

KPBSD – FY17 Budget Questions from October 15, 2015 – revised – see Cooper Landing Q #10 – additional information added for clarification

Cooper Landing

1. Why does the state set a cap for borough's allowable contribution?

In order to be able to use federal impact aid in the foundation funding formula, the State of Alaska must insure that the wealthiest district in the state is not allowed to have per pupil revenue 25% more than the poorest district in the state. In order to meet this requirement, the state has imposed the cap on local contributions of 23% of Basic Need. The reasoning is that all districts are equal at Basic Need, so if the additional allowable is limited to 23% of Basic Need, the state can continue to meet the 25% required federal equalization standard. The KPBSD is not eligible for Impact Aid.

2. In previous years, how much money was saved through the Energy Rebate program?

The program was started in FY08 with the intent of reducing energy costs by making staff and students more aware of the benefits of conservation. In order to incentivize the schools, we offered an Energy Rebate that was based on the difference between the previous year expenditures and the average of the 3 prior year costs to determine the amount of cost avoidance. Schools received a rebate of 25% of that cost avoidance. While we believe the program has saved money because of reduced usage, it's not possible to determine an actual dollar amount of savings.

3. The Mat-Su School district receives 17% less funding than the KPBSD. They have rural schools like we do and are a very comparable district. What is Mat-Su doing differently with their budget that allows them to pay their staff considerably more and out compete the KPBSD for the best teachers and staff?

It appears that this question is based upon the District Cost Factor (DCF) adjustment in the State Foundation Funding formula. The purpose of the DCF adjustment is to account for geographic cost differentials such as remoteness, climate, community amenities and energy sources amongst school districts across the state. Anchorage School District (ASD) is used as a base at 1.000 and every other district is compared to ASD to determine their DCF.

If the question is based upon the fact that KPBSD has a District Cost Factor (DCF) of 1.171, then the assumption that the Matanuska-Susitna Borough School District (MSBSD) receives 17% less funding than KPBSD is an incorrect assumption. MSBSD receives a DCF of 1.07. The difference in DCF adjustments is .101. The geographic differences between the two districts that account for the difference in DCF has to do mainly with the remoteness of four schools in KPBSD, and the associated housing and energy costs. Nanwalek, Port Graham, Susan B. English and Tebughna schools are all off the road system and must be flown or boated into. All of the schools in the MSBSD are

on the road system and can be driven to.

MSBSD does a number of things differently in their budget than KPBSD, but salary is not the only item that should be compared between the two districts. MSBSD maintains a much higher Pupil to Teacher Ratio (PTR) than KPBSD does so there are more students per teacher in each classroom in MSBSD. That is one of the reasons that KPBSD has historically out performed MSBSD in assessment results.

Another difference is in Health Care. For example, in FY16 KPBSD's contribution per employee increased by \$170.30 per month, for a total increase of \$2,043.60 per employee per year. In MSBSD, there was no increase in employer contribution for health care from FY15 to FY16. The large increased contribution per employee is needed to fund the KPBSD health care plan because it is a richer benefit plan than the MSBSD plan.

We disagree that MSBSD has out competed KPBSD for the best teachers and staff. With lower PTRs, and better health coverage we believe KPBSD has continued to be able to employ high quality teachers and staff. We would again cite the fact that KPBSD has historically out performed MSBSD in assessment results to support our belief.

Cooper Landing (continued)

4. The Mat Su school district likes to boast about their low administrator to pupil ratio as a way to be fiscally conservative. Has the KPBSD looked into this idea?

Information on Mat-Su's website indicates that their enrollment in FY15 was 17,757, compared to 8,826 for KPBSD. Total Administration (Certificated and Support, including District Office) for Mat-Su was 99.14, which is 179.11 Students per Administrator. KPBSD total Administration was 52.48 FTE, providing a ratio of 168.18 Students per Administrator.

5. Three years ago it was calculated by the KPBSD insurance actuary that the district's health plan would save 1.2 million dollars per year if we allowed an "opt out" of our health insurance plan for those that had other insurance outside of the district. It was then decided that we should not take this course of action because someone in the finance office didn't "think it was fair", even though it would have saved the district \$3.6 million. Who is responsible for this decision that has cost the district 3.6 million over the last three years and continues to cost the district's current health plan \$100,000/month? What is the district's strategy to obtain reparations for this malfeasance?

In the fall of 2013, the Health Care broker that works with the KPBSD Health Care Committee provided several examples of information related to possibly allowing employees to "opt out" of health care coverage. During the Board Meeting on February 3, 2014, Matt Fischer addressed the Board regarding Health Care Opt Out and he subsequently shared via email a page from a presentation to the Health Care Committee on September 9, 2013. In response to Mr. Fischer's input, the Board held a worksession on potential "Health Care Opt Out" at the March 3, 2014, School Board Meeting. The

materials from that worksession can be found at the following link:

<http://www.kpbsd.k12.ak.us/WorkArea/DownloadAsset.aspx?id=30169>

The question posed states “the district’s health plan would save 1.2 million dollars per year if we allowed an “opt out” of our health insurance plan for those that had other insurance outside of the district”.

Examination of the materials presented at the March 3, 2014, School Board Meeting shows that the question is not using the correct example or amount. The example showing a revenue reduction to the plan of \$1,275,062.04 was for the scenario allowing both employees with coverage elsewhere and doubled covered employees within the plan to opt out. The questions states that \$1.2 million would be saved if only employees that “had other insurance outside of the district” were allowed to opt out, so the question is not factual to the information presented.

It is important to note that The District portion of the decrease would be \$1,020,049.63 and the Employee portion of the decrease would be \$255,012.41. It is also very important to realize that the employees left remaining in the plan and the District would experience higher contribution rates. It was estimated that the 1,060 remaining employees would pay \$304.00 more per year and the District’s rate per employee would increase by \$1,216.01 per year.

When the Board realized that allowing both employees with coverage elsewhere and doubled covered employees within the plan to opt out would result in an overall net plan deficit, and the employees left remaining in the plan would have to pay more, it chose not to pursue allowing employees to “opt out”.

Cooper Landing (continued)

6. The KPBSD does many pilot projects and programs for the state. How many man hours and dollars are spent on these projects to pilot programs like the SGM and new teacher evaluation that began in 2010? Does the KPBSD receive any compensation from the state in exchange for our classrooms being used as a laboratory for the state to try out new policies on our staff and students?

KPBSD does indeed lead the way in Alaska when it comes to instructional and instructional support innovation practices. In response to your SGM and teacher evaluation question, KPBSD has had an “Effective Instruction” committee for many years which has adopted the Danielson Frameworks for Teaching as the basis of our teacher evaluation system. Many districts in Alaska have taken the excellent work that our District has undertaken in this area and borrowed from and/or replicated it as a “best practice.” Our work in this area has been solely with the objective of developing the best possible teacher evaluation system that will positively impact student learning. We have never sought financial reward or compensation for this work.

The District was however awarded an “Assessment Literacy” grant by the State to assist us in developing a library of quality formative assessments that our teachers could use to better inform them instructionally on how their students are doing in meeting the new Alaska State Standards. These assessments could potentially also be used for SGM’s (Student Growth Maps). This 2 year grant awarded KPBSD \$280,000 over two years (FY 15 and FY16) for use in offsetting costs associated with the work in this important area.

Cooper Landing (continued)

7. If a reduction in force needs to be made. What is the plan to cut district office administrators, directors and specialists, who do not have direct contact with kids, while the budget may cut classroom teachers and support staff who are in direct contact with kids and their parents every day?

If the district could solve this fiscal crisis by not cutting a single classroom teacher or instructional aide we would. The fact of the matter is that given the magnitude of the shortfall that we will likely face, all areas of our organization/district will be examined for cuts. We will attempt to make cuts as proportional as possible across all district programs.

These are the areas that will be examined (not an all-inclusive list):

- administration in all areas (building and district);
- support staff (building and district);
- district specialists;
- classroom teachers;
- instructional support staff;
- special education (teachers and support);
- coaching/co-curricular positions;
- activity travel;
- building supplies;
- equipment purchases;
- curriculum materials;
- software;
- district staff/board travel;
- professional development
- purchased services
- other areas...

Cooper Landing (continued)

8. Instead of buying new equipment in a time of tighter budgets, why can't we use a sizeable amount of money from the equipment fund to restore staff to buildings that have lost positions?

The Equipment Fund was established to provide funding for items needed by staff and students that are outside the scope of normal year-to-year operating budgets. Since it is a Special Revenue Fund, the source of revenue established in FY11 is a percentage of interest income each year. That revenue was about \$460,000 in FY11, but has been dropping each year and the revenue in FY15 was less than \$100,000. At the end of FY15, the portion of the Equipment Fund held for Charter Schools was about \$653,000 and the district's share was just over \$3 million. If any portion of the Equipment Fund is transferred to the General Fund, it will lose its Special Revenue Fund status and the district will not be able to continue to hold those funds for future equipment needs.

The district does not generally consider using a one-time source of funding for recurring expenditures (such as salaries and benefits) as it is not sustainable.

9. In this year's preliminary CAFR numbers what is the projected fund balance? How close are we to the 10% limit as allowed by statute?

There are several components to fund balance --- the categories and amounts of each are:

Nonspendable:

Inventories	707,220
-------------	---------

Restricted for:

Charter Schools	664,091
Home School Carryover	281,975
KPB Facilities Maintenance	2,042,930

Assigned to:

School Incentive Purchases	474,474
Self-Insurance Health Care	814,978
Professional-Technical Services	690,403
Staff Travel	12,037
Student Travel	218
Purchased Services	31,026
Supplies	93,802
Equipment	110,450
Subsequent Year (FY16) Operations	3,427,959

Unassigned:	<u>7,897,978</u>
-------------	------------------

Total Fund Balances	\$ 17,249,541
---------------------	---------------

The 10% requirement from the state is addressed in statute under AS 14.17.505.

Certain parts of fund balance are considered exempt; they are listed in Administrative Code 4 ACC 09.160(a) as follows: Encumbrances, Inventory, Prepaid Items and Self-Insurance. The remaining parts of fund balance are “non-exempt”.

To calculate the percentage, the non-exempt fund balance is divided by the current year expenditures. Districts are allowed to maintain a maximum of 10%, our percentage for FY15 was 5.53%.

Cooper Landing (continued)

10. There has been talk of increased costs of health insurance since 2010. How many new lives are we insuring since 2010. How much has our cost per employee changed since 2010?

Covered lives in FY10 41,142 Covered lives in FY15 44,022

The average number of employees insured per month in FY10 was 1,207. The average number of employees insured per month in FY15 was 1,214.

Expenses to the health care plan per employee per month (PEPM) has changed from about \$1,232 in FY10 to about \$1,707 PEPM in FY15. Total Health care contributions by employees and employer costs in FY10 were \$17.8M and in FY15 the total was \$24.8M, an increase of about 39%. Total cost of Health Care expenditures were \$18.2M in FY10 and \$25.3M in FY15, an increase of about 55%. The difference between contributions and total expenditures was provided from the Health Care Reserve.

Employer share of that cost increased from \$1,000 PEPM in FY10 to \$1,421 PEPM in FY15, an increase of about 42%.

Employee share of monthly cost was about \$232 PEPM in FY10 and \$286 PEPM in FY15, an increase of about 23%.

Fireweed Academy

1: How our school can be fiscally insolvent in one year, then the next two years are spending funds in order to carry over the maximum 10% of our expenditures. We know this is because the state is finally funding us in an equitable manner. We wondered if all schools had the motivation to carry over 10% of their budgets if there would be more significant savings.

Charter schools are funded independently and their budgets are not controlled by staffing formulas or other constraints that brick & mortar schools are subject to. Given that difference, the brick & mortar schools have been offered a way to be fiscally responsible and roll forward any remaining amounts budgeted but unexpended at year end for discretionary accounts such as

supplies. In a review of these accounts for FY15, the total adjusted budgets for all school locations was \$2,047,814. At year end, the total amount available to roll over was \$209,555, which was about 10.2%.

2. We pay school dollars to a private landlord because of difficulties finding a school facility. It is cheaper for us to operate from a private building than a school district facility. We discussed the possibility of consolidation and the history of consolidation attempts in the district and specifically the Homer area. We noted the controversy surrounding that, however wondered if the choice was between consolidation and significant loss of staff, maybe some folks would be more amenable and less defensive about exploring opportunities to cooperate and consolidate.

KCHS

Increase gifted and talented funding for high school.

1. Would reductions in extracurricular activities add funds in other areas or result in lost enrollment and local business.

Reductions in extra-curricular activities could reduce the amount spent on stipends and travel, which could possibly be used in other areas. District-wide General Fund expenditures in FY15 for extra-curricular stipends, benefits and travel totaled \$1.3M.

Studies have shown that students who participate in extra-curricular activities are more engaged in school and are generally more successful. Some students are motivated by participation in activities to maintain a passing GPA and graduate, where they may not have that motivation if activities are not available.

2. What does the district pay for extracurricular activities at KCHS?

Extra-curricular Costs @ KCHS from General Fund (not including student activity funds such as student participation fees, donations, fundraising)

Salaries	\$145,388
Benefits	18,161
Travel	33,327
State Travel	<u>9,422</u>
Total	\$206,298

3. Could the KPBSD gain funding by offering homeschool and or distance education to students outside our district?

The short answer is, yes. However, to do so would require a significant up-front investment of resources. For instance, opening up statewide regional Connections offices and hiring new staff to run them. Hiring additional Connections Advisors to manage state-wide student caseloads, etc...

Opening up KPBSD Distance/online courses would also require hiring additional staffing and purchasing expensive course licensure to offer classes beyond our district (some of our licenses only allow in district use.) While “Going Statewide” with KPBSD programing sounds good in theory the return on investment would be limited and take some time to recoup the initial investment costs. Our priority will continue to be offering our own students quality programing and not diluting that quality to attempt to “make a profit.”

KCHS (continued)

Need a legislative priority to ensure homeschool students enroll in their local district.

4. What are the limitations on brick and mortar students taking connections courses when they are full time enrolled at a school?

This is a difficult question to succinctly answer since there are so many scenarios that could be in play and we are not exactly sure the context of your question. However, we will do our best to answer this question.

There are rare occasions when a “brick and mortar” student may want/need to take a course through Connections. Those requests are processed on a case by case basis by the Connections advisor and/or principal. For instance a student may have failed a class that is needed for graduation and cannot fit it into their already full schedule load at the brick and mortar school. Their options would be to take this course through our districts online/distance learning program (at no cost to them) or they could enroll for a correspondence course through connections. If there was a fee for the correspondence course materials charged by a third party vendor, the student would be responsible for paying for those on their own since they would not have a Connections allotment to use as a full time brick and mortar student.

5. Would a 4 day week save money?

As of FY13, according to the National Conference of State Legislatures (NCSL), 21 states currently have more than 120 public school districts (usually small, rural districts) with 4 day school weeks. During the 2013 Legislative session, HB 21 that would have allowed pilot programs of a 4 day week in Alaska failed.

As a cost-saving measure, the Education Commission of the States found that most districts actual savings is between 0.4% and 2.5%. Part of the reason is that staff schedules are adjusted to work the same number of hours in total, but over a shorter week. Operations and Maintenance of Plant, which includes utility costs, are generally the largest area of savings, at around 1%.

While the cost savings is a small percentage, 2% of a \$140M budget is still \$2.8M.

Other considerations that would need to be addressed would be what happens with students on the additional day off. According to US News and World Report, some

districts have worked out community solutions including partnerships with local libraries and hospitals. That might be a solution for some communities in KPBSD.

KCHS (continued)

6. Can there be savings in Maintenance and Operations of Plant (energy efficiency upgrades paid for by the Borough)?

The borough does have a capital projects fund that provides for projects such as door and entry upgrades, electrical and light upgrades and HVAC upgrades because the borough owns the buildings. These changes could result in energy savings.

7. Can there be an educational endowment outside of the Borough contribution?

An endowment could be established. If there was an endowment established with private funds, funds would most likely be provided to the district annually as a grant, with funds allowed to be spent on a specific purpose according to the focus of the endowment.

Endowments are generally started by a person or group who have the establishment of the endowment as their only focus as it would involve substantial fundraising efforts. If the intent of the question is to request the Borough create an endowment, that would take further research.

Nikiski Middle/High School

1. Is it a possibility to offer an early retirement for some folks, assuming we get support from the state?

If the state supported it with funding, it's possible that less experienced teachers might be hired to replace retirees.

2. The KPBSD does many pilot projects and programs for the state. How many man hours and dollars are spent on these projects to pilot programs like the SGM and new teacher evaluation that began in 2010?

Does the KPBSD receive any compensation from the state in exchange for our classrooms being used as a laboratory for the state to try out new policies on our staff and students before they are pushed to other districts?

See answer to Cooper Landing question 6.

Skyview

1. How much money was lost when the winter grocery tax went away?

In FY09, funding for the district from sales tax was \$28,585,036 and that dropped to \$25,950,998 in FY10 as a result of the change in sales tax charged on non-prepared food. The sales tax amounts have rebounded since FY10 and by FY12 were back to

\$28,385,150. Projected FY15 sales tax was over \$30 million.

Skyview (continued)

2. Has an increase in teacher pay already been budgeted into FY 17?

Budgets for FY17 have not been started yet – the results of these meetings and direction from the board will determine what (if any) changes to make for FY17 budgeting.

3. Would a buy out of the more experienced teachers (tier I) save money for the district?

If the state supported it with funding, it's possible that less experienced teachers might be hired to replace retirees.

Soldotna Elementary

1. How are charters funded? Who is responsible for paying to operate and maintain the buildings?

Charter school funding is determined by using the State Foundation Formula for the number of students enrolled at each charter school. The borough owns and maintains school buildings and the district is charged under In-Kind Services for the costs of maintaining the buildings. The Maintenance portion of In-Kind Services in FY15 was about \$7.3 million.

2. Would combining health care with the borough cut costs?

The district and borough currently have different plans and different payment structures, so it would depend on the type of plan that was adopted. For example, an employee covered by the district plan pays the same \$275 monthly amount, no matter the number of dependents. Borough employees are covered with the employer paying all of the employee share, but they pay monthly for spouse coverage and for dependent coverage and part-time employees are only eligible for a portion of their costs to be covered.

3. Do outside service providers (Nakenu, PCHS) pay a fee for building use? Supply use?

During the school year, outside providers work with our students to provide services at no cost to the district, so they do not pay a fee for building use, nor do we charge them for supplies.

When outside providers offer summer programs, they do pay for custodial salaries and benefits and supplies. Some also pay a building use fee, which would go to the school Building Use account in the Student Activity Fund.

4. Is Central Office paid travel regulated or within limits?

Assuming this question is about travel unrelated to school visits and inservices, the short answer is yes. District Office personnel participate in certain professional organizations and attend some conferences either out of district or out of state. The need to travel to gain knowledge and information (benefit) is weighed against the cost and is always subject to review.

Sterling Elementary

1. We don't understand why there is so much money listed for student travel for this elementary school?

The school indicated was Aurora Borealis Charter School – Since they are a charter school, they are able to use their funding in different ways than the other schools. The proportion spent on student travel is determined by their Academic Policy Committee.

2. What is the difference in the columns of “original 2014-15 budget” and “current 2014-2-15 budget”?

The budget document is written as of the fiscal year end of June 30, 2015, so when we were creating it, we had made revisions from the original FY15 budget. The revisions are listed in the “current 2014-15 budget” column. We haven't closed the books of the fiscal year when the budget for the following year is created, so we can't report the actual FY15 expenditures.

3. What is the difference between the costs of utilities and energy?

Utilities includes phone, garbage, water and sewer. Energy includes electricity, natural gas and fuel for heating.