.
- In the spring of 2015 a successful bond referendum allowed the Borough and District to consider a \$14M renovation project that would have addressed the district's energy consumption, a significant cost driver in our budget. Unfortunately, the bond was predicated on successfully applying to the State's Debt Reimbursement program and this program was retroactively put on a 5-year moratorium during the legislative session.
- The Borough and District are working to find other avenues to address our energy needs. The \$400,000 the Borough allocated toward the Design & Development phase brought us to a 35% design. This information helped us submit what is hopefully a strong grant application to the State's CIP list.
- In 2013 the District applied for and was granted a \$300,000 Village Energy Efficiency Program grant to make changes to our infrastructure that would reduce our energy consumption. This grant requires a \$1.3M match that would have been met with our stalled bonded project. We continue looking for other avenues to find this match and have successfully applied for an extension to the grant through 2018.
- In partnership with Capstone, Inc. developed an 80Kw solar array. The district has yet to see any benefit as complications with our local utility have yet to be resolved.
- Our administrative staff is very small to direct more of our funding toward instruction. As a result our small staff works long hours and wear many different hats to manage finance, curriculum and instruction, assessment, special education,

personnel and human resources, community schools, food service, federal programs and grant application and monitoring.

- When there is a clear financial benefit to the district without a decrease in service we contract for services that were once positions in the district. As an example we currently contract with SERRC for Tech management, Facilities management, and E-Rate.
- We are relocating students and staff in ways that will allow us to reduce our heating and energy costs for parts of our building. This relocation will also allow us to consider using the excess space in some creative ways that could help support our energy costs.
- We are nearing completion of restructuring our music wing to house our district office. This will remove the district's need to maintain a separate building to house district office and make better use of a space that we haven't had a staff member for in the past decade.

Bristol Bay has a tradition of being a strong bush education system. We take great pride in developing young people who can meet the challenges of work, training or continued education. We do everything we can to maximize the funding that is allocated directly to the classroom and feel that despite our challenges, we have done an exceptional job.

Bristol Bay will continue working to meet the mandates of AS 14.17.520, but without significant changes in the costs associated with delivering education in Bush Alaska there is little hope we will get any closer to this goal.

It is for all of the reasons listed that the Bristol Bay Borough School District requests the State Board's approval of our Waiver Request.

Respectfully yours,



Bill Hill
Superintendent
(907) 246-4225
bhill@bbbsd.net

cc: Honorable Mike Hawker

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.3

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Chatham School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Chatham School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$3,176,020	68%	\$2,864,962	66%
School Administration Support Services: 450	155,020	3%	146,104	3%
District Administration: 510	282,403	6%	263,855	6%
District Administration Support Services: 550	246,298	5%	239,074	6%
Operation & Maintenance: 600	754,662	16%	740,098	17%
Student Activities: 700	78,328	2%	85,064	2%
Community Services: 780	0	0%	0	0%
Total	\$4,692,731	100%	\$4,339,157	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	67%	66%	65%	65%	64%	64%	66%	68%	66%
Enrollment *	168	152	156	157	149	145	147	169	174

* Chatham School District operates four schools in four communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Chatham School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High operations and maintenance costs related to fuel and electricity.
- Increasing transportation and freight costs related to geographic location.
- Low enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Chatham School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

CHATHAM SCHOOL DISTRICT
Bernie Grieve
DISTRICT SUPERINTENDENT



CHATHAM SCHOOL DISTRICT
Board of Education
Ms. Sally McLaughlin - President
Mr. Kevin Frank, SR.
Mr. Albert Howard
Ms. Shawna Harper
Ms. Elizabeth Hooge

Telephone:
907-788-3302

MISSION STATEMENT - CHATHAM SCHOOL DISTRICT

In partnership with families and communities, the Chatham School District will provide safe and stable educational experiences built upon the uniqueness of each community, to educate students to become self-sufficient adults who will be contributing members of our diverse and changing world.

September 16, 2015

State of Alaska Board of Education and Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99801-0500

SUBJECT: FY 2016 Instructional Expenditure Waiver Request

The Chatham School District (CSD) respectfully requests a waiver from the 70% minimum expenditure requirement for instruction in accordance with AS 14.17.520 for reasons beyond the district's control. These reasons include annually increasing operations and maintenance costs due to heating fuel and electricity expenses, increasing costs to travel within the district and increasing costs to get goods and services to district sites. The CSD FY 2015-2016 budget includes expenditures for functions 100 – 400 of \$2,864,962 which is 66% of budgeted school operating expenditures.

The Chatham School district has four sites in 4 different communities (Angoon, Gustavus, Tenakee & Klukwan) with very small student populations (range is 10 to 70) that span approximately 43,000 square miles. The projected student enrollment for FY 16 is 174. As of the date of this letter there are 168 students enrolled in school. In FY 2006 the Chatham School District's ADM was 203.5. In the last 10 years the district's enrollment has dropped by approximately 17%.

The cost to travel within the district has increased by approximately 50% since FY 06. Travel from Angoon to Gustavus requires flying in a small plane to Juneau, typically an overnight stay in Juneau (in each direction), and then another small plane flight to Gustavus. The airfare for this round trip was \$334.00 in FY 06. The airfare for that same trip in FY 15 was \$532.00.

CHATHAM SCHOOL DISTRICT
Bernie Grieve
DISTRICT SUPERINTENDENT



CHATHAM SCHOOL DISTRICT
Board of Education
Ms. Sally McLaughlin - President
Mr. Kevin Frank, SR.
Mr. Albert Howard
Ms. Shawna Harper
Ms. Elizabeth Hooge

Telephone:
907-788-3302

Page two

**FY 16 Instructional Expenditure Waiver Request
September 16, 2015**

Annual operations & maintenance expenses have increased by approximately 48% since 2006. The FY 06 audited financial statements show \$500,660 in operation and maintenance expenses and the FY 16 budget is projected to be \$740,098. That is 17% of the district's total operating budget. Of that budgeted amount, \$386,495 has been budgeted for electricity and heating fuel which is 52% of the operations & maintenance budget. The price per gallon of heating fuel ranges from \$4.039 to \$4.83. The total cost for heating fuel in FY 15 was \$98,108. The price per KWH to generate electricity ranges from \$.33 to \$.76. The total cost for electricity in FY 15 was \$206,183.

Due to low enrollment, increasing operation & maintenance costs, annually increasing transportation costs for travel within the district and for increasing freight expenses the district is unable to meet the requirements of AS 14.17.520.

Sincerely,

A handwritten signature in black ink that reads "Bernie Grieve".

**Bernie Grieve
Superintendent of Schools**

cc: The Honorable Mike Hawker, Chair - Legislative Budget & Audit Committee

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.4

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Copper River School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Copper River School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$5,477,057	67%	\$4,452,057	64%
School Administration Support Services: 450	209,562	2%	194,249	3%
District Administration: 510	249,193	3%	204,935	3%
District Administration Support Services: 550	517,185	6%	454,445	7%
Operation & Maintenance: 600	1,643,492	20%	1,513,864	22%
Student Activities: 700	137,786	2%	100,864	1%
Community Services: 780	0	0%	0	0%
Total	\$8,234,275	100%	\$6,920,414	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	67%	68%	67%	65%	65%	66%	65%	67%	64%
Enrollment *	519	503	496	472	490	487	444	438	424

* Copper River School District operates four schools in three communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Copper River School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Declining enrollment.
- High operations and maintenance costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Copper River School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



Michael Johnson • Superintendent • PO Box 108, Glennallen, AK 99588
(907)822-3234 ext. 223 • fax (907)822-3949 • mjohnson@crsd.us

September 15, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811-0500

Dear State Board of Education & Early Development:

The Copper River School District is requesting a waiver of the 70% minimum expenditure for instruction as set forth in AS 14.17.520. The reasons and causes beyond the district's control are due to a continuing decrease in enrollment and high Operations and Maintenance costs.

During the past school year the District has continued its efforts to provide educational services in the most financially efficient manner, while maintaining a commitment to high standards for our staff and students. Out of a profound respect for the efficient use of public funds the District will continue a sincere attempt to meet the minimum expenditure requirement by reviewing expense classifications and working directly with the Department of Education.

The main factors that resulted in the District not meeting the 70% instructional expenditure are described as follows: The district ADM has dropped by 185 students over the past 10 school years (30% decrease) which reduces our revenue and leaving us with 4 schools and 425 students. Kenny Lake School remains below the 101 student threshold in the funding formula which decreases our revenue for a second year. This drop in ADM does not change the high fixed costs necessary to maintain a facility. Therefore, our Maintenance Budget negatively affects the 70% instructional expenditures.

Our district covers approximately 23,100 square miles with school sites that have small populations. The per student cost to operate and maintain these facilities is greater due to

their small size (ranging from \$2,253 per student to \$4,337 per student) for maintenance related costs. Our investment in school maintenance demonstrates our commitment to the stewardship of the public facilities for which we are responsible. Over the past 6 years we have closed 3 schools as part of our efforts to become more financially and operationally efficient.

The District operations and maintenance budget (O & M) represents 23% of the school operating fund expenditures. These fixed O & M costs do not allow the District to meet the 70% instructional expenditure which is beyond our control.

Object Code & Title	FY13/14 Actual Expenses	FY14/15 Actual Expenses	FY15/16 Budgeted Expenses	Additional District Information
325 Non-Certified Salaries	\$292,352	\$301,537	\$292,835	Maintenance/Custodial Wages
360 Benefits	\$262,161	\$382,394	\$220,774	Benefits
410 Professional/Technical Services	\$24,378	\$14,599	\$18,360	Preventative Maintenance Contract
420 Travel	\$3,499	\$443	\$3,000	Training for Staff
430 Utility Services	\$33,370	\$53,171	\$37,550	Garbage and Sewer
435 Energy	\$590,099	\$517,376	\$686,154	Electricity, heating Oil & Propane
440 Other Purchased Services	\$62,332	\$30,030	\$63,500	Snow Removal/Vehicle Maintenance/Mandated Inspections
445 Insurance/Bond Premiums	\$105,339	\$84,456	\$110,000	Property & Auto Insurance
450 Supplies/Materials/Media	\$55,061	\$35,184	\$62,035	Maintenance/Janitorial Supplies
491 Dues and Fees	\$3,887	\$2,211	\$5,000	Vehicle Licensing/Water Samples
510 Equipment	\$81,245	\$5,617	\$0	Vehicle Purchase
Total	\$1,513,724	\$1,427,017	\$1,499,208	

ACTUAL COSTS BY FISCAL YEAR	FY12/13	FY13/14	FY14/15
AVERAGE PER GALLON COST OF HEATING FUEL	\$3.59	\$3.69	\$2.55
ELECTRICITY COST PER KWH	28¢ - 84¢	31¢ - 80¢	20¢ - \$1.03

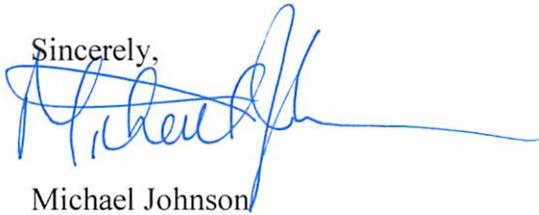
The district developed and implemented a strategic plan that focuses all district activities on student learning. Based on the plan, the district will expand instructional opportunities for students even as enrollment and staff decrease. The Director of Teaching and Learning coordinates and supervises digital learning opportunities that increase the number and type of courses we can offer students K-12. The Director supervises teacher observations, evaluations, curriculum implementation, and employee development initiatives. Though the number of classroom teachers has been reduced to reflect enrollment, the quality and quantity of learning opportunities for students will be expanded. We've used the necessity for reductions as an opportunity to modernize our instructional program through technology, efficiencies, and consistent implementation of effective practice. An innovative schedule has been implemented for the 2015-2016 school year to give students more options while reducing personnel costs.

We have worked with our employees to reduce the districts cost of employee health insurance, resulting in a savings of \$143,000 for the fiscal year.

Regulations have dramatically increased the work load for our administrative staff. For example, the requirements to maintain a Federal Food Service program in the district have increased significantly. The Office of Civil Rights has added a lengthy report to our requirements. It is obvious, to even the slightly interested observer, that the deluge of regulations makes the challenge of managing budgets, personnel and programs more difficult for small rural school districts.

On behalf of the Copper River School District Board of Education, the students, and the District we request a waiver of the 70% requirement for expenditures in instruction as set forth in AS 14.17.520. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Johnson", with a long horizontal flourish extending to the right.

Michael Johnson
Superintendent

Cc: The Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee (LB&A)

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.5

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Hoonah City School District FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Hoonah City School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$2,625,212	64%	\$2,279,046	68%
School Administration Support Services: 450	156,834	4%	76,804	2%
District Administration: 510	143,374	3%	160,274	5%
District Administration Support Services: 550	233,102	6%	238,043	7%
Operation & Maintenance: 600	491,906	12%	429,633	13%
Student Activities: 700	172,692	4%	165,229	5%
Community Services: 780	292,685	7%	0	0%
Total	\$4,115,805	100%	\$3,349,029	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	62%	60%	60%	62%	65%	66%	64%	64%	68%
Enrollment *	131	123	106	121	114	114	102	112	113

* Hoonah City School District operates two schools in the community of Hoonah. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Hoonah City School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

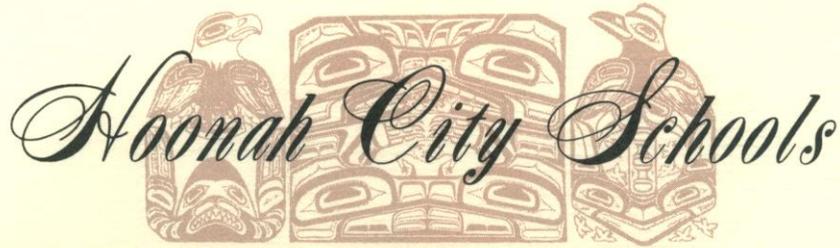
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Increasing fuel and electricity costs and costs associated with operations and maintenance.
- High cost of freight charges for barge transportation of almost all supplies and materials.
- Decreasing student enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Hoonah City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



P.O. Box 157 366 Garteeni Hwy. Hoonah, Alaska 99829 (907) 945-3611 Fax (907) 945-3492

15 September 2015

State of Alaska Board of Education and Early Development
801 West 10th Street, Suite 200
PO Box 110500
Juneau, Alaska 99801-1182

To the Alaska State Board of Education and Early Development
From: Hoonah City Schools
RE: Request for Waiver of the 70/30 rule 4AAC 09.120

The Hoonah City School District (HCS D) is requesting a waiver of 4AAC 09.120. Our budget for this fiscal year is as close as we have come in recent years to hitting instructional 70%. However, it came at a cost as our superintendent is at 112 days (not the usual 260), elimination of secretarial position, reduction of classified hours and we're returning the operation of the pool/gym to the City of Hoonah. Even with these drastic steps our student count, maintenance costs, and utility costs do not permit us to hit the 70% for instruction required by the state.

In past years HCS D has documented their effort to move toward the 70% minimum. In their paperwork they have presented facts such as the following:

- The district would need an influx of 750,000.00 dollars or more to hit the 70% instructional requirement.
- The School district is a large complex that has various maintenance issues. One issue is that our aging boiler system is past it's life expectancy and is thereby not operating at an efficient level.
- Utility costs are very high in Hoonah with electricity averaging 61 cents kwh and diesel fuel costs averaging \$4.56 a gallon. Internet and phones are also averaging above average costs in Alaska.
- Hoonah School Buildings were originally constructed with little attention to energy efficiency and at a time when there was a steady student population.
- Student population has dropped from 300 students (K-12) to 113 students.
- HCS D has one of the highest percentages of special education students at 34% of its student population. Federal VIB allocation is approximately 35,000.00 dollars.

The cost of fuel not only impacts the heating costs of our facility, but also extends out to the cost of all materials and supplies that must be barged in to Hoonah. This coming year we will experience added expenses due to a large elimination of State of Alaska Ferry service to Hoonah. We may also lose the benefit of our waste heat recycling program with the addition of a new hydro project. Unfortunately the hydro project will not benefit the school district in lower electricity costs.

Every year we do our best to apply the majority of our funds to instruction. As stated earlier we have a large special education population. This population is not diagnosed in district but comes from transfers of students and foster students. Itinerant professional educators often deliver our special educational services. Our students require personal connections. When staff does not live in Hoonah the connections with parents and families is often missed. Close personal connections are not always made when staff needs to fly in and out of Hoonah. We are aware of this deficit and every year we try to correct this particular instructional flaw.

Our board meetings are well attended by the public and to that end our public participants always ask how our 70/30 % is holding. Our school board continues to scrutinize the expenditures of the budget. In spite of our declining enrollment the school board is only interested in expanding instruction, not in eliminating instructional programs. We are committed to renewing our effort for the next school year in attempting to make the 70/30 requirements

We ask that for this year, 2015-2016, we be given a waiver of 4AAC 09.120.

Respectfully submitted,



PJ Ford Slack, Ph.D.
Superintendent
Hoonah City Schools

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.6

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Hydaburg City School District FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Hydaburg City School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$1,484,603	69%	\$1,516,915	69%
School Administration Support Services: 450	31,453	1%	34,132	2%
District Administration: 510	91,083	4%	88,200	4%
District Administration Support Services: 550	69,334	3%	90,648	4%
Operation & Maintenance: 600	398,723	19%	378,973	17%
Student Activities: 700	84,388	4%	84,391	4%
Community Services: 780	0	0%		
Total	\$2,159,584	100%	\$2,193,259	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	62%	58%	55%	59%	60%	61%	64%	69%	69%
Enrollment *	75	67	52	63	44	53	65	70	66

* Hydaburg City School District operates two schools in the community of Hydaburg. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Hydaburg City School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

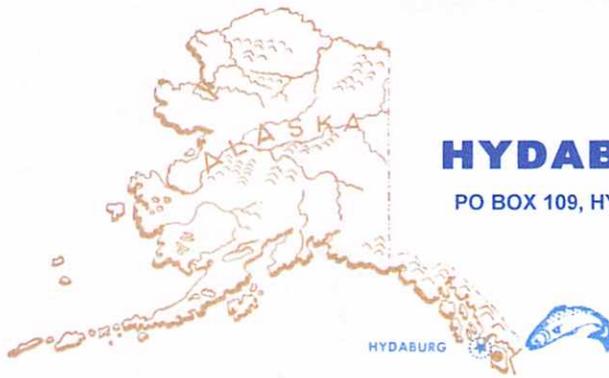
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High operations and maintenance costs.
- Declining enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Hydaburg City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



HYDABURG CITY SCHOOL DISTRICT

PO BOX 109, HYDABURG, ALASKA 99922 PHONE: 907.285.3491 FAX: 907.285.3391

September 17, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500

Re: *Request for Waiver (AS 14.17.520(d))*

Dear State Board of Education:

Hydaburg City School District requests a waiver of the 70% for instruction requirement due to reasons and causes beyond the District's control as detailed below.

Hydaburg City School District has budgeted as much as is possible in the instruction functions of the budget. Although the District is small, there are fixed overhead costs that cannot be reduced beyond a certain point. The District has been able to improve the original budgeted 64% percent for instruction established in FY 2014 to 69% for FY 2015 & FY 2016. The general fund budget continues to include an enviable pupil teacher ratio of 9 students for each teacher.

The FY16 HCSD budget includes the ongoing contracted services for the business office and administrative sharing services that has resulted a 32% decrease in administrative cost from past years. This results in a net budget reduction primarily due to not having to cover such employee benefits as retirement and health care costs, the computers, software and ongoing support for other programs, in addition to creating efficiencies within the administration.

Small rural districts such as Hydaburg City School District are struggling financially to maintain programs. It is extremely difficult to approach the 70% for instruction goal, especially with enrollment significantly below building capacity. Regardless of the small number of students (66 ADM projected), certain functions such as school administration and district administration support cannot be reduced beyond a certain level, or the District will not have adequate management and support to provide necessary direction, supervision, and compliance. The most significant factor preventing the District from meeting the 70% for instruction requirement is the high relative cost of operations and maintenance (nearly 20% of general fund expenditures) due to isolation on an island

and the fact that declining enrollment has left the District with almost four times the facility space needed for the current enrollment.

Respectfully submitted,



LAUREN BURCH
Superintendent

LB/lb

cc: The Honorable Mike Hawker, Chair, LB&A (via email)
Elizabeth Nudleman, Director School Finance, Dept. of Education (via email)

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.7

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Iditarod Area School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Iditarod Area School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$5,117,446	63%	\$4,803,386	63%
School Administration Support Services: 450	93,984	1%	26,005	0%
District Administration: 510	345,118	4%	424,727	5%
District Administration Support Services: 550	502,305	6%	587,134	8%
Operation & Maintenance: 600	1,920,161	24%	1,753,389	23%
Student Activities: 700	143,336	2%	65,108	1%
Community Services: 780	0	0%	0	0%
Total	\$8,122,350	100%	\$7,659,749	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	60%	61%	60%	60%	63%	61%	61%	63%	63%
Enrollment *	302	280	306	313	322	222	261	314	312

* Iditarod Area School District operates seven schools in seven communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Iditarod Area School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High operations and maintenance costs.
- Low enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Iditarod Area School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



DITAROD AREA SCHOOL DISTRICT

P.O. BOX 90 McGRATH, ALASKA 99627 (907) 524-1200 FAX (907) 524-3217

September 16, 2015

State Board of Education
James K. Fields, Chair
Department of Education & Early Development
801 West 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811-0500

Dear Chairperson Fields,

The Iditarod Area School District (IASD) requests a waiver to the 70% minimum expenditure for the instruction requirement under AS 14.17.520 due to reasons and causes beyond the district's control; operations and maintenance cost including high energy & utility costs, and the increasing maintenance expenditures to meet preventive and routine maintenance requirements, along with decreasing enrollment at sites. This continues to keep the instructional budget below 70% of the total general fund budget.

IASD's initial budget submitted to DEED has our instructional expenditure percentage at 62.7%. This slightly down from FY15 budget of 63.0%. The FY14 actuals instructional expenditures were 62.5% of the total general fund expenditures. The percentages are within 0.5% from year to year. In FY16, our maintenance budget is projected to be 22.9% of our general fund budget.

Operations and Maintenance Costs

	FY16 Budget	FY15 Budget	FY14 Actual	FY13 Actual	FY12 Actual
Utility Services	85,000	76,800	68,613	55,682	49,412
Energy	742,000	840,282	804,333	824,236	659,715
Operation & Plant (all other areas)	926,389	1,003,079	853,688	820,685	894,878
Totals	1,753,389	1,920,161	1,726,634	1,700,603	1,604,005

FY15's winter was mild and the cost of a barrel of oil had decreased. With usage expected to increase and cost may see a reduction, the fuel and electricity cost for FY16 is reduced. However, some sites the fuel cost continues to be higher due to cost adjustments on existing tariffs.

Fuel Cost per Gallon

	FY15 Avg/Gallon	FY14 Avg/Gallon	FY13 Avg/Gallon	FY12 Avg/Gallon
Yukon Sites	3.76	3.76	3.81	3.97
Kuskokwim Sites	6.31	6.31	6.25	6.27

IASD has unusually high maintenance and operation costs and low student numbers within the district's boundaries. In one case, a school with a capacity of over 200 students has a current enrollment of 45. The entire school must be heated and maintained no matter how many students are enrolled.

The district installed a waste heat system at the largest site to lower energy costs. This did result in a savings during the first year. The next year the provider of the waste heat increased rates by 39% or \$12,000. The district has not seen additional increases, but there have been no savings or rate decreases either.

At the same site, the local electrical company imposed a rate hike of 30% in FY13. The city (with district participation) obtained a grant to purchase LED lights for the city buildings and school buildings in this community. With efforts to save money on energy costs, IASD implemented a procedure at all other sites; when lights expire the maintenance department is replacing those lights with LEDs. The district continues working to reduce cost or at least offset any rate hikes.

Another effort to alleviate energy usage is a plan put in place by teachers to have "Conservation Fridays" where students and staff actively look for areas in which to conserve energy. Examples given by sites who participate include turning off half of the lights in any given room, turning off lights in unused rooms, turning off unused equipment, and monitoring the thermostats.

Operations & Maintenance

The district is required by Statute and is audited by DEED to provide a facilities maintenance system to maximize the useful life of the building systems. The district does not have control over the inflationary cost associated with these systems. Reducing Function 600's percentage of the General Operating Fund budget to comply with the 70/30 split in Statute, will require the further reduction of a substantial number of maintenance staff. The reduced preventive maintenance that would result with these cuts would conflict with State preventive maintenance mandates.

Alaska Statutes assign the responsibilities for preventive maintenance, custodial services and routine maintenance.

AS 14.14.090: In addition to other duties, a school board shall ... (10) provide for the development and implementation of a preventive maintenance program for school facilities... in this paragraph, “preventive maintenance” means scheduled maintenance actions that prevent the premature failure or extend the useful life of a facility, or a facility’s systems and components, and that are cost-effective on a life-cycle basis.

AS 14.14.060: (f) The borough school board shall provide custodial services and routine maintenance for school buildings and shall appoint, compensate and otherwise control personnel for these purposes

DEED’s Preventive Maintenance Handbook “encourages a vision of preventive maintenance as all activities that can be **regularly scheduled** to prevent premature failure or to maximize the useful life of a facility.” and “It is that school boards and school district administrators and staff demonstrate a commitment to this vision – scheduled maintenance on the full range of building systems – when acting on their responsibilities to manage district facility assets. To meet the duties of school boards specified in statute, preventive maintenance should be a key element of the school board’s mission statement.”

Our maintenance budget reflects day-to-day routine and preventative maintenance costs (maintenance and custodial labor) plus the cost of heat, electricity, property insurance, water and sewer. Forty-seven percent of the maintenance budget is fuel, electricity and other utilities. This is a 4% decrease from the previous year due to the cutting of the fuel budget. We continue to make every attempt to reduce expenses. Our Maintenance Director is currently working with one of our communities to look at the viability of using waste heat at that site. The local electrical company is willing to work with the district to keep costs down so that it can provide the service to various buildings in the community. Our budget is based on 7.5 full-time-equivalent personnel (FTE) spread over seven sites.

Our small enrollment numbers at individual school sites continues to impact our economies of scale. At our larger sites with 38-45 current enrollment, the projected site maintenance costs is \$4,500 to \$8,600 per student. At the four small sites, 10-17 current enrollment, the projected site maintenance cost is \$6,300 to \$12,900 per student. All of our buildings have higher student capacity than currently enrolled.

District Enrollment

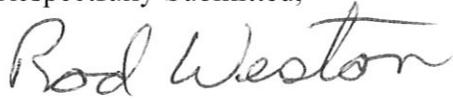
	FY16 Current	FY16 Projected	FY15 Actual	FY14 Actual	FY13 Actual
In-district schools	186	200	208	211	182
Correspondence	96	112	106	77	40
Total Enrollment	282	312	314	288	222

The enrollment is decreasing in the brick and mortar schools. Currently, there are four schools that have between 10 and 17 students. Instead of reducing staff and programs, we continue to have lower Pupil Teacher Ratios (PTR). The lower PTRs is one method the district is using to try and keep students in the district versus leaving their villages to attend boarding programs.

The district continues to supplement education with grants funding. When including the grant funds in the 70% calculation of FY15 actual expenditures, Instruction is 73.9% and Non-Instructional is 26.1%.

IASD is committed to focus resources on instruction and meet the needs of all students. This requires a balancing of instructional expenditures while meeting all State and Federal regulations and mandates including Non-instructional expenditures. The district has and will continue to look for cost saving measures that reduce non-instructional expenses in order to provide additional instructional funding directly to students.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Rod Weston".

Rod Weston,
Superintendent

CC: Honorable Mike Hawker, Chair
Legislative budget & Audit Committee (LB&A)
Alaska Department of Education and Early Development

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.8

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Kake City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Kake City School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$2,024,249	65%	\$1,756,042	62%
School Administration Support Services: 450	56,941	2%	83,904	3%
District Administration: 510	183,625	6%	165,962	6%
District Administration Support Services: 550	213,279	7%	200,945	7%
Operation & Maintenance: 600	506,136	16%	498,629	17%
Student Activities: 700	116,955	4%	139,175	5%
Community Services: 780	0	0%	0	0%
Total	\$3,101,185	100%	\$2,844,657	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	54%	59%	58%	59%	60%	60%	60%	65%	62%
Enrollment *	101	93	89	85	93	105	104	110	111

* Kake City School District operates one school in the community of Kake. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Kake City School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High operations and maintenance costs.
- Continued inconsistent enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Kake City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

Kake City School District



P.O. Box 450
Kake, Alaska 99830
(907) 785-3741

September 16, 2015

State of Alaska
Board of Education & Early Development
801 W. 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811-0500

Re: Budget Waiver Request Letter

To Whom It May Concern:

The Kake City School District (KCS D) requests a waiver of the 70% minimum expenditure for instruction requirement in accordance with **AS 14.17.520** for FY16 due to reasons and causes beyond the district's control. There are two major reasons for this request; the operations and maintenance costs to run the school district buildings, and continued fluctuating enrollment being at or just below the 101 student level.

Over the past 5 years we have been able to substantially reduce the number of electrical Kwh's from 319,920 in FY11 to 215,003 in FY14. In FY15, we added 2 additional hours of an afterschool program that unfortunately spiked our usage to 276,240. We have reduced our fuel oil consumption from over 32,000 gallons used in FY 11 to the equivalent of 19,544 gallons used in FY15.

Kake City School District decreased energy costs on our FY16 Original Budget compared to the FY14 Original Budget based on actual costs from the last three years being lower than projected. Although we reduced energy costs by constant monitoring of our usage and the fact that we have had three very warm winters in a row, we are still conservative in our estimates due to continued fluctuations within the economy.

FY16 is the second year Kake City School District will have the capability of being able to run both propane and diesel boilers. This competition within the community energy markets allow us to use whichever fuel is the most economical at the time through diligent oversight by our maintenance staff. However, with diesel and/or diesel equivalent costs ranging from \$5.67 to \$3.75 per gallon, and electricity fluctuating between .39 to .48 per kwh over the past 5 years, we have taken the stance of maintaining a conservative outlook due to this volatility. Heating and electrical costs are higher in Kake than most other communities in Southeast Alaska; energy costs constituting approximately 10% of the FY16 budget remains the major non-instructional expenditure for the district, resulting in our continuing struggle to meet the 70% mandate.

Kake City School District is an Equal Opportunity Employer

The second major cause for KCSD's request for a waiver of the 70% mandate is continued inconsistent enrollment. For the last three years, our school enrollment has exceeded 100 students during the count period.

In years past, there has been considerable movement of families in and out of Kake throughout the count period which falls during the period of permanent fund dividend payments. For example, in FY09 KCSD had 92 students at the start of the count; we ended the count with 87 students. In FY12, the enrollment during the count period was 92.60 students; by the end of that same year KCSD's enrollment had dropped to 78 students. FY13 was the first time in several years KCSD had exceeded the 101 student level for our ADM.

For FY15, KCSD had projected our budget based on 99 students; the actual ADM was 109 students. Suppose this scenario had been reversed with a projection of 109 and an actual of 99? KCSD would have lost more than \$300,000 in revenue, not taking into account any hold harmless provision it may have activated.

Even with the uncertainty of student movement, FY16 is the first time in several years we have projected our budget based on an ADM of over 101 students. As the district receives a substantial financial bump for being over the 101 student count, we used the additional projected revenue base to increase instructional expenditures in FY16.

While this year's budget is projected at 62% instructional, it is still an increase from the projection of 60% in FY14. Although we show a decrease from FY15, the percentages are not a true reflection of our budget. KCSD has actually increased our instructional expenditures if on-behalf expenditures were not taken into consideration. Our district, like every district in the State of Alaska, has a budget and instructional percentage which is skewed by the inclusion of on-behalf revenues and expenditures.

Though we continue to be unable to satisfy the 70% minimum expenditure requirement when our initial budget is submitted, we always use the majority of any additional funds received to enhance the education of our students in areas of instruction. For example, in FY14 the KCSD original submitted budget had an instructional function component of 60%. The final FY14 audited financial statements showed KCSD spent 66.2% of our expenditures in instruction. Unaudited FY15 financials indicate the District spent 67.6% on instructional expenditures before the large additional inclusion of on-behalf revenues/expenditures. These large percentage increases in actual instruction were due to additional funds received by the District being earmarked for instructional spending, and a large savings in non-instructional spending on energy costs as was detailed above.

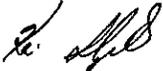
Kake City School District students have maintained a high rate of proficiency on state-wide assessments, as well as being very successful both academically and athletically. In addition to the expectation of several of our teams participating in the State Tournaments in Anchorage, Kake students have once again achieved a 4 Star rating on the new State Accountability System.

As a school district and a community, Kake will continue to strive for academic excellence and will continue our efforts to increase the Instructional component to the 70% minimum

The Kake City School District appreciates the budget guidance we have received from the Alaska Department of Education & Early Development. However, since the District is not able to comply with the aforementioned statute, I am requesting that the State Board of Education grant a budget waiver to the District.

Thank you for your time and consideration.

Sincerely,



Kevin Shipley
Superintendent

cc: The Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee
State Capitol, Room 502
Juneau, AK 99801-1182

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.9

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Kashunamiut School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Kashunamiut School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$5,133,964	66%	\$4,462,064	64%
School Administration Support Services: 450	136,812	2%	137,918	2%
District Administration: 510	477,339	6%	417,406	6%
District Administration Support Services: 550	459,555	6%	437,796	6%
Operation & Maintenance: 600	1,294,503	17%	1,233,060	18%
Student Activities: 700	245,576	3%	251,885	4%
Community Services: 780	33,286	0%	0	0%
Total	\$7,781,035	100%	\$6,940,129	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	70%	65%	65%	68%	66%	64%	63%	66%	64%
Enrollment *	326	313	302	306	312	302	317	317	307

* Kashunamiut School District operates one school in the community of Chevak. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Kashunamiut School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

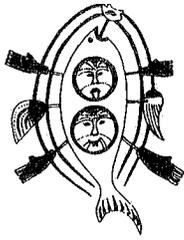
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High maintenance costs.
- Economies of scale.
- High cost of travel.

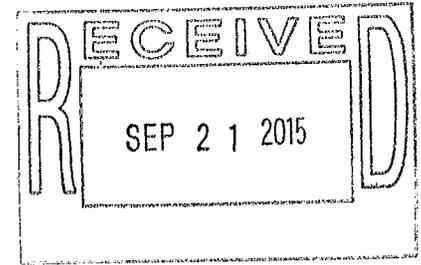
◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Kashunamiut School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



KASHUNAMIUT SCHOOL DISTRICT

985 KSD Way
Chevak, Alaska 99563
(907) 858-7713 FAX (907) 858-7328



September 16, 2015

Commissioner of Education

State Board of Education

801 West 10th Street, Suite 200

Juneau, AK 99801-1984

Dear Mr. Fields, Chair, State Board of Education and Commissioner Hanley:

The Kashunamiut School District (KSD) is requesting a waiver of the requirements of AS.14.17.250 for the FY16 annual budget. The Kashunamiut School District requests a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the districts control including the lack of economies of scale for a district our size, high cost of running an interscholastic athletic program, and the continual need for maintenance and upkeep of the buildings and grounds.

For a district of our size to provide all the components necessary to effectively run the district the economies of scales are not there. The Office of the Superintendent, the Business Office, School Administration Support and Maintenance and Operations are all minimally staffed. As long as the district is open for business there will always be fixed costs as well as minimum staffing requirements in these areas. To reach 70% the district would need to add over \$1.2M in new instructional expenditures or move almost 400K of existing non-instructional costs to instruction. The point being with the size of our budget the numbers will not work in our favor. The district continues to keep staffing levels at a minimum and monitors fixed costs and other non-instructional expenditures for potential savings.

The cost of running an athletic program in rural Alaska is high as the district has little control over travel cost. The district does however explore all options available when booking travel. This includes using the back haul portion of charter flights efficiently, and using ground transportation (snow machine) when reasonably possible and safe. Scheduling has a major influence on costs; here again the district has little control over the situation. We mitigate costs through representation during scheduling, opposing travel into places that are far out of the region, limiting participation of the number of athletes allowed to travel and finally fundraising to help supplement the budget.

Total maintenance costs were down slightly when compared to last year's budget due to changes in staffing and the reduction in the retirement on-behalf percentages. However, as a percentage of total expenditures the percentage actually increases in FY16 when compared to FY15. The ground in general around the building continues to settle at an alarming rate. The grounds around the entrances need to be built up continually to keep the school accessible. Teacher housing and the district office were not built on thermal piles so the buildings continually shift. In order for doors and windows to close properly the district is constantly required to re-level those building on a rotating basis.

The age of the school building is continuing to show – more complex plumbing and heating issues are now requiring outside expertise to resolve. The cost to bring in specialty contractors to a remote location is very high. Finally, due to logistics of its location the district receives one shipment of heating oil a year so the district really cannot take full advantage of market fluctuations.

Due to limited expertise in the business office the district continues to contract for outside professional services for assistance and training in the business functions. In FY16 the district will have one of two staff members in the business office out on FMLA. The use of outside professional services will also help fill this gap.

The district's food service program and the teacher housing units continue to be heavily subsidized each year by the district. Although not calculated in the 70/30 formula these are dollars that could have been used to fund instructional programs. Despite the need to subsidize these programs the district continues to look to ways to these contain costs.

With the significant decrease in the retirement on-behalf percentages in FY16 the district also lost a fairly significant amount of expenditures that would normally hit the instructional side.

In conclusion, a lack of economies of scale, high maintenance costs, high athletic program travel and the necessary use of outside expertise in the business office are the reasons and causes the district cannot comply with AS.14.17.250. The district continues to look for ways to mitigate these issues where possible. High student achievement has always been the goal of KSD and will continue to be the top priority. KSD respectfully requests the state board grant a budget waiver after the Department and State Board members have a chance to review our application.

Respectfully,



Larry Parker

Superintendent

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.10

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Klawock City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Klawock City School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$2,798,728	70%	\$2,276,675	67%
School Administration Support Services: 450	80,747	2%	74,490	2%
District Administration: 510	342,924	8%	290,961	9%
District Administration Support Services: 550	185,008	5%	175,187	5%
Operation & Maintenance: 600	471,231	12%	445,582	13%
Student Activities: 700	141,090	3%	126,085	4%
Community Services: 780	0	0%	0	0%
Total	\$4,019,728	100%	\$3,388,980	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	66%	66%	69%	70%	68%	68%	67%	70%	67%
Enrollment *	136	125	137	137	136	131	136	123	115

* Klawock City School District operates one school in the community of Klawock. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Klawock City School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Declining enrollment.
- Fixed non-instructional costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Klawock City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d)



Klawock City School District

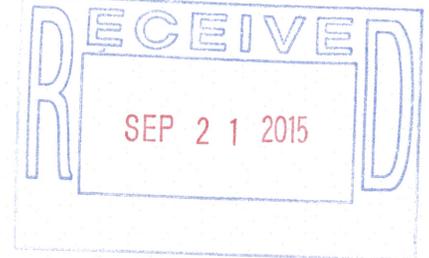
P.O. Box 9 Klawock, Alaska 99925 907-755-2220 Fax: 907-755-2913

Jim Holien
Superintendent

Kelli Larson
K -12 Principal

September 9th, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811-0500



Dear State Board of Education,

The Klawock City School District requests a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the district's control.

The biggest factor in this matter for Klawock School is how the district has been shrinking in recent years. The reduction in enrollment has resulted in a reduction in our certified teaching staff, which has reduced the overall budget in instruction. We continue to have a very low PTR (8:1) and that should show we use most of our resources on teaching staff. However, as our overall budget decreases, it's harder to meet the 70-30 requirement. Our non-instructional expenses have been cut for years and many of those costs are, in essence, fixed or at least out of the district's control. Operations and maintenance have not decreased with our enrollment and budget because it still requires the same amount of money to run regardless of how many students we have. If our enrollment and budget continue to shrink, this requirement will become harder and harder to meet. Currently we have 67.2% of our budget dedicated to instruction.

The FY15 instructional budget of \$2,798,728 was off from the actual numbers. Actual instructional costs (100 to 400) in FY15 were about 2,150,000. This illustrates that our staffing costs have dropped over the years along with our enrollment and our budget. The non-instruction costs (450 to 780) over recent years: FY13 was \$1,178,739. FY14 was \$1,216,870. FY15 was \$1,221,000. These numbers show relatively consistent expenditures and this number typically does not decrease with reduced enrollment.

I hope the information provided above is acceptable and that our request for a waiver will be approved. Please contact me if you have any questions. (907) 755-2917

Sincerely,

Jim Holien
Superintendent

cc: The Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee (LB&A)

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.11

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Lake & Peninsula School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Lake & Peninsula School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$10,157,229	68%	\$9,768,932	69%
School Administration Support Services: 450	61,286	1%	58,224	1%
District Administration: 510	607,558	4%	560,031	4%
District Administration Support Services: 550	558,811	4%	576,536	4%
Operation & Maintenance: 600	2,973,619	20%	2,743,491	19%
Student Activities: 700	504,246	3%	468,390	3%
Community Services: 780	0	0%	0	0%
Total	\$14,862,749	100%	\$14,175,604	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	66%	65%	67%	65%	66%	65%	67%	68%	69%
Enrollment *	368	369	343	327	326	330	304	316	316

* Lake & Peninsula School District operates 12 schools in 12 communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Lake & Peninsula School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

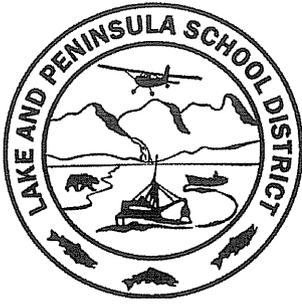
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Lack of economies of scale and a district dispersed across a large geographic area.
- Continued high energy costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Lake & Peninsula School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



THE LAKE AND PENINSULA SCHOOL DISTRICT

101 Jensen Drive
P.O. Box 498
King Salmon, Alaska 99613
Phone (907) 246-4280 / Fax (907) 246-4473



September 15, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500

Re: Budget Waiver Request

Dear State Board of Education Members:

The Lake and Peninsula School District (LPSD) is requesting a waiver of the 70% minimum expenditure for instruction requirement due to reasons beyond the district's control. The primary factors affecting LPSD are our geographic location, size, absence of economies of scale and the cost of fuel.

The school district encompasses 26,652 square miles of land and 7,125 square miles of water making it the geographic 7th largest school district in the nation. The region is bordered by the Bering Sea to the west, the Pacific Ocean to the east and an inland lake system to the north. The borough consists of 12 village communities with schools in remote locations off the road system with a 2014 population of approximately 1,631.

Our district's overall enrollment numbers have been in decline since 1999 and, thus, LPSD is operating most of its buildings well below the intended capacity. The cost to maintain, heat and provide electricity for our facilities unfortunately continues to increase in spite of our decreased enrollment.

Fuel is the principal cost driver in school operations. The cost of fuel was fairly static for 20+ years, ranging from \$1-\$2.50 per gallon. The district's average cost of fuel increased approximately \$4 per gallon in the last 10 years. During fiscal year 2015, the highest cost of fuel in the district was \$8.33/gallon and the lowest cost was \$4.80/gallon with the average per gallon cost of \$5.13/gallon. Market price per barrel of fuel has drastically decreased in 2015 however, the cost in rural Alaska is not dropping; fuel inventory on hand was purchased at much higher market prices. This lag continues to keep operational costs high in the cost of electricity and transportation. Year to Date in FY16, the highest rate paid per kilowatt hour is \$.95 and the lowest is \$.12 under agreement with Tazimina Hydroelectric Plant.

Other operational costs such as water, sewer and garbage are continually increasing as our communities shrink and the cost is spread over fewer users. The Alaska Native Tribal Health Corporation has been taking over local water, sewer and dump operations and the rates for many of these service rates have doubled or tripled. For example, in Nondalton, water, sewer, and garbage services went from \$6,600 in fiscal year 2011 to \$25,090 in fiscal year 2016.

In addition, transportation costs for the district remain high as carriers have not reduced fares in relation to per barrel cost of oil. The current cost of a round trip ticket from the south end of the district to Anchorage is \$1030; the cost to King Salmon at the district midpoint is \$530; in addition it is \$600 more round trip King Salmon to Anchorage. The cost of a round trip ticket from the north end of the district to Anchorage is approximately \$485; the one-way cost to King Salmon at the district mid-point is \$430.

Lake and Peninsula School District is being as proactive as possible in the face of rising energy costs. LPSD works with state and local governments, utilities and local agencies to reduce reliance on diesel-generated heat and electricity. Examples of cooperative projects are Tazimina and Chignik Lagoon Hydro projects utilizing excess power generated by the plant of power electric boilers greatly reducing fuel usage and building operation costs. The district strives to maximize every opportunity to improve the efficiency of buildings and systems; LPSD is working to complete more energy efficiency work which allows live monitoring and adjustment of building system. Live monitoring and adjustment reduce the need to fly maintenance staff to school sites in response to system failures and reduces catastrophic system failures which can be costly to recover from such as a building freeze up. The district also continues to pursue innovations and improvements in travel, sports, and maintenance operations to reduce costs and remain within our available funding.

LPSD makes every effort to provide educational services in the most efficient manner possible. Our district reviews expenditures to ensure appropriate functional classification in accordance with the *State of Alaska Uniform Chart of Accounts*. We work with airlines, fuel suppliers, freight carriers, state purchasing contracts and our communities to reduce the cost of operations. However, our efforts are limited by location, infrastructure and market conditions, all factors beyond the district's control.

Please contact me if you have any questions or need further information.

Sincerely,



Ty Mase, Superintendent

cc: The Honorable Mike Hawker, Chair, Legislative Budget and Audit Committee (LB&A)

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.12

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Nome Public Schools FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Nome Public Schools FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$10,014,727	69%	\$7,854,993	64%
School Administration Support Services: 450	138,124	1%	155,175	1%
District Administration: 510	272,251	2%	213,645	2%
District Administration Support Services: 550	592,908	4%	591,852	5%
Operation & Maintenance: 600	3,221,686	22%	3,062,012	25%
Student Activities: 700	355,685	2%	323,279	3%
Community Services: 780	0	0%	0	0%
Total	\$14,595,381	100%	\$12,200,956	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	62%	64%	65%	65%	66%	68%	68%	69%	64%
Enrollment *	720	674	668	680	690	681	706	699	704

* Nome Public Schools operates three schools in the community of Nome. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Nome Public Schools request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Operations and maintenance including energy costs.
- Geographic location of the district.
- Decrease in on-behalf rate.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Nome Public Schools FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



Nome Public Schools

Shawn Arnold
PO Box 131
Nome, AK 99762

Superintendent
(907) 443-2231
sarnold@nomeschools.com

September 11, 2015

Alaska State Board of Education & Early Development
801 West 10th Street, Ste 200
Juneau, AK 99811

CC: The Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee
State Capitol, Room 502
Juneau, AK 99801-1182

Dear Members of the Board,

In accordance with the Alaska Statute 14.17.520(d), Nome Public Schools is requesting a waiver from the requirements of Alaska Statute 14.17.520 as it pertains to the 70% minimum expenditure for instruction.

Due to the extreme costs of shipping supplies to our location, and the costs of other support systems to maintain our school, and largely the decrease in On-Behalf requirement in FY16, we fall short of reaching the 70% instructional expenditure requirement in the FY16 budget year.

The cost of property insurance continues to take a large portion of O&M budget. Meeting the mandate of AS 14.03.150 regarding replacement cost insurance, along with property reappraisal drives that cost up.

Heating fuel gallons purchased in both FY14 and FY15 were reduced in our effort to contain costs in those years, which has resulted in a depletion of our reserve fuel. In FY16 we are purchasing the full amount of our annual usage of 180,000 gallons.

Although our energy saving measures implemented in recent years, such as LED lighting and extra insulation, have brought our energy costs down, we have braced for an anticipated local utility rate increase of 12-14%. The O&M cost as a portion of the overall general fund remains a large portion of our general fund budget. We are implementing a change in FY16 that we expect to be a cost savings in future years.

Another huge expense for districts, which are located off the road system such as Nome, is the enormous cost of transportation. Flights are required along with other travel expenses, in sending our staff to any and all of the required conferences and trainings.

The cost of providing student meals has increased year after year due in part to the freight charges. We have implemented a vendor service to provide not one, but now two meals each day to every student. In addition we have been approved as a CEP school enabling all our students to eat for free. These measures will also enable NPS to stop the skyrocketing expense and to have a relatively fixed expense year to year. In FY16, we anticipate a transfer from the operating fund of \$150,000 to make that fund solvent.

Most events require travel the day before and returning day after because of the limited flight schedule to Nome. This enormous cost is also growing each year in transporting our student groups to their activities. The district has maintained the travel budget of \$152,000 in FY16, while an additional \$150,000 is expected in private donations to support team travel costs required.

These are just a few of the type of unknown expenditures that occur during the school year that we can neither predict nor control. They are many and varied. The only thing that is known is that there will be some unanticipated expenses and we have to be prepared by having budgeted for some of these contingencies.

And last but not least, is the vast reduction for FY16 in the On-Behalf budget. While FY15 saw a glut of money placed into the On-Behalf revenue and expense, the result is a sizeable decrease in future years, making the 70/30 requirements far out of reach.

Nome Public Schools has made every effort to meet the 70% requirement on instructional expenditures. Nome Public Schools has made improvements toward reaching this 70% goal in recent years, obtaining approx. 68% in FY15 Budget and a similar % for FY16, had it not been for the On-Behalf reduction.

We feel that circumstances and issues not within our control preclude this minimum instructional requirement from being met in the FY16 budget year. Therefore, we respectfully request that a waiver be granted.

Thank you for your consideration of this request.

A handwritten signature in black ink, appearing to read "Shawn Arnold". The signature is fluid and cursive, with the first name "Shawn" and last name "Arnold" clearly distinguishable.

Shawn Arnold, Superintendent
Nome Public Schools

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.13

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the North Slope Borough School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

North Slope Borough School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$46,862,647	67%	\$41,968,824	66%
School Administration Support Services: 450	1,343,011	2%	1,245,147	2%
District Administration: 510	1,631,891	2%	1,597,786	3%
District Administration Support Services: 550	3,229,775	5%	3,424,540	5%
Operation & Maintenance: 600	14,433,574	21%	13,495,336	21%
Student Activities: 700	1,935,257	3%	1,989,719	3%
Community Services: 780	0	0%	0	0%
Total	\$69,436,155	100%	\$63,721,352	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	63%	61%	64%	65%	66%	67%	66%	67%	66%
Enrollment *	1,618	1,581	1,538	1,612	1,599	1,647	1,731	1,739	1,762

* North Slope Borough School District operates 11 schools in eight communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the North Slope Borough School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Fund transfer for food service program.
- Continued high operations and maintenance costs.
- Costs related to geographic location and climate, including transportation and shipping.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the North Slope Borough School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

NORTH SLOPE BOROUGH SCHOOL DISTRICT



Nunamiut Amaqqut

Nunamiut School
P.O. Box 21029
Anaktuvuk Pass, Alaska 99721
(907) 661-3226
FAX (907) 661-6215

Atqasuk Eagles Tinmiaqpait

Meade River School
P.O. Box 91030
Atqasuk, Alaska 99791
(907) 633-6315
FAX (907) 633-6215

Barrow Whalers Aq̄viquqtit

Barrow High School
P.O. Box 960
Barrow, Alaska 99723
(907) 852-8950
FAX (907) 852-8969

HMS Wolves Amaqqut

Eben Hopson, Sr., Memorial Middle School
P.O. Box 509
Barrow, Alaska 99723
(907) 852-3880
FAX (907) 852-7794

Arctic Foxes Tiḡiganniat

Fred Ipalook Elementary School
P.O. Box 450
Barrow, Alaska 99723
(907) 852-4711
FAX (907) 852-4713

Kiita Snowy Owls Ukp̄iich

Kiita Learning Community
P.O. Box 169
Barrow, Alaska 99723
(907) 852-9677
FAX (907) 852-4334

Kaveolook Rams Imnait

Harold Kaveolook School
P.O. Box 20
Kaktovik, Alaska 99747
(907) 640-6626
FAX (907) 640-6718

Nuiqsut Trappers Naniḡiaquqtit

Trapper School
P.O. Box 89167
Nuiqsut, Alaska 99789
(907) 480-6712
FAX (907) 480-6621

Tikiḡaq Harpooners Kapuqtit

Tikiḡaq School
P.O. Box 148
Point Hope, Alaska 99766
(907) 368-2262/2263
FAX (907) 368-2770

Kali Qavviit

Kali School
P.O. Box 59077
Point Lay, Alaska 99759
(907) 833-2311
FAX (907) 833-2315

Alak Huskies

Alak School
P.O. Box 10
Wainwright, Alaska 99782
(907) 763-2541
FAX (907) 763-2565

September 14, 2015

James K. Fields
State Board of Education
Department of Education & Development
801 West 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811-0500

Dear Chairperson Fields,

As allowed for under Alaska Statute 14.17.520(d), the North Slope Borough School District requests a waiver from the 70% minimum expenditure for instruction requirement. We request the waiver due to the reasons and causes beyond the District's control.

NSBSD's reasons and causes beyond the district's control for this waiver request include the following:

1. Food Service – NSBSD operates extensive kitchens, providing breakfast and lunch to half of the students and lunch to the students in Barrow. The majority of students are not eligible for free and reduced lunch. The funding received from the National School Lunch Program through DEED is 20% of the FY16 budgeted cost of the program. Because students learn better when they are not hungry, the General Operating Fund supplements the cost of this program.

The cost to run a Food Service Program in a district that is larger than all but ten states in the nation is enormous. The General Operating Fund budgeted to transfer \$2,532,847 to this program. Costs to transport fresh fruits, vegetables, milk and frozen meat continue to increase because it must be flown in. The district utilizes the most inexpensive method of freight, By-Pass mail within Alaska, \$.047/lb and for the six villages that receive barge service, \$1.06-\$2.30/lb, plus 28% fuel surcharges. The district barges items when the overall cost of product and shipping is less from Seattle.

NSBSD is a Provision 3 district. This means all children are fed at no cost to them or their family. NSBSD feeds lunch at all Barrow schools and breakfast and lunch to the seven outlining villages. Approximately 2,700 meals a day are served to

children on the North Slope. The average cost for these healthy meals has increased to approximately \$9.56. The USDA grant through the State provides approximately \$600,000 or \$1.23 per meal served.

2. Maintenance – The eleven schools in eight villages operated by the NSBSD are all located hundreds of miles north of the Arctic Circle. The severe weather of 45-50 degrees below zero, severe winds, heavy dampness and permafrost often cause unstable ground conditions below our facilities. The district is required by statute and is audited by DEED to provide a facilities maintenance system to maximize the useful life of the building systems. The district does not have control over the inflationary cost associated with these systems. In order to comply with the 70/30 split in statute, will require the further reduction of a substantial number of maintenance staff. The reduced preventive maintenance that would result with these cuts would conflict with State preventive maintenance mandates.

Energy costs continue to be a large part of the Operating and Maintenance budget, currently energy takes up 24% of O&M expenditures or \$3,304,500.

Alaska Statutes assign the responsibilities for preventive maintenance, custodial services and routine maintenance.

AS 14.14.090: In addition to other duties, a school board shall...(10) provide for the development and implementation of a preventive maintenance program for school facilities...in this paragraph, “preventive maintenance means scheduled maintenance actions that prevent the premature failure or extend the useful life of a facility, or a facility’s systems and components, and that are cost-effective on a life-cycle basis.

AS 14.14.060: (f) The borough school board shall provide custodial services and routine maintenance for school buildings and shall appoint, compensate and otherwise control personnel for these purposes...

DEED’s Preventive Maintenance Handbook “encourages a vision of preventive maintenance as all activities that can be regularly scheduled to prevent premature failure or to maximize the useful life of a facility.” Also, “it is that school boards and school district administrators and staff demonstrate a commitment to this vision – scheduled maintenance on the full range of building systems – when acting on their responsibilities to manage the district facility assets. To meet the duties of school board’s specified in statute; preventive maintenance should be a key element of the school board’s mission statement.”

The district is the largest geographical school district in the United States, having eleven schools and four other district operated buildings, spread over the vast Arctic, required by Alaska Statute to be maintained by the district and audited by

DEED every five years. The district cannot continue to reduce positions in this function and maintain the preventive maintenance plan as outlined in both statute and DEED's handbook.

3. Shipping and Transportation – NSBSD encompasses 89,000 square miles, an area the size of Minnesota. The district is not on the road system. As such the district is served by three hubs instead of one, as many rural districts are. Barrow is the hub in the center of the North Slope, Fairbanks linking Anaktuvuk Pass and Kaktovik in the east, and Kotzebue connecting Point Hope in the west. This causes our cost to move supplies, staff and students to be higher compared to urban and many rural districts. The district does utilize barge services for non-perishable products, for the six of eight villages served. The cost of this has continued to increase with only one airline offering service to five of the seven villages outside of Barrow. The cost of staff travel continues to be an expensive item in the district budget.

Student travel continues to be a significant expenditure as well. The district encourages students to participate in extra-curricular activities, helping in the overall learning process for students. The district has budgeted \$1,164,200 for student travel. The location of our schools necessitates this additional expenditure, compared to many other districts in the state.

NSBSD is committed to focus resources on instruction and the improvement of instruction. The reality of operating over vast distances without roads and air services operating without true competition continues to drive rising costs. The extreme Arctic weather conditions and keeping the school's facilities functioning have been barriers to reaching the 70% threshold. The district is doing everything within its control to increase the percentage of resources being budgeted on instruction.

Respectfully submitted,



Glen Szymoniak, Superintendent
North Slope Borough School District

Cc: The Honorable Mike Hawker, Chair

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.14

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Northwest Arctic Borough School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Northwest Arctic Borough School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$42,157,175	66%	\$38,136,624	65%
School Administration Support Services: 450	1,387,196	2%	1,209,385	2%
District Administration: 510	2,064,417	3%	2,133,084	4%
District Administration Support Services: 550	2,352,943	4%	2,080,605	3%
Operation & Maintenance: 600	14,280,260	22%	13,695,478	23%
Student Activities: 700	1,804,265	3%	1,801,747	3%
Community Services: 780	0	0%	0	0%
Total	\$64,046,256	100%	\$59,056,923	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	65%	65%	60%	60%	62%	66%	64%	66%	65%
Enrollment *	1,944	1,857	1,831	1,776	1,803	1,840	1,888	1,942	2,025

* Northwest Arctic Borough School District operates 12 schools in 11 communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Northwest Arctic Borough School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

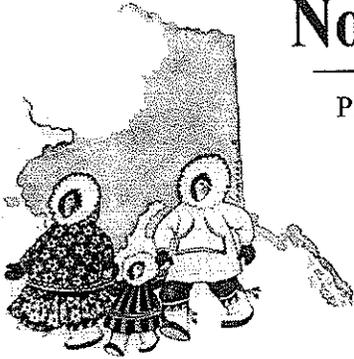
- High operations and maintenance including high energy costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Northwest Arctic Borough School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

Northwest Arctic Borough School District

P.O. Box 51 • Kotzebue, Alaska 99752 • Phone (907) 442-1800 • Fax (907) 442-2246



September 22, 2015

State of Alaska Board of Education
Department of Education & Early Development
801 West 10th Street, Suite 200
Juneau, AK 99801-1894

Dear State Board Members:

The purpose of this letter is to request a waiver, as permitted under AS 14.17.520, which requires Northwest Arctic Borough School District (NWABSD) to budget and spend a minimum of 70 percent of its school operating expenditures on the instructional component of the District budget. This request for a waiver is in response to your letter dated September 1, 2015 informing the District that the budget we submitted was rejected.

Reasons and Causes Statement :

NWABSD reasons and causes that are beyond our control are the continued high costs of Operations & Maintenance and high energy costs.

Operations & Maintenance & high energy costs:

- The FY2016 Budget for Operations & Maintenance encompasses 23% of our overall budget.
- Energy and utilities make up 39% of our total Operation & Maintenance costs :
- Water/ Sewer costs have increased by 4% district wide
- Garbage Disposal costs have increased by 19% district wide
- Communication/Phone costs have increased by 13% district wide
- Electricity costs have increased by 2% district wide

Other Efforts and/or Actions Taken:

- While our goal is to reach the 70% threshold, geography, climate and isolation factors continue to work against us. Every effort has been made by the Regional School Board, Superintendent's office, site principals and all staff to distinctly focus on instructional areas.
- The prior 2014 instruction budget was at 64%, the current 2016 budget is at 65% which represents our commitment to meet the instructional 70% requirement.

In summary, NWABSD will continue to make every effort to reach the 70% level of spending directly on instruction, as we believe it is a worthy goal. But, for this current year, with all of our combined efforts, it is simply not possible for NWABSD to meet this objective.

Sincerely,

A handwritten signature in black ink that reads "Ralph King". The signature is written in a cursive style with a long horizontal stroke at the end.

Ralph King,
Acting Superintendent

cc: Representative Mike Hawker, Chair
Legislative Budget & Audit Committee

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.15

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Pelican City Schools FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Pelican City Schools FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$257,392	52%	\$280,687	51%
School Administration Support Services: 450	42,005	9%	51,834	10%
District Administration: 510	43,989	9%	45,747	8%
District Administration Support Services: 550	59,230	12%	86,698	16%
Operation & Maintenance: 600	73,344	15%	59,748	11%
Student Activities: 700	15,250	3%	20,750	4%
Community Services: 780	0	0%	0	0%
Total	\$491,210	100%	\$545,464	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	59%	59%	61%	58%	62%	56%	52%	52%	51%
Enrollment *	16	15	13	12	18	15	11	11	12

* Pelican City Schools operates one school in the community of Pelican. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Pelican City Schools request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Low enrollment.
- High transportation and freight costs.

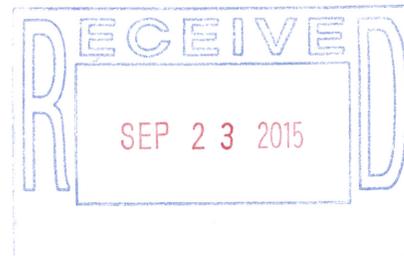
◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Pelican City Schools FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



Pelican City School District
Box 90 – 14 Chum Way
Pelican Alaska 99832-0090
907-735-2236 ph. 735-2263 fax
psd@pelicanschool.org

James K. Fields, Chair
State Board of Education & Early Development
801 West 10th Street, Suite 200
PO Box 110500
Juneau Alaska 99811



September 14, 2015

RE: Request for FY16 Budget Waiver for Pelican City School District

Revised Waiver Letter

Dear Members of the Board,

The Pelican City School District (PCSD) requests a waiver for not meeting the minimum expenditure for instruction requirement per AS 14.17.520. Our percentage for instruction expenditures is currently 51% of the total expenditures of a total FY16 budget of \$545,464. The reasons PCSD is unable to comply with this statute are outlined below and are due primarily to continued low enrollment and high transportation costs for materials to reach Pelican's remote site. These unfortunate situations negatively impact PCSD's ability to meet the 70/30 instructional requirement and is beyond our control.

The enrollment projection was originally estimated to be 12 students for FY16. The FY16 budget was approved by the Board of Education based on an enrollment of 12 students. At this point, it appears enrollment may exceed 12 students for FY16. Should that be the case, the Pelican Board of Education will revise the budget after the results of the 20 day OASIS count period.

Alaska's smallest school district is currently operating at minimal levels. The items budgeted outside of instruction are fixed costs and are necessary to support district operations. There are absolutely no extras. PCSD has had to reduce staff to operate within available revenue. In FY16, there is one certified teacher and a part time grant funded classroom aide. PCSD has contracted for an offsite Superintendent for a total cost of \$50 K. In addition, the FY16 budget includes a full time Business Manager; this position performs all office and clerical functions for PCSD. Custodial services are covered by a 15 hour per week employee. Most routine maintenance issues are handled by an ad hoc maintenance person.

Staff, students, and consultants must travel by air to get to and from Pelican; Alaska Seaplanes round trip airfare is \$378 between Juneau and Pelican. Alaska Airlines costs are in addition to this local travel cost. Additionally, air freight costs are \$0.85 cents per pound. PCSD uses an expediter in Juneau to assist in getting needed supplies to Alaska Seaplanes or the Alaska State Ferry; these costs are \$15.00 per pickup with an additional \$5.00 charge for each pickup over the first pickup per shipment. The Alaska State Ferry also services Pelican once a month during the winter; PCSD tries to use this shipping method whenever possible. Freight shipped via ferry is thirty cents (\$0.30 cents) per pound. These extraordinary costs add to the overall cost of operating school in a small remote community.

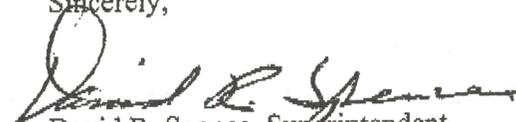
In recent years, PCSD has contracted professional and technical services in support of the business manager and to assist with the audit and budget development. In addition to supporting school and district operations, the Business Manager also supports all Board of Education and facilities activities.

PCSD has had a new teacher each year for five years; part of the reason for this high turnover rate is because there was inadequate housing available in the community. The middle school building closed to school operations several years ago and has been converted to teacher housing and a small efficiency apartment for itinerant staff.

The Pelican Board of Education; the Superintendent and staff are committed to providing the best academic program possible targeting educational growth for each student regardless of the increasing difficulties of trying to maintain a balanced budget that meets the 70% instructional expenditure requirement. Pelican students are thriving in their learning environment that includes a computer for each student funded through grants, with challenging distance learning opportunities to support the core curriculum. The Pelican community continues to actively support school fund raising activities and the wrestling program remains viable.

Your consideration of Pelican City School District's request for a FY16 budget waiver is greatly appreciated.

Sincerely,



David R. Spence, Superintendent

cc: Elizabeth Nudelman, Director of School Finance, DEED
Mr. Mike Hawker, Chair, Legislative Budget & Audit Committee

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.16

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Pribilof School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Pribilof School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$1,747,000	62%	\$1,683,150	64%
School Administration Support Services 450:	115,600	4%	57,700	2%
District Administration: 510	143,050	5%	124,850	5%
District Administration Support Services: 550	157,600	6%	172,700	7%
Operation & Maintenance: 600	604,500	22%	555,450	21%
Student Activities: 700	30,500	1%	30,500	1%
Community Services: 780	0	0%	0	0%
Total	\$2,798,250	100%	\$2,624,350	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	65%	69%	68%	68%	67%	64%	60%	62%	64%
Enrollment *	112	110	98	87	82	89	81	82	82

* Pribilof School District operates two schools in two communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Pribilof School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Declining enrollment and economies of scale.
- High operations and maintenance costs.
- Geographic location of district.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Pribilof School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



Pribilof School District

St. George School λ St. Paul School
Box 207 λ St. Paul Island λ Alaska 99660
Phone:907-546-3337 λ Fax:907-546-3356

September 15, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500

Dear State Board of Education Members:

The Pribilof School District is requesting a waiver of the requirements of the requirements of AS 14.17.520 for the budgeted expenditures proposed for FY2016. Pursuant to AS 14.17.520, we must meet a 70% requirement or request a waiver. Our FY2016 submitted budget included expenditures for functions 100-400 of 64% of our budgeted school operating fund expenditures due to factors outlined below.

As previously explained in the waiver request from prior years, the Pribilof School District is unable to meet the 70% requirement and operate facilities in the Pribilof Islands. The District covers a remote geographically dispersed area providing schools in two sparsely populated villages. Both island communities have school populations that make them eligible for foundation funding. The District has limited opportunity to take advantage of economies of scale enjoyed by other districts with similar student populations. Cost for non-instructional items such as fuel, electricity, insurance, facilities maintenance and transportation continue to be some of the highest in the state at the locations we provide school programs. These cost factors and circumstances have not changed for the upcoming school year. Nor do we anticipate that they will change in the foreseeable future.

Some of the specific items that impacted the budget in FY2016 and prior year include:

- 1) The district's high unit transportation costs are projected to increase due to general inflation, insurance cost, which is being passed on to the District through increased fares along with a general reduction in available transportation options. Current commercial round trip airfare between the two schools and Anchorage is approximately \$980 per person.
- 2) Unit cost of fuel is expected remain high. Heating fuel in St. George is over \$7 per gallon and is currently \$4.35 per gallon in St Paul. This impacts both overall heating fuel and electrical cost in the non-instructional portion of the budget.
- 3) Required property and liability insurance, a non-instructional cost, continues to be high.

- 4) Annual increases in PERS related to the required "Salary Floor Contributions" payments are expected to remain three times higher than in prior years as a result of legislative changes in 2008. These increases primarily impacting the non-instructional fringe benefit area of our budget and are expected to increase in future years as reductions in staff increase the required 22% contribution for employees who are no longer employed. These employee positions have been eliminated due to declining enrollment and as general funding reduction.
- 5) With flat and or declining enrollment and revenue, the fix cost for facilities expenditures will continue to be high and become an increasing percentage of the overall district budget.
- 6) Aging facilities sized for larger student populations continue to burden the non-instructional portions of the budget.

As stated and restated in prior year waiver request, we do not anticipate or envision being able to attain the 70/30 requirement in FY2016 or the foreseeable future. Because the Pribilof School District is a REAA and has no revenue raising authority; compliance though increasing funding and also corresponding instructional expenditure levels from local sources is outside of our power.

As recommended by the Department, the District continues its efforts to provide educational services in the most efficient manner possible. The District will continue to review expense classifications on an ongoing basis.

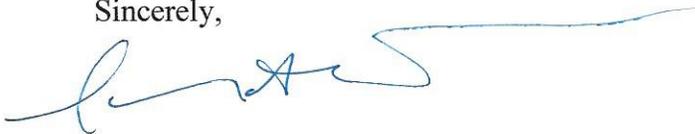
PSD will continue to make an effort to reduce the cost of operation through agreements with airlines, fuel suppliers, insurance companies, and freight carriers to reduce the cost to transport personnel and supplies. With the continued high insurance premiums and fuel prices, these businesses are forced to pass the increased cost of doing business along to their customers including PSD. The District has already committed to every effort in trying to meet the requirement including contracting for a part-time Business Office Staff, and part-time Support Staff.

As reported in previous waiver requests, PSD expects fixed costs of operation such as, electricity, heating, transportation, PERS and insurance to comprise an increasing percentage of operational expenditures as enrollments continue to be small. We anticipate these costs to continue increasing even with unchanging enrollment and funding. These high and increasing fixed costs continue to place pressure in the non-instructional percentage of our budgeted expenditures. We have requested and been granted waivers in past school years.

Your consideration of our request is appreciated.

Please contact me if you have any questions or need further information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Connie A. Newman", with a long horizontal flourish extending to the right.

Connie A. Newman
Superintendent

cc: The Honorable Mike Hawker, Chair, Legislative Budget and Audit Committee

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.17

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Saint Mary's School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Saint Mary's School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$3,165,800	64%	\$3,108,600	63%
School Administration Support Services: 450	161,800	3%	173,100	3%
District Administration: 510	346,900	7%	300,900	6%
District Administration Support Services: 550	162,300	4%	156,200	3%
Operation & Maintenance: 600	943,600	19%	1,035,400	21%
Student Activities: 700	155,700	3%	177,700	4%
Community Services: 780	0	0%	0	0%
Total	\$4,936,100	100%	\$4,951,900	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	62%	62%	61%	61%	61%	61%	61%	64%	63%
Enrollment *	186	177	164	177	181	183	203	198	188

* Saint Mary's School District operates one school in the community of Saint Mary's. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Saint Mary's School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

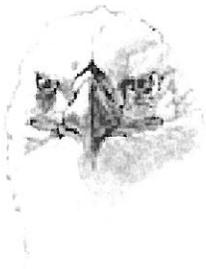
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High operations and maintenance costs, increasing fuel and electricity costs.
- Increased property and liability insurance rates.
- Cost of doing business in a remote location.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Saint Mary's School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



St. Mary's School District
P.O. Box 9
St. Mary's, AK 99658
Phone (907) 438-2411
Fax (907) 433-2735



DeWayne Bahnsen, Principal

David Herbert, Superintendent

September 14, 2015

The State of Alaska Board of Education
Department of Education and Early Development
801 W 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811-0500

To the State of Alaska Board of Education,

St. Mary's School District is respectfully requesting a waiver of Alaska Statute 14.17.520, the 70% minimum expenditure for instruction requirement. Recently, it has only become more difficult for districts in remote regions of Alaska to meet the 70/30 requirement and we ask for your support in once again approving our request for a waiver based on the reasons outlined in this waiver application.

The District agrees with and supports the utilization of the majority of funds for instructional purposes. In addition, the District continuously strives to ensure that the funds which are allocated reach the classrooms, however, with the increasing costs of fuel, expected increases in costs of electricity, property and liability insurance rates, high maintenance costs, and the extremely high cost of doing business in our region, we once again find it impossible to comply with the 70/30 rule.

It is not only critical but essential when trying to offer a quality educational experience to all students that the District provides facilities that are in good condition, safe, and have proper lighting and heating. Therefore, the District must allocate the necessary funds for maintenance and operations to prevent the facilities from deteriorating and to ensure a safe, well lighted, and warm learning environment for all children.

The District has submitted to the Department of Education a detailed analysis of the budget for St. Mary's School District, which clearly demonstrates the extremely high costs of operations and maintenance, doing business in this region, and fixed non-instructional costs, which are the primary causes for the District's inability to comply with the minimum expenditure for instruction requirement. I have included the operations and maintenance of plant portion of the detailed analysis, which has the largest impact on the District's inability to meet the 70/30 rule, as outlined in the paragraphs below.

The total operating funds budget for the operations and maintenance function is \$1,035,400. This represents 21% of the total operating fund budget. This function consists of maintenance and custodian salaries & benefits (30.1%), services (1.3%) such as fire alarm system repairs and certifications, boiler repairs and certifications, and any other specialized maintenance services which local maintenance staff cannot perform, utilities & energy (49.5%), staff travel (.4%), property insurance (6.5%) which is required by law, and maintenance supplies and equipment (12.7%).

This district goes out to bid to purchase heating fuel and gas at the lowest possible prices. As a result, we are able to buy fuel at the best possible price. Although we expected the summer 2015 delivery of fuel (51,000 gallons) to be around the same price per gallon than the prior year, we did not know by how much and so we estimated high. In FY10 we used 43,699 gallons of heating oil at a cost of \$3.2086/gallon, in FY11 we used 41,000 gallons of heating oil at a cost of \$3.0779/gallon; in FY12 we used 46,759 gallons of heating oil at a cost \$3.4694/gallon; in FY13 we used 46,552 gallons of heating oil at a cost of \$3.8865/gallon; in FY14 we used 40,749 gallons of heating fuel at a cost of \$3.9327/gallon; in FY15 we used 37,016 gallons of heating fuel at a cost of \$3.9327/gallon; and in FY16 we expect to use 45,000-55,000 gallons of heating fuel at \$3.5000/gallon. Although our average cost per gallon has decreased from the prior year, and it was a mild winter, we have a new gymnasium building coming online in late fall with an unknown amount of fuel usage for the year. We believe any fuel savings from the prior year cost will be offset by the fuel usage of the new gymnasium building. As per GAAP, purchased fuel is averaged with fuel inventory on hand to arrive at a price per gallon for accounting purposes. The actual amount paid in August to our fuel vendor was \$2.9356/gallon which will mean our average price per gallon will decrease in FY16.

The local power plant pays a similar rate for fuel. Fuel and labor costs are the main factors in determining the costs of producing electricity in bush Alaska. This is due to the fact that all electricity is generated utilizing fuel driven engines, which then lowers/increases the cost of electricity generated by the electricity provider which in turn results in lower/higher electricity bills for the district. We paid an average of 47.5382 cents/kwh for 350,938 kw in FY10, 37.6676 cents/kwh for 360,556 kwh in FY11, 44.1299 cents/kwh for 377,805 kwh in FY12; 47.4805 cents/kwh for 396,713 kwh in FY13, 50.5451 cents/kwh for 381,232 kwh in FY14, and 49.4910 cents/kwh for 396,245 kwh in FY15. We do not know how much, or if, our electricity rates will change materially, so we have estimated our costs on the high side. We do expect to see an increase in electricity usage, and therefore cost, when the new gymnasium building comes online in late fall.

The district's two main educational facilities, the elementary school and the high school, underwent major renovations seven years ago which included heating and electrical upgrades, additional air handling systems, additional walk-in freezers and refrigerators, and additional boilers. The district does have utility and fuel costs for the renovated buildings for the last six years after the renovations, however, we still continue to fine tune heating and air handling systems to perform more efficiently in order to cut costs. In addition we have a new gymnasium building that will be coming online in late fall. In order to ensure we have the necessary funds for additional costs associated with the new building and colder winters we have budgeted conservatively.

It is not only critical but essential when trying to offer a quality educational experience for all students that the district provides facilities that are in good condition, safe, and have proper

lighting and heating. Therefore, the district must allocate the necessary funds for maintenance and operations to prevent the facilities from deteriorating and to ensure a safe, well light and warm learning environment. The District has and will continue to operate a preventative maintenance program to ensure proper maintenance is scheduled and completed on a routine basis and will continue to make every effort to receive the best possible price for fuel. The District continues to hire additional help to repair, upgrade, and clean the facilities as needed.

Listed above are some of the costs of delivering quality educational services for all students, in the bush, in St. Mary's Alaska.

The St Mary's School District believes that the frugal utilization of state allocated funds in the areas determined by the basic needs in bush Alaska and by student and staff essential needs is the only manner in which to create a budget. The frugal and appropriate use of funds is evident when one looks at the success St. Mary's School District has experienced. In addition, the District strives to maximize the use of formula grants as well as competitive grants. The St Mary's School District's students, parents, staff, and community are very proud of the St. Mary's School District. The District continues to strive to improve the use of the financial resources received from the state of Alaska in order to offer the best possible education to the students we serve.

The District is prepared to present, and defend, our budget in person if necessary. We invite you to visit our District at any time to see the positive learning environment which exists at the St. Mary's School District.

Again, we respectfully request your approval for a waiver of Alaska Statute 14.17.520, due to the reasons and causes clearly outlined in this letter and the additional supporting documentation which was submitted to EED. The District thanks you in advance for your consideration of our requests.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David Herbert", with a long horizontal flourish extending to the right.

David Herbert
Superintendent
St. Mary's School District

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.18

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Skagway School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Skagway School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$1,668,052	67%	\$1,468,142	66%
School Administration Support Services: 450	93,715	4%	94,077	4%
District Administration: 510	198,460	8%	172,057	8%
District Administration Support Services: 550	171,123	7%	162,496	7%
Operation & Maintenance: 600	346,816	14%	324,396	15%
Student Activities: 700	0	0%	0	0%
Community Services: 780	0	0%	0	0%
Total	\$2,478,166	100%	\$2,221,168	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	68%	70%	66%	64%	61%	63%	63%	67%	66%
Enrollment *	106	95	90	78	59	64	84	84	88

* Skagway School District operates one school in the community of Skagway. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Skagway School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

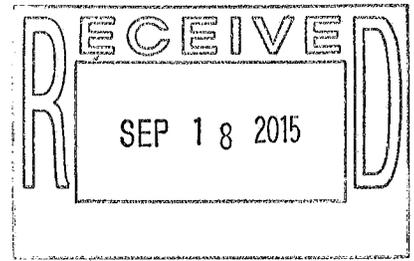
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- High operations and maintenance including fuel, energy and insurance.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Skagway School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



**SUPERINTENDENT'S OFFICE
SKAGWAY SCHOOL DISTRICT**
P.O. Box 497, Skagway, AK 99840, (907) 983-2960

September 15, 2015
State of Alaska Board of Education and Early Development
801 W. 10th Street, Suite 200
PO Box 110500
Juneau, Alaska 99811-0500

Re: FY 2015-2016 Budget Waiver Request
Dear State of Alaska Board of Education and Early Development,
Skagway School District requests a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the control of the district. Skagway School district projects the percentage of expenditure for instruction to be 66.10% for the FY2015-16 Budget Year. The reasons and causes for this request for waiver include persistently inflated costs for fuel, insurance and maintenance expenses in rural Alaska. The situation is exacerbated by the dramatic fluctuation of on behalf rates paid by the district to the Teacher Retirement System. The projections for the FY2015-2016 budget for Skagway School is as follows:

FY2015 -2016 Projected Budget		
Function	Amount	Percent
Instructional (100-400)	1,468,142	66.10%
School Administration Support Services (450)	94,077	04.24%
District Administration (510)	172,057	07.75%
District Administrative Support Services (550)	162,496	07.32%
Operation and Maintenance (600)	324,396	14.59%
Student Activities (700)	0	0.0%
Community Services (780)	0	0.0%
	<u>TOTAL:</u> 2,221,168	

The Skagway School District has been granted budget waivers from the State of Alaska Board of Education for the past few years due to the unique nature of our district. Skagway School District is a single school site district with a very small enrollment within an isolated

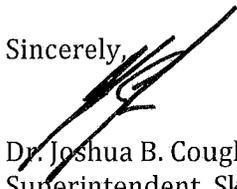
environment. Utilizing all due diligence to create a balanced budget that serves the needs of our students we are 3.9% below the 70% target.

Maintenance and operational expenses are very high in rural Alaska. Fuel, heating oil, electricity, and maintenance personnel costs are necessary to the successful operations of the school, but not a part of the instructional budget. We were able to disrupt the trend of increasing fuel and energy costs through two major energy efficiency projects; a full replacement of our boiler system and an LED lighting project that included our gymnasium, shop, and library. Although these costs have come down significantly, maintenance and operational costs remain relatively high and impact the percentage of the budget we must designate to keep the physical plant of our building in tact and functioning. These expenses along with the burden of unprecedented on behalf payments to the Teacher Retirement System have made it extremely difficult for our district to meet the 70% minimum expenditure for instruction requirement.

In summary, Skagway School District #43 is requesting a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the control of the district. Skagway School district projects the percentage of expenditure for instruction to be 66.10% for FY2015-2016. The reasons and causes for this request for waiver include persistently inflated costs for fuel, insurance, maintenance, and dramatic fluctuation of on behalf rates paid by the district to the Teacher Retirement System.

Although we are unable to meet the 70% rule we still offer a wonderful learning environment for the students of Skagway. Our success has been well documented through the ASPI school accountability system in which we achieved the honor of being a 'Highest Performing' and 'High Progress' school district while also earning the distinction of being a 5 Star school district. The Skagway School Board under the leadership of President John Hischer and the Skagway School Superintendent, Dr. Joshua Coughran, respectfully request a waiver of Alaska State Statute 14.17.520 requiring school districts to have a minimum of 70% expenditure for instruction. If further information is required please do not hesitate to contact the Superintendent of Skagway School. Thank you for considering this matter.

Sincerely,



Dr. Joshua B. Coughran
Superintendent, Skagway School
PO Box 497
Skagway AK 99840-0497
(907) 983-2960
jcoughran@skagwayschool.org

Cc: The Honorable Mike Hawker, Chair, Legislative Budget & Audit Committee, State Capitol, Room 502, Juneau AK 99801-1182

Elwin Blackwell, Department of Education and Early Development, 801 W. 10th Street, Suite 200, Box 110500, Juneau AK 99801-0500

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.19

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Southeast Island School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Southeast Island School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$5,631,604	71%	\$4,285,110	67%
School Administration Support Services: 450	32,524	1%	30,430	1%
District Administration: 510	473,229	6%	416,241	6%
District Administration Support Services: 550	429,293	5%	395,407	6%
Operation & Maintenance: 600	1,207,357	15%	1,083,751	17%
Student Activities: 700	172,909	2%	185,388	3%
Community Services: 780	0	0%	0	0%
Total	\$7,946,916	100%	\$6,396,327	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	67%	69%	68%	67%	67%	67%	69%	71%	67%
Enrollment *	152	167	141	159	165	190	199	190	150

* Southeast Island School District operates nine schools in nine communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Southeast Island School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Changing enrollment.
- Operations and maintenance costs including energy.
- High cost of travel among sites in isolated area.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Southeast Island School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



SOUTHEAST ISLAND SCHOOL DISTRICT

P.O. Box 19569, 1010 Sandy Beach Road Thorne Bay, Alaska 99919
(907) 828-8254 Fax: (907) 828-8257 E-mail: sisd@sisd.org

September 17, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500

Re: *Request for Waiver (AS 14.17.520(d))*

Dear State Board:

The purpose of this letter is to request a waiver – as permitted under AS 14.17.520(d) – of 1998 SLA Ch. 83, § 43, which requires the District to budget and spend a minimum of 70 percent of its school operating expenditures on the instructional component of the District budget.

2015-2016 Expenditure Allocations:

Function	Amount	Percent
Instructional: (100-400)	4,285,110	66.99%
School Administration: (450)	30,430	0.48%
District Administration: (510)	416,241	6.51%
District Administration Support Services: (550)	395,407	6.18%
Operation & Plant Maintenance: (600)	1,083,751	16.94%
Student Activities: (700)	185,388	2.90%
Community Services: (780)	0	0.00%
Total	6,396,327	100.00%

DISTRICT PROFILE: Based in Thorne Bay, Alaska. Southeast Island School District (SISD) is a Regional Education Attendance Area (REAA#19) located on Prince of Wales and Baranof islands. SISD operates 10 schools in 9 communities with an average daily membership of 150 (Pre K – Grade 12). The area serviced by SISD encompasses approximately 2,800 miles.

The economy of all SISD communities is closely tied to commercial fishing and/or timber harvesting on the 17 million acre Tongass National Forest.

The SISD District Office is located in Thorne Bay on Prince of Wales Island. Access from Ketchikan is by air or boat and vehicle. Transportation between sites within the Southeast Island School District is by air, boat or rural road. Roads connect Thorne Bay to seven sites; the remaining two sites must be visited by air or boat. Additionally, two sites are only accessible by road during the early fall and late spring; the remainder of the year they can only be accessed by plane. Flights are by small commuter planes and many flights must route through another city before reaching the final destination. For example, flying from Klawock to Sitka, and then flying from Sitka to Port Alexander.

The average yearly rainfall is approximately 120 inches. Summers are mild with average temperatures in the 60s. In the winter, the average temperature drops into the 30s.

Instruction (100-400): \$4,285,110 or 66.99% of the total expenditures. This includes 24.5 teachers, special education aides, and 3 Principals. Total salaries and benefits are 70% of the instructional function. The remaining 30% of instruction is budgeted for professional & technical, supplies, textbooks materials & media, staff & student travel, and utility services (communications). This function has increased as a result of increase in staff.

School Administration Support Services (450): \$30,430 or less than ½% of the total expenditures. The net budget has increased as result of retaining staff.

District Administration (510): \$416,241 or 6.51% of the total expenditures. Total salaries and benefits are 73% of this function. The remaining 27% represents travel expenses for the Superintendent, school board, and board secretary, traveling to sites for meetings, small stipends for board members, professional services (legal fees), communications, supplies, and dues and fees to AASB complete the remainder of this budget. This has decreased as a percent of the overall budget.

District Administration Support Services (550): \$395,407 or 6.18% of the total expenditures. This has increased due to reduction in indirect recovery and increase in professional & technical for grant writing. Salaries and benefits account for 48% of this budget, with the remaining 52% for travel, professional & technical, supplies, equipment and insurance.

Operations and Maintenance (600): \$1,083,751 16.94% of the total expenditures. Salaries and benefits account for 35% of this budget. Utilities consist of 35% of this budget (with energy alone being 31%) and over 5% of the overall budget. Most of the outlying facilities in our district are old and costly to maintain. The expense to keep our buildings maintained will continue to cause this function to be a large percentage of

the budget and to increase as the buildings age. We have slightly decreased the maintenance budget this year in an attempt to meet the 70% instructional mandate.

Student Activities (700): \$185,388 or 2.90% of the total expenditures. The students fundraise for the majority of the co-curricular activity travel. 42% of this budget is for paying extra duty stipends for coaching the various co-curricular activities and the remaining expenditures are for travel, supplies, and due and fees for participation. The students continue to be successful each year in archery and the Board has determined it is academically and socially beneficial to send the top students to national competition and with additional fundraising, international competition. A percentage of these costs will be borne by the District.

Southeast Island School District cannot meet the requirement to allocate 70% of school operating expenditures to the instructional component of the budget due to changing enrollment, ongoing fixed costs to maintain its square footage – including increased energy costs, as well as the rising cost of travel between sites in isolated southeast islands within Alaska.

In some of our sites, the cost of a teacher (instruction) is the same as the cost of fuel and electricity (non-instructional) for the year. For example, in Port Alexander fuel alone is budgeted at \$50,000, which is equal to one teacher's salary and benefits. The district has been working to lessen the high cost of energy by installing wood-fired boilers and has been successful at three sites. We continue to write grants to have them installed at all sites.

Enrollment continues to fluctuate; however, this year all sites should be open except for one. Should one of the District's small schools not meet the minimum of 10 students to receive funding, the District must budget for that accordingly. All sites that are projected to open have certificated staff contracted for the year; and the District would be required to honor their contracts even if the schools did not meet the minimum.

As reported in past waiver requests, travel is very expensive and has not decreased even though the cost of fuel has. As a refresher to our previous information, travel between Thorne Bay and Port Alexander is by air only. Staff in Thorne Bay travel from Thorne Bay to Klawock, from Klawock to Sitka (often with an overnight in Sitka), and then from Sitka to Port Alexander. The least expensive round-trip airfare is \$820, excluding the overnight stay in Sitka. Another site, Port Protection, can only be accessed by air in winter. The cost of seat fare from Thorne Bay to Port Protection is \$400, round trip. Travel conditions are often marginal and staff may get stranded at a site for days or weeks. Kasaan is the closest site to Thorne Bay and includes travel over gravel roads 23 miles each way. Frequent weather delays are costly and generally do not fall under instruction.

On behalf of the Southeast Island School District Board of Education and students, I am hereby formally requesting a waiver of the 70 percent requirement for the 2015-2016 school year.

State Board of Education
September 17, 2015
Page 4 of 4

We appreciate the ongoing support we receive from the Department of Education and Early Development. Please feel free to contact me at 907.828.8254 or lburch@sisd.org to clarify any issues.

Sincerely,



LAUREN BURCH
Superintendent

LB/lb

cc: The Honorable Mike Hawker, Chair, LB&A (via email)
Meridith Bowman, School Finance, Dept. of Education & Early Dev. (via email)

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.20

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Tanana City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Tanana City School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$1,064,057	65%	\$827,068	60%
School Administration Support Services: 450	65,452	4%	71,384	5%
District Administration: 510	97,367	6%	79,500	6%
District Administration Support Services: 550	96,236	6%	101,384	7%
Operation & Maintenance: 600	292,523	18%	296,987	21%
Student Activities: 700	19,550	1%	11,930	1%
Community Services: 780	0	0%	0	0%
Total	\$1,635,185	100%	\$1,388,253	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	54%	54%	54%	53%	54%	62%	62%	65%	60%
Enrollment *	57	39	43	41	34	49	41	39	38

* Tanana City School District operates one school in the community of Tanana. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Tanana City School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Operations and maintenance including high fuel and utilities.
- High transportation costs for contracted services.
- Economy of scale administering a single site school district.

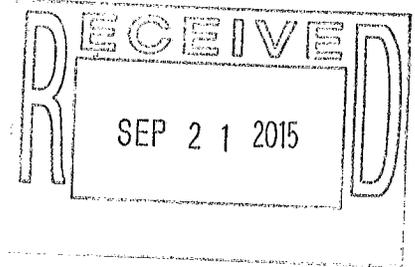
◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Tanana City School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

TANANA CITY SCHOOL DISTRICT
MAUDREY J. SOMMER SCHOOL



P.O. Box 89
89 River Street
Tanana, Alaska 99777
Telephone: (907) 366-7203 or 7207 Fax: 7201
Thérèse Ashton, Superintendent



September 15, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500

Dear State of Alaska Board of Education & Early Development Members:

The Tanana City School District's FY16 operating budget is unable to meet the 70% minimum expenditure for instruction as required in Alaska Statute 14.17.520. Thus, the Tanana City School District is requesting a waiver from these requirements due to reasons and causes beyond the district's control. The FY16 minimum expenditure budgeted for instruction for the Tanana City School District is 60%. This is an instructional decrease of 5% from FY15 (65% Instruction) that we have been able to maintain for the FY15 budgets.

Reasons and causes that are beyond the district's control include high operations and maintenance costs due to high fuel and utilities consumption during winter months, high costs of transportation for contracted services, and the economy of scale in administering a small single site school district where the total budget is only \$1.4 million. Revenues are limited and small districts such as this one must allocate and spend a higher percentage of available revenue in non-instructional areas.

We have five full time teachers. All teachers have multiple-grade classes (K-2, 3-5, 5-8, 9-12, and PreK-12 Special Education). Even though the K-12 enrollment is currently at thirty-five (35), which is a decrease of 3 students, the entire school building is in use. The district has seen, over the last 10 years, a decline in enrollments of students, which continues to go down. However, the decline in enrollments (over 66% drop) has left the district with a school building designed for a larger student population. Due to the layout of the building and energy structure system, the academic section is on one system, therefore, the entire area is required to be heated in winter. In addition, there is a beautiful gym that uses much energy but is utilized throughout the school year for a variety of activities that includes lunch recess, P.E. and large motor activities tied to different subject areas. During the winter, it is often the sole area for physical education and recess.

The sum of the percentages of 450, 510 and 550 is 18%, which is 2 % more than FY15. There is a full time Superintendent/Principal, an administrative assistant/secretary, a contracted accounting/ bookkeeping service, audit services, insurance costs and occasional legal services. Each position and service is necessary for the overall efficiency and effectiveness of the school system. There is no control over required accounting/bookkeeping, audit, insurance and legal services and the .5 FTE Superintendent position deals with many federal and state documentation/data requirements as well as local budgetary requirements. Therefore, even though the overall percentage appears to be high, when taking into account the economy of scale, each position or service will naturally be a higher percent when compared with the small total budget. Each administrative staff member does all the functions that would normally take more than one person. The paperwork stays the same no matter the size of the district with fewer people to do it in the smaller district/school. With a new road being built we are hopeful that this decline will change in the future.

We do make sure we find the most reasonable ways to cut cost without negatively impacting our student care. This year we were able to hire a teacher for science and math at the start of the salary scale, which brought cost down from the previous teacher by \$23,000 within the instructional budget. This has impacted that budget for

instruction. At the same time we are spending more to upgrade the technology for use in data collection that is necessary for keeping up with regulations such as purchasing services to create a website for the district. Purchasing an student information system (SIS) this summer was \$18,700 to begin using the service. The importance of a SIS system in this day and age has become more evident and will eventually make administrative functions streamlined and less fallible so time working on errors will be minimal.

Tanana is not on the road system, therefore, transportation for contracted services (i.e., Xerox repair/maintenance, accountant, and attorney) and required inspections (handicap elevator, kitchen hood, fire alarm and sprinkler systems) require air travel (\$240.00 round trip is the price when someone comes from outside of the village) and return visits if there are repairs needed. Paying for hospitality is often an added cost. Some people are gracious enough to stay in the school for overnight visits and the superintendent has often invited people into her home, which cuts costs.

Operation and plant maintenance impact the budget heavily due to fuel and utility costs. Operations and plant maintenance comprise 21% of the budget. The expenses stayed flat but the percentage is up since FY15 by 3%. However, salaries and benefits do go up each year. A full-time maintenance staffer is necessary to keep up with all required preventative maintenance and year-round building function and maintenance. Energy and utilities are 12% of the total operating budget and are expected to rise. Electrical (First 10000 kwh at \$ 0.4665 per kwh and 1040 kwh at \$0.4485 per kwh and fuel costs (currently \$6.48 per gallon, which is 8 cent more than FY15) in Tanana are high and maintaining a building throughout severe winter temperatures (-65 degrees) is always costly.

The student activity funds allocated are for coaches and mainly for student travel due to the remote location of the Tanana City School District. Round-trip costs from Tanana to Fairbanks and back is \$240.00 per person. Even for the x-country team that is small in numbers would require at least \$1540.00 if the meet is in Fairbanks just for travel. In order to compete the teams often must go to smaller sites outside of Fairbanks. This means an added cost of a charter plane (\$5,000 to \$7,000) or renting a vehicle to drive to the site. The tribe and the community of Tanana often fund-raise funds so their children can make these trips as the district can only provide so much funding at this great cost. Even so this budget has been downsized by 60% this year to help with the 70% instructional requirement.

No extraordinary or questionable expenses exist in the current Tanana City School District budget. This year's budget has been carefully examined and non-instructional budget items have been compared and adjusted to better reflect the actual expenditures. The district is currently designated as a three (3) star school based on the new ASPI system. The FY15 Instructional budget was maintained at 65% for a year. The FY15 budget will be maintained at 60%. Within the instructional budget emphasis is focused on efficient and effective ways to meet the needs of individual students through technology. Great efforts have been made this year to increase our Instructional Expenditures to 70%, but given the size, location, weather extremes and the economy of scale; it is beyond the school district's control. Our funds are allocated in the most efficient manner possible. Therefore, the Tanana City School District requests a waiver of the 70% minimum expenditure for instruction as required in Alaska Statute 14.17.520

Thank you for your consideration,



Thérèse Ashton
Superintendent

cc: The Honorable Mike Hawker, Chair
Legislative Budget and Audit Committee (LB&A)
State Capitol, Room 502
Juneau, AK 99801-1182

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.21

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Wrangell Public Schools' FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Wrangell Public Schools FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$4,373,287	68%	\$3,764,419	66%
School Administration Support Services: 450	210,676	3%	201,100	4%
District Administration: 510	246,489	4%	220,166	4%
District Administration Support Services: 550	433,570	7%	398,736	7%
Operation & Maintenance: 600	891,770	14%	873,296	15%
Student Activities: 700	242,734	4%	246,413	4%
Community Services: 780	0	0%	0	0%
Total	\$6,398,526	100%	\$5,704,130	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	67%	68%	68%	69%	71%	72%	72%	68%	66%
Enrollment *	346	324	315	339	387	386	344	272	272

* Wrangell Public Schools operates three schools in the community of Wrangell. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Wrangell Public Schools' request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

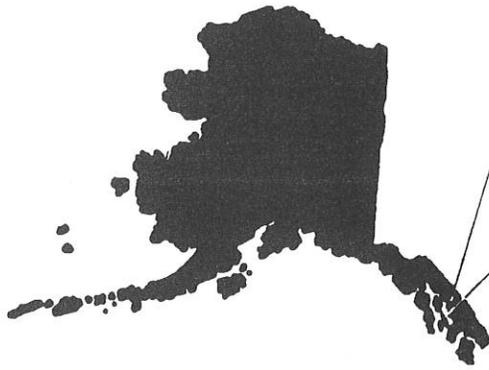
◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Declining enrollment.
- Personnel turnover.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Wrangell Public Schools' FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



**WRANGELL
PUBLIC SCHOOLS
DISTRICT OFFICE**

P.O. BOX 2319
WRANGELL, ALASKA 99929
Telephone (907) 874-2347
Fax # (907) 874-3137

GATEWAY TO THE STIKINE

September 14, 2015

Alaska Department of Education and Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99801-0500

Dear Chairperson and State Board Members:

Wrangell Public Schools (WPS) is requesting a waiver relevant to the requirements of AS14.17.520. Our financial situation for school year 2015-2016 differs markedly from previous years. In previous years we have always been able to stay within the 70/30 split but this year may be different. This is due to a number of different factors that are highlighted below:

			% of budget
Instruction	100	\$2,359,237.00	41%
Special Education	200	\$443,507.00	8%
Special Education	220	\$73,448.00	1%
Support Services: Students	300	\$155,340.00	3%
Support Services: instruction	350	\$434,210.00	7%
School Administration	400	\$298,677.00	5%
 Total Instruction 100-400		 \$3,764,419.00	 65%
 School Administration: Support	 450	 \$201,100.00	 3%
District Administration	510	\$220,166.00	4%
District Administration: Support Services	550	\$398,736.00	7%
Operations & Maintenance	600	\$873,296.00	15%
Student Activities	700	\$246,413.00	4%
Other: Student transportation/ Food Service	900	\$117,000.00	2%
Total non- instruction 450-900		\$2,056,711.00	35%
 Total overall Budget		 \$5,821,130.00	

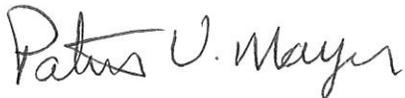
- Food service costs are high in Wrangell due to our isolation. This results in a cost for commodities, and personnel. Wrangell Public Schools has decided to provide its own lunch program this and we will be employing our own food service staff.
- Of major significance is that during the 2013-2014 school year we lost seven long-term employees to retirement. These employees were either not replaced at all, were replaced with a lower paid employee or were reduced to part-time status. This situation will continue to impact the instructional side for many years.

In summary, when you have the two main scenarios described above, it dramatically impacts a small district like Wrangell with only a 6.5 million dollar budget.

Wrangell Public Schools has a very long track record of high academic performance. Our most recent ASPI scores were four stars at all sites with the exception of the middle school which posted a five star rating. Your consideration in granting this waiver is greatly appreciated.

Please contact me if you require additional information.

Sincerely,



Patrick V. Mayer
Superintendent
Wrangell Public Schools

c: enclosure

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.22

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Yakutat School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Yakutat School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$2,002,032	73%	\$1,411,382	66%
School Administration Support Services: 450	47,125	2%	40,922	2%
District Administration: 510	165,819	6%	168,624	8%
District Administration Support Services: 550	117,503	4%	87,000	4%
Operation & Maintenance: 600	418,954	15%	387,785	18%
Student Activities: 700	0	0%	50,000	2%
Community Services: 780	0	0%	0	0%
Total	\$2,751,433	100%	\$2,145,713	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	70%	67%	66%	69%	66%	69%	70%	73%	66%
Enrollment *	122	121	110	119	105	95	96	97	90

* Yakutat School District operates one school in the community of Yakutat. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Yakutat School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Declining enrollment.
- High costs for heating fuel and transportation.
- High costs for student activities and associated travel.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Yakutat School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



Yakutat School District

City & Borough of Yakutat
429 Forest Hwy. P.O. Box 429
Yakutat, Alaska 99689

District Office (907) 784-3317
High School (907) 784-3318
Fax (907) 784-3446

September 17, 2015

State of Alaska Board of Education and Early Development
801 West 10th Street, Suite 200
P. O. Box 110500
Juneau, Alaska 99801-0500

SUBJECT: FY 2016 Instructional Expenditure Waiver Request

The Yakutat School District (YSD) respectfully requests a waiver from the 70% minimum expenditure requirement for instruction in accordance with AS 14.17.520 for reasons beyond the district's control. Reasons for this request include annually decreasing enrollment, high district administration costs, annually increasing operations and maintenance costs, freight increases, heating fuel/electricity cost increases and loss of local government special revenue fund contributions.

Yakutat is located in a remote area on the Gulf of Alaska. It is a landlocked community with no roads in or out. In recent years the Alaska Marine Highway system has added sporadic ferry service but most travel in and out of the community is via Alaska Airlines. The YSD is a single site K-12 school and has three buildings: an elementary school, a shop and a high school. The projected student enrollment for FY 16 is 90 students. In FY 2006 the Yakutat School District's ADM was 132.5. Since FY 2006 the district's enrollment has dropped by approximately 32%.

The YSD's FY 2015-2016 budget includes total expenditures for functions 100 – 400, covering seven teachers and two aides of \$1,411,382. This is 66% of the budgeted school operating expenditures.

The District's administration costs (functions 510 & 550) total \$255,624 for FY 16. This is 12% of the operating expenditures. The YSD has been actively seeking ways to reduce the administrative costs of the district but with an overall budget of less than \$2,500,000 the high percentage is unavoidable.

Our isolation adds to the issue of exorbitant freight, energy and fuel charges. The increases in these areas are:

Alaska Airlines –	FY 2006 at \$.37a lb.	FY2015 at \$.76 a lb.	100% increase
Heating Fuel -	FY 2006 \$3.09 per gallon	FY 2015 \$4.50 per gallon	46% increase
Electrical -	FY 2006 at \$0.21 per kilowatt	FY 2015 at \$0.23 per kilowatt	9.52% increase
	FY 2006 surcharge for \$0.09	FY 2015 for \$0.25 surcharge	177% increase

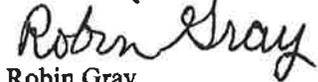
Annual operations & maintenance expenses have increased by approximately 18% since 2006. The FY 06 audited financial statements show \$327,532.00 in operation and maintenance expenses. The FY 16 budget is projected to be \$387,785.00. That is 18% of the district's total operating budget. Of that amount \$150,000 has been budgeted for electricity and heating, which is 39% of the operations & maintenance budget.

Page two
FY 16 Instructional Waiver Request
September 17, 2015

For a number of years the City and Borough of Yakutat (CBY) had provided extra money outside the funding cap to fund the student activity budget. This included travel expenses for students to participate in extracurricular activities and to pay the coaches/sponsors/chaperons. In FY 2014 the CBY discontinued this additional funding and the FY 16 budget includes \$50,000 in function 700 to pay for student activities. This is 2% of the district's budget.

Due to low enrollment, high basic administrative costs, annually increasing operation & maintenance costs, increased freight costs, increased heating fuel and electricity costs and the loss of special revenue funding, the district is unable to meet the requirements of AS 14.17.520.

Sincerely,



Robin Gray
Superintendent of Schools

cc: The Honorable Mike Hawker, Chair – Legislative Budget & Audit Committee

To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.23

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Yukon Flats School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Yukon Flats School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$7,635,867	68%	\$6,127,567	63%
School Administration Support Services: 450	152,661	1%	162,740	2%
District Administration: 510	550,164	5%	502,471	5%
District Administration Support Services: 550	385,903	3%	330,148	3%
Operation & Maintenance: 600	2,528,908	22%	2,580,593	26%
Student Activities: 700	57,153	1%	64,500	1%
Community Services: 780	0	0%	0	0%
Total	\$11,310,656	100%	\$9,768,019	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	64%	60%	61%	61%	64%	67%	66%	68%	63%
Enrollment *	281	271	272	247	259	257	244	244	240

* Yukon Flats School District operates six schools in six communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Yukon Flats School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Operations and maintenance including high fuel and utilities.
- Cost of freight to a remote location.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Yukon Flats School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



Yukon Flats School District

P. O. Box 350
Fort Yukon, AK 99740
P: (907) 662-2515 or 1.800.322.2515
F: (907) 662-3094 or 2519

www.yukonflats.net

Arctic Village
Beaver
Chalkyitsik
Circle
Fort Yukon
Venetie

James Fields, Chair
State Board of Education & Early Development
801 W 10th Street, Suite 200
PO Box 110500
Juneau, AK 99811

September 1, 2015

Dear Mr. Fields,

Please consider this as Yukon Flats School District's request for a minimum instruction waiver for school year 2015–2016. We are unable to meet the 70/30 requirement due to factors outside of our control, including freight, the high cost of operations and maintenance, fuel, and village utilities.

The district is currently maintaining six schools in rural locations, and only one school is on the road system (see **Appendix A** for map). For the remaining five schools, everything must be flown to our sites, increasing the cost of food, materials, and supplies by 20%. For heavy and bulky items used by maintenance, we can expect to spend an additional 50% in freight to the location. Simple repairs and the acquisition of repair parts are more costly than those of districts on the road system.

The Yukon Flats School District expects to spend over \$2.5 million on operations and maintenance, which accounts for 26% of our budget. The high cost of operations and maintenance makes attaining the 70% instructional threshold a near-impossible task. This is our largest non-instructional expense, and is driven primarily by the high fixed cost of maintaining and operating a rural school during the harsh Arctic winters. Almost all parts, supplies, fuel, and materials must also be flown in, increasing our operating costs. We also rely heavily on skilled professional contractors for major and minor repairs, boiler maintenance, and water tank cleaning as we do not have qualified employees in the rural villages. During FY'15 we spent \$116K on technical contractors to keep our boilers and generators running, and we expect to spend close to the same during FY'16.

Our single most expensive item in the budget is heating oil. For the majority of our schools, the heating oil must be flown in using specialized fuel planes. We expect to use over 160,000 gallons of heating oil, and for our locations off the road system, delivered fuel price ranges from \$4.70 to \$6.00 per gallon. The overall decrease in the price of oil over the last year has not resulted in a significant decrease in the price of fuel delivered to our village schools.

Our water and electricity is procured from expensive village sources for which there is no alternative. Some of our sites are under flat-rate agreements, and other sites have moved to variable arrangements where we pay anywhere from \$0.50 to \$0.80 per kWh. For both water and electricity, we expect to pay an average of \$60,000 per month. Last year we self-generated electricity at one of our sites for nine months to save money, and we are looking at all options this year to lower our electricity costs.

The Yukon Flats School District and the Yukon Flats School Board has made every effort to direct funds to instruction and meet the minimum instructional requirements under AS 14.17.520. We respectfully request a waiver from the 70% minimum instructional requirement for the 2015-2016 school year.

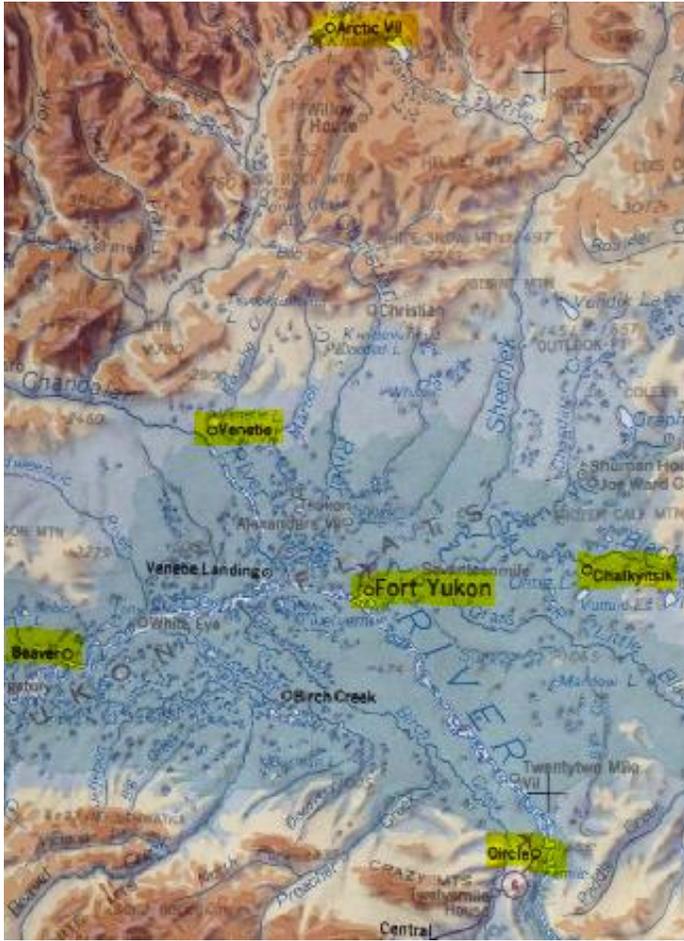
Thank you for your time and consideration. Please contact me if you have any questions.

A handwritten signature in cursive script that reads "Lance S. Bowie". The signature is written in black ink and is positioned above the typed name.

Dr. Lance Bowie, Superintendent
Yukon Flats School District

cc: The Honorable Mike Hawker, Chair, Legislative Budget and Audit Committee (LB&A)

Appendix A- Rural School Locations



To: Members of the State Board of
Education & Early Development

October 26, 2015

From: Mike Hanley, Commissioner

Agenda Item: 1.24

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Yupiit School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Yupiit School District FY2016 Operating Budget Expenditures:

Function	FY15 Dollars	FY15 %	FY16 Dollars	FY16 %
Instructional: 100 – 400	\$8,567,190	67%	\$8,853,775	68%
School Administration Support Services: 450	167,957	1%	194,660	1%
District Administration: 510	483,567	4%	412,384	3%
District Administration Support Services: 550	540,450	4%	410,648	3%
Operation & Maintenance: 600	2,852,549	22%	2,963,378	23%
Student Activities: 700	206,640	2%	201,186	2%
Community Services: 780	0	0%	0	0%
Total	\$12,818,353	100%	\$13,036,031	100%

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Instructional %	70%	68%	65%	63%	70%	68%	66%	67%	68%
Enrollment *	460	445	449	450	448	431	439	454	464

* Yupiit School District operates three schools in three communities. The FY2016 enrollments are budget projections.

◆ **OPTIONS**

Grant the Yupiit School District's request for waiver of the FY2016 70% minimum expenditure for instruction requirement.

Deny the district's request.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve the district's waiver request based on the district's reasons and causes:

- Increasing operations and maintenance costs including energy and utilities.
- Costs related to geographic location.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Yupiit School District's FY2016 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

Yupit School District

Box 51190 • Akiachak, AK 99551 • Telephone (907) 825-3600 • FAX 877.825.2404



September 8, 2015

State of Alaska Board of Education & Early Development
801 West 10th Street, Suite 200
P.O. Box 110500
Juneau, AK 99811-0500

Re: *Request for Waiver (AS 14.17.520(d))*

Dear State Board:

Pursuant to the minimum expenditure for instruction as set forth in AS 14.17.520 the Yupit School District requests a waiver to the mandate.

The Yupit School District requests a waiver to the 70% minimum expenditure for instruction requirement due to reasons and causes beyond the district's control including the high cost of energy, water and sewer of which constitute 60% of the district's maintenance budget and 14% of the overall budget, and the expense of receiving maintenance services and supplies – in short the high cost of maintenance & operations due to the geographic location of the district. The district's operation & maintenance budget has increased to \$2,963,278 or 23% of the total FY 2016 expenditures. Utilities and energy consist of 60% of this budget (with energy alone being 50%) and over 14% of the district's overall budget. This expense is increasing due to the age of the three school buildings

The District Administration and School Board remain committed to providing quality education and will remain vigilant in seeking cost savings and efficiencies to meet instructional needs. In an effort to create savings and efficiencies, the District outsourced their District-wide Technology Coordinator (instructional) and Business Manager positions.

On behalf of the Yupit School District Board of Education and the students of the Yupit School District, I am hereby formally requesting a waiver of the 70 percent requirement for the 2015-2016 school year.

We are sincerely appreciative of the ongoing support we receive from the Department of Education and Early Development. Please feel free to contact me if any further information is needed or is required.

Sincerely,

A handwritten signature in black ink, appearing to read 'Norma Holmgaard', written in a cursive style.

Norma Holmgaard
Superintendent

Enclosure

Cc: Honorable Mike Hawker, Chair – LB&A, State Capitol, Rm 502, Juneau, AK 99801-1182