

**Alaska State Board of Education & Early Development**

**Tentative Agenda  
Video/Teleconference Meeting**

**October 29, 2014  
Originating in the Goldbelt Building  
Auxiliary Conference Room  
801 West Tenth St., First Floor  
Juneau, AK**

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

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| 12:00 PM | 1. Call to Order and Roll Call.....Esther Cox, Chair                      |
|          | 2. Pledge of Allegiance..... Esther Cox, Chair                            |
|          | 3. Disclosures of potential conflicts of interest ..... Esther Cox, Chair |
|          | 4. Approval of the Agenda..... Esther Cox, Chair                          |

- |          |  |
|----------|--|
| 12:05 PM | Public Comment ..... Esther Cox, Chair |
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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 the GCI teleconferencing. Dial 1-800-315-6338 and use code 43573#.** The entire meeting will be broadcast at the above number. The meeting will also be video-conferenced at the following sites in Alaska: GCI Tower, 2550 Denali Street, 6<sup>th</sup> Floor, Anchorage; Fairbanks Legislative Office, 1292 Sadler Way, #308, Fairbanks; EED Auxiliary Room, 801 West 10<sup>th</sup> Street, first floor, Juneau; Copper River School District, 1976 Aurora Dr., Glennallen, AK. The public is welcome to attend in either way.

**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

12:15 PM     5.    School District Budget Waiver Requests  
.....Commissioner Hanley  
.....Elizabeth Nudelman, Director  
.....Elwin Blackwell, School Finance Manager

- 5.1    Alaska Gateway School District
- 5.2    Aleutian Region School District
- 5.3    Bristol Bay Borough School District
- 5.4    Chatham School District
- 5.5    Copper River School District
- 5.6    Hoonah City School District
- 5.7    Hydaburg City School District
- 5.8    Iditarod Area School District
- 5.9    Kake City School District
- 5.10   Kashunamiut School District
- 5.11   Kuspuk School District
- 5.12   Lake and Peninsula School District
- 5.13   Nome Public Schools
- 5.14   North Slope Borough School District
- 5.15   Northwest Arctic Borough School District
- 5.16   Pelican City Schools
- 5.17   Pribilof School District
- 5.18   Saint Mary's School District
- 5.19   Skagway School District
- 5.20   Tanana City School District
- 5.21   Wrangell Public Schools
- 5.22   Yukon Flats School District
- 5.23   Yupiit School District

1:15 PM     Board Comments

1:30 PM     Adjourn

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

**October 29, 2014**

**From: Mike Hanley, Commissioner**

**Agenda Item: 5**

◆ **ISSUE**

The board is being asked to consider 23 school district requests for a waiver of the 70% minimum expenditure for instruction requirement for Fiscal Year 2015 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:

<b>Fiscal Year</b>	<b>% Required</b>	<b># of Budget Waivers Granted</b>	<b># of Audit Waivers Granted</b>
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	Consider in March 2015

- After review, analysis, and follow-up of the FY2015 budgets, the department sent notification to each district accepting or rejecting its budget. Those districts below 70% received a letter dated September 1, 2014 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 from FY2005. Page five categorizes the waiver by reasons and causes, and page six presents the instructional calculation.
- The waiver requests for each district are under separate tabs 5.1 through 5.23.
- Elizabeth Nudelman, Director of School Finance, and Elwin Blackwell, School Finance Manager, will be present to brief the board.

◆ **OPTIONS**

Approve all 23 district waiver requests.

Approve each individual district waiver request.

Do not approve the district waiver requests.

◆ **ADMINISTRATION'S RECOMMENDATION**

Approve all 23 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 2015 for the following school districts: Alaska Gateway, Aleutian Region, Bristol Bay Borough, Chatham, Copper River, Hoonah City, Hydaburg City, Iditarod Area, Kake City, Kashunamiut, Kuspuk, Lake and Peninsula, Nome, North Slope Borough, Northwest Arctic Borough, Pelican City, Pribilof, Saint Mary's, Skagway, Tanana City, Wrangell, Yukon Flats, and Yupiit.

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## **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.

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SCHOOL FINANCE / FACILITIES

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

September 1, 2014

Dear:

In accordance with regulation 4 AAC 09.120, the Alaska Department of Education & Early Development (the department) reviewed your FY 2015 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, 2014**.

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

**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.

**FY2015 Budget Waiver Requests:**

FY2015 is the seventeenth year under the minimum expenditure for instruction law.

The FY2015 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 FY2015, there are seven school districts requesting budget waivers that have operating budgets of approximately three million dollars or less. These range from Pelican (\$491,210) to Kake (\$3,101,185). All seven school districts requested budget waivers in both FY2013 and FY2014. The seven school districts with operating fund budgets approximately three million dollars or less are identified in the schedule on page five of this report.

For FY2015, there are 10 school districts in the category of operations and maintenance expenditures at or above 20%. The 10 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 16 districts (one of the districts meet both categories), the seven remaining school districts requesting waivers have a variety of components that contribute to falling below the 70% requirement. The seven remaining districts are: Chatham (\$4.7 million budget and 16% Operations and Maintenance), Copper River (\$8.2 million budget and 20% Operations and Maintenance), Hoonah (\$4.1 million budget and 12% Operations and Maintenance), Kashunamiut (\$7.8 million budget and 17% Operations and Maintenance), Lake and Peninsula (\$14.9 million and 20% Operations and Maintenance), Saint Mary's (\$4.9 million and 19% Operations and Maintenance), and Wrangell (\$6.4 million budget and 14% Operations and Maintenance).

The board packet includes all 23 school district waiver requests. The department will present these waiver requests, provide additional information, and answer questions during the October 29, 2014 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 23 FY2015 waiver requests there are only two small transfers out to capital project funds. Some districts continue to transfer to food service and teacher housing operations to ensure these services are available.

The department also reviews 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, supported, or for which the department identified adjustments that would place the district budget at 70%. For FY2015, the department has reviewed 23 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 FY2015 Budget Waiver Requests, and
- Minimum Expenditure for Instruction Calculation Overview.

**Department of Education & Early Development  
Operating fund Minimum Expenditures for Instruction Summary**

	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
	FY 2005	FY 2005	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 2015
	Budget	Audit	Budget	Budget																
Alaska Gateway	67%	66%	66%	63%	66%	65%	63%	67%	66%	67%	67%	67%	65%	70%	65%	70%	68%	69%	69%	*69%
Aleutian Region	66	70	69	72	70	70	72	71	68	69	63	63	65	63	67	64	67	66	69	*67
Aleutians East Borough	67	68	66	64	68	64	64	66	66	67	67	68	66	67	67	66	66	66	68	70
Anchorage	77	77	77	77	78	77	77	80	79	79	79	79	79	79	79	80	80	77	82	
Annette Island	66	66	70	71	71	72	70	73	70	70	70	70	70	72	73	70	71	72	72	74
Bering Strait	70	70	71	69	70	66	70	71	67	66	67	69	67	70	67	69	70	70	70	70
Bristol Bay Borough	62	62	62	61	64	64	60	61	63	60	60	61	62	61	63	61	64	62	62	*60
Chatham	69	66	65	65	66	67	67	66	66	63	65	67	65	66	64	62	64	66	66	*68
Chugach	76	80	74	80	79	76	79	83	77	84	77	81	81	79	74	78	70	79	78	77
Copper River	69	68	69	69	68	68	67	70	68	66	67	67	65	65	65	66	66	67	65	*67
Cordova City	69	69	69	69	67	70	67	71	69	70	71	71	70	72	71	70	71	70	70	72
Craig City	76	79	79	79	78	78	80	80	79	78	80	79	76	73	77	77	76	75	75	76
Delta Greely	75	74	72	73	74	74	70	72	73	72	71	70	72	70	70	71	71	71	71	71
Denali Borough	73	71	72	70	71	69	68	71	70	71	68	71	70	70	72	71	72	74	72	72
Dillingham City	73	71	72	70	72	70	73	73	70	70	74	72	74	73	75	74	77	76	75	79
Fairbanks North Star Borough	76	76	75	75	75	76	74	78	77	77	76	78	78	78	77	77	78	79	79	79
Galena City	72	72	72	70	73	73	71	75	70	71	70	71	70	71	71	68	71	69	70	73
Haines Borough	69	70	69	70	70	70	70	73	71	73	72	74	72	74	75	76	74	75	74	75
Hoonah City	56	58	53	56	60	59	62	63	60	62	60	61	62	65	65	64	66	68	64	*64
Hydaburg City	67	65	67	60	70	56	71	62	58	59	55	55	59	59	60	57	61	61	64	*69
Iditarod Area	61	61	62	60	61	62	60	64	61	62	60	61	60	62	63	65	61	62	61	*63
Juneau Borough	76	76	76	77	77	78	79	80	77	78	78	78	78	78	78	79	79	80	80	86
Kake City	62	60	59	59	61	55	54	58	59	58	58	57	59	61	60	60	60	61	60	*65
Kashunamiut	73	67	70	68	70	70	70	70	70	65	70	65	70	68	70	66	64	61	63	*66
Kenai Peninsula Borough	73	71	73	72	74	73	74	75	73	74	74	74	74	74	75	74	76	76	75	77
Ketchikan Gateway Borough	76	78	77	77	77	76	74	77	76	78	77	77	78	77	78	78	79	80	81	82
Klawock City	67	66	68	66	67	65	66	65	66	65	71	69	72	70	72	68	70	68	70	70
Kodiak Island Borough	75	73	74	72	74	73	72	74	72	73	73	72	74	74	73	72	74	73	74	74
Kuspuk	64	66	63	61	65	67	62	63	64	65	62	61	64	62	66	62	66	66	66	*64
Lake & Peninsula Borough	65	65	65	65	66	65	66	67	65	64	67	66	65	62	66	65	65	67	67	*68
Lower Kuskokwim	74	75	73	74	71	75	72	75	75	74	76	74	74	75	74	76	78	78	78	78
Lower Yukon	67	67	68	69	70	69	70	68	67	69	67	67	71	68	70	71	71	70	71	72
Matanuska Susitna Borough	78	76	77	76	79	78	78	80	79	79	78	79	78	78	78	78	78	79	78	79
Nenana City	70	71	69	70	71	70	74	75	75	75	74	72	73	73	75	74	73	74	73	74
Nome City	64	64	66	64	65	66	62	66	64	64	65	64	65	64	66	64	68	66	68	*69
North Slope Borough	66	63	64	63	64	64	63	65	61	61	64	63	65	65	66	65	67	66	66	*67
Northwest Arctic Borough	65	63	63	62	63	63	65	67	65	61	60	61	60	62	62	61	66	67	64	*66
Pelican City	61	55	56	55	60	60	59	56	59	63	61	56	58	49	62	53	56	45	52	*52
Petersburg City	72	72	71	74	71	71	70	74	73	74	74	75	74	73	73	72	72	72	73	73

## Department of Education & Early Development Operating fund Minimum Expenditures for Instruction Summary

	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
	FY 2005	FY 2005	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 2015
	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Audit	Budget	Budget
Pribilof Islands	60	63	68	62	64	63	65	66	69	67	68	64	68	61	67	61	64	54	60	*62
Saint Mary's	64	62	65	62	65	64	62	62	58	61	47	61	60	61	54	61	55	61	*64	
Sitka Borough	79	77	78	76	78	77	77	79	79	77	78	77	78	79	78	79	80	80	80	81
Skagway City	60	65	65	65	67	66	68	74	70	71	66	66	64	65	61	62	63	58	63	*67
Southeast Island	68	66	67	60	71	70	72	67	69	67	68	67	67	72	67	67	67	65	69	71
Southwest Region	67	69	67	67	67	65	67	69	67	68	68	65	66	65	68	67	69	70	70	72
Tanana City	56	51	48	41	48	40	54	51	54	49	54	56	53	54	54	54	62	51	62	*65
Unalaska City	70	72	70	72	70	71	72	70	71	72	72	72	72	72	72	71	72	72	71	72
Valdez City	74	74	71	74	74	76	71	74	74	76	76	76	75	76	76	77	77	74	76	76
Wrangell City	69	70	69	70	68	70	67	71	68	70	68	70	69	71	71	74	72	72	72	*68
Yakutat City	68	68	69	70	71	71	70	71	70	67	70	66	69	71	70	66	70	69	70	73
Yukon Flats	63	59	62	60	62	61	64	65	60	60	61	61	61	57	64	62	67	63	66	*68
Yukon/Koyukuk	68	67	66	68	73	67	71	70	67	67	70	68	71	73	72	70	71	71	72	72
Yupit	69	68	69	71	68	60	70	70	72	68	70	65	71	# 63	70	71	71	68	66	*67
Total Waivers	32	1	32	2	24	5	24	3	28	3	27	5	26	3	23	5	23	5	24	23
	<b>Bold</b>	= Waiver Requested and Approved																		
	*	= Waiver being requested																		
	#	= Waiver Requested and Denied																		

### BY OF PERCENTAGES BY C/

Districts below 60%	2	4	4	4	1	4	3	3	4	4	3	4	4	4	1	4	1	5	1	1
Districts between [60% - 65%]	10	8	5	13	9	10	10	6	8	10	10	10	8	11	10	11	10	7	11	6
Districts between [65% - 70%]	20	18	23	11	14	13	11	13	16	14	14	16	14	10	12	13	12	15	12	16
Districts at 70% and above	21	23	21	25	29	26	29	31	25	25	26	23	27	28	30	25	30	26	29	30
	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 FY2004 Budgets and Audits have been removed.

**Department of Education & Early Development  
Districts' Reasons and Causes for FY2015 Budget Waiver Requests**

	EED Budget Review			District Reasons and Causes for FY2015 Budget Waiver Request			
	70% Instructional % FY2015 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	69%	X			X		X
Aleutian Region	67		X	X	X		
Aleutians East Borough	70						
Anchorage	82						
Annette Island	74						
Bering Strait	70						
Bristol Bay Borough	60	X			X		X
Chatham	68				X	X	
Chugach	77						
Copper River	67				X		X
Cordova City	72						
Craig City	76						
Delta Greely	71						
Denali Borough	72						
Dillingham City	79						
Fairbanks North Star Borough	79						
Galena City	73						
Haines Borough	75						
Hoonah City	64				X		X
Hydaburg City	69		X		X		X
Iditarod Area	63	X			X		X
Juneau Borough	86						
Kake City	65		X		X		X
Kashunamiut	66				X		
Kenai Peninsula Borough	77						
Ketchikan Gateway Borough	82						
Klawock City	70						
Kodiak Island Borough	74						
Kuspuk	64	X			X	X	X
Lake & Peninsula Borough	68			X	X		
Lower Kuskokwim	78						
Lower Yukon	72						
Matanuska Susitna Borough	79						
Nenana City	74						
Nome City	69	X			X	X	
North Slope Borough	67	X			X	X	
Northwest Arctic Borough	66	X			X		
Pelican City	52		X			X	X
Petersburg City	73						
Pribilof Islands	62	X	X		X	X	X
Saint Mary's	64				X	X	
Sitka Borough	81						
Skagway City	67		X		X		
Southeast Island	71						
Southwest Region	72						
Tanana City	65		X	X	X	X	
Unalaska City	72						
Valdez City	76						
Wrangell City	68						X
Yakutat City	73						
Yukon Flats	68	X			X	X	
Yukon/Koyukuk	72						
Yupit	67	X			X		
Totals		10	7	3	21	9	11

**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%	FY01 Minimum Expenditure for Instruction is 70%	FY02 Minimum Expenditure for Instruction is 70%
FY00 Minimum Expenditure for Instruction is 65%		
100 Instruction _____	100 Instruction _____	100 Instruction _____
200 Special Education _____	200 Special Education _____	200 Special Education _____
220 Special Education-Support Svc. _____	220 Special Education-Support Svc. _____	220 Special Education-Support Svc. _____
300 Support Services – Students _____	300 Support Services – Students _____	300 Support Services – Students _____
350 Support Services – Instruction _____	350 Support Services – Instruction _____	350 Support Services – Instruction _____
	400 School Administration _____	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 _____	450 School Administration Support _____
510 District Administration _____	550 District Administration-Support _____	510 District Administration _____
550 District Administration-Support _____	600 Operation & Maintenance _____	550 District Administration-Support _____
600 Operation & Maintenance _____	700 Student Activities _____	600 Operation & Maintenance _____
700 Student Activities _____	780 Community Service _____	700 Student Activities _____
780 Community Service _____		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 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.1

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Alaska Gateway School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Alaska Gateway School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$6,453,490	69%	\$7,167,327	69%
School Administration Support Services: 450	194,480	2%	228,052	2%
District Administration: 510	288,812	3%	332,083	3%
District Administration Support Services: 550	377,005	4%	370,828	4%
Operation & Maintenance: 600	1,969,205	21%	2,211,662	21%
Student Activities: 700	74,062	1%	76,852	1%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$9,357,054</b>	<b>100%</b>	<b>\$10,386,804</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	66%	63%	66%	67%	67%	65%	68%	69%	69%
Enrollment *	412	375	383	362	385	375	362	388	386

\* Alaska Gateway School District operates seven schools in seven communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Alaska Gateway School District's request for a waiver of the FY2015 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:

- Flat enrollment.
- High operations and maintenance costs associated with high fuel and utility expenses and facility maintenance.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Alaska Gateway School District's FY2015 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 16, 2014

State of Alaska board of Education & Early Development  
801 West 10<sup>th</sup> 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 FY15 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). Therefore, AGSD is requesting a waiver.

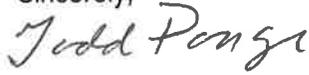
The main factors that result in AGSD not meeting the 70% instructional expenditure are the following: AGSD still has high fixed costs that are required to maintain each of the schools and the Main office. The District has seen an increase in both fuel and power costs for FY15 making the cost of energy unpredictable. We have changed our lighting to more energy efficient LED bulbs in three of our seven schools to help save energy. We have budgeted high for energy as we have high fuel and power costs, for example in Northway we pay .89 a KWh which equates to an average of \$23K per month during the cold months of Nov-Feb. The cost of fuel is currently \$3.75/gallon. As our school buildings age it is harder to keep them energy efficient, our newest school (Tok School) is now 22 years old and our oldest is Northway at 37 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 five years has shown a slow decline to flat, in FY10 we recorded 361 students, this year we are currently at 359.5 including our Correspondence. In addition our low economy of scale also creates a high per pupil expense in the area of utilities. For example in Northway where we have 41 students the average cost per pupil for O&M is \$7,170.90, where the average for the whole district of 359.50 (this includes Correspondence) students is \$5,962.90

In the interior it is not uncommon for a cold snap to sit for weeks causing extreme cold weather. With this in mind, we must budget accordingly. AGSD operations and maintenance budget represents 21% 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. There are always those "special or unforeseen projects" that have to be completed to keep a school in operation. Should you need clarification or further information regarding the District's FY15 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 Anna Fairclough, Chair  
Legislative Budget and Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.2

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Aleutian Region School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Aleutian Region School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$1,152,999	69%	\$ 1,116,550	67%
School Administration Support Services: 450	0	0%	0	0%
District Administration: 510	141,945	8%	140,900	8%
District Administration Support Services: 550	117,122	7%	123,900	7%
Operation & Maintenance: 600	264,070	16%	294,350	18%
Student Activities: 700	0	0%	0	0%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$1,676,136</b>	<b>100%</b>	<b>\$1,675,700</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	70%	72%	68%	63%	65%	67%	67%	69%	67%
Enrollment *	42	37	37	37	31	31	25	33	31

\* Aleutian Region School District operates two schools in two communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Aleutian Region School District's request for a waiver of the FY2015 70% minimum expenditure for instruction requirement.

Deny the district's request.

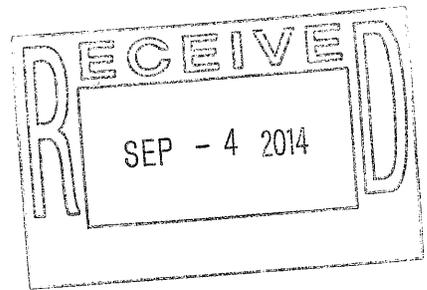
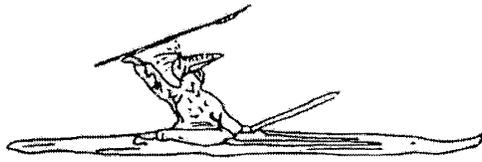
◆ **ADMINISTRATION'S RECOMMENDATION**

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

- Low enrollment.
- Lack of economies of scale
- Costs of non-instructional items such as fuel, electricity, insurance, facilities maintenance, and transportation.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Aleutian Region School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



# ALEUTIAN REGION SCHOOL DISTRICT

Joseph B. Beckford, Superintendent

REAA #8 (ADAK, ATKA, and NIKOLSKI) aleutreg@aleutregion.org  
P.O. Box 92230  
Anchorage, Alaska 99509

907-277-2648  
Fax 907-277-2649  
Cell 907-360-8441

September 2, 2014

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

Dear State Board of Education Members:

The Aleutian Region School District is requesting a waiver of the requirements of AS 14.17.520 for the budgeted expenditures for FY2015. Pursuant to AS 14.17.520, we must meet this 70% requirement or request a waiver. Our FY2015 submitted budget included expenditures for functions 100-400 which are 66.63% of our budgeted school operating fund expenditures due to factors outlined below.

As previously explained in the waiver request for the last seven years or more, ARSD is unable to meet the 70% requirement and operate facilities in the Aleutian Islands. The District covers a geographically dispersed area providing schools in three sparsely populated villages. Only two of the three communities have school populations that make them eligible for foundation funding. The population density in our District is extremely low. The District has no 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 schools. 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 FY2015 and prior year include:

- 1) The district's high unit transportation costs are projected to increase due to general inflation, rising aviation gas and insurance cost, which is being passed on to the District through increased fares along with a general reduction in available transportation options. Current commercial airfare between the two schools is approximately \$1,800 per person.
- 2) Unit cost of fuel is expected remain high and is currently \$4.79 per gallon. 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) Increases in PERS expenditures are expected to remain three times higher than in prior years as a result of legislative changes in 2008. Those cost increases are impacting the non-instructional fringe benefit area of our budget.

- 5) With flat and or declining enrollment and revenue, 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 FY2015 or the foreseeable future. Because the Aleutian Region School District is a REAA and has no revenue raising authority or power; compliance though increasing funding and also corresponding instructional expenditure levels from local sources is outside of our control.

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.

ARSD 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 ARSD. The District has already committed to every effort in trying to meet the requirement including hiring a part-time Superintendent, part-time Business Office Staff, and part-time Support Staff. In prior years, the District has eliminated all funding for student activities and has eliminated all principals and school principal support personnel. The only full time employees of the district are the direct instructional staff (six teachers).

As reported in previous waiver requests, ARSD 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 in past, present and future years. 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,



Joseph Beckford  
Superintendent

cc: The Honorable Anna Fairclough, Chair, Legislative Budget and Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.3

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Bristol Bay Borough School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Bristol Bay Borough School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$2,408,233	62%	\$2,336,997	60%
School Administration Support Services: 450	88,417	2%	80,029	2%
District Administration: 510	229,872	6%	254,366	7%
District Administration Support Services: 550	254,641	7%	291,380	8%
Operation & Maintenance: 600	798,445	21%	813,914	21%
Student Activities: 700	87,922	2%	94,950	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$3,867,530</b>	<b>100%</b>	<b>\$3,871,636</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	64%	60%	63%	60%	62%	63%	64%	62%	60%
Enrollment *	188	182	145	155	160	150	140	138	114

\* Bristol Bay Borough School District operates two schools in two communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Bristol Bay Borough School District's request for waiver of the FY2015 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, pupil transportation, and travel.
- Low student enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Bristol Bay Borough School District's FY2015 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 12, 2014

Alaska Department of Education & Early Development  
Office of the Commissioner  
ATTN: Lisa Miller, Executive Secretary to the Board  
801 West 10<sup>th</sup> Street, Suite 200  
P.O. Box 110500  
Juneau, AK 99811-0500

Subject: FY 2015 Waiver Request

Dear Chairperson Cox 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 a challenge for many years and is becoming increasingly more difficult for our rural district. For FY 2015 BBBSD is requesting a waiver in accordance with AS 14.17.520(d).

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 pupil transportation, the associated air travel, professional development opportunities 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 150 students our district often pays in excess of \$32,000/month for heating and electricity.
- BBBSD maintains a 90,000 square foot facility in a manner that provides a safe, clean, well-lit 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 that are purchased. The 1 lb. rate for shipping goods via airfreight from Anchorage is 0.95/pound (includes fuel surcharge and federal transportation tax).

- 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: Diesel=\$7.25/gallon, Gas=\$6.68/gallon and Propane=\$275/100 lb. cylinder.
- Travel costs associated with any of our related service providers that serve our special needs students and personnel who provide or participate in staff development opportunities are also extremely high and beyond our control. The two-day, per person costs associated with travel and lodging often exceed \$1000.
- 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 38%.

BBBSD continues to work toward resolving the issues that necessitate the request for a 70/30 waiver. Some examples of the work we are doing to meet the mandate are:

- The school district lobbied our Borough for funding as close to the cap as possible. This resulted in funding very near our request; a testament to the value our community places in education.
- Coordinating with our Borough to develop a bonded project that would increase the energy efficiency of our school facilities. Our original design/development project was not approved, but we are expecting the voters to pass a bond that would reduce our energy costs by as much as 30%.
- Our negotiations with the companies transporting our children were very successful and another indicator of the community support of education. We went into negotiations expecting the new contracts to include increased costs. However, each of our carriers agreed to new contracts that actually amount to small savings to the district for the next three years.
- In conjunction with Capstone, Inc. developed an 80Kw solar installation to reduce the amount of power that the district consumes from the grid. This pilot project will be installed the fall of 2014 and followed by a larger installation once the savings have been realized.
- Coordination with Lake and Peninsula School District to develop a CTE program that can serve both districts' students by pooling resources. Our partnership also extends to a cooperative in-service that provides teachers from both districts high quality professional development at a reduced cost to each district.
- We continue to keep our administrative staff at a minimum in order to maximize the funds that can be directed to the classroom. 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.
- We are restructuring our elementary wing in order to provide leasable space to local entities. With our decreasing student count we have more space than we need and believe that local government might find our facility attractive enough to help pay for heat and lights.

- We are also restructuring our music wing to house our district office. Having a separate district office doesn't make sense when considering our fiscal position and we have not had a dedicated music teacher or program in more than a decade.

Our priority will always be to provide the best possible education for our students here at Bristol Bay and we are proud to have had a long history of success in doing so. We will continue to actively pursue ways of decreasing our costs to non-instructional budget items and, in doing so, maintain high academic standards with instruction to meeting those standards.

Our school district works diligently to meet the requirements of law. However, unless there are major changes in the costs associated with providing education in our neck of bush Alaska we don't foresee being able to find a way to meet this mandate in the near future.

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

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.4

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Chatham School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Chatham School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$2,915,890	66%	\$3,176,020	68%
School Administration Support Services: 450	156,139	4%	155,020	3%
District Administration: 510	281,445	6%	282,403	6%
District Administration Support Services: 550	237,089	5%	246,298	5%
Operation & Maintenance: 600	731,844	17%	754,662	16%
Student Activities: 700	69,927	2%	78,328	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$4,392,334</b>	<b>100%</b>	<b>\$4,692,731</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	66%	67%	66%	65%	65%	64%	64%	66%	68%
Enrollment *	195	168	152	156	157	149	145	147	159

\* Chatham School District operates three schools in three communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Chatham School District's request for waiver of the FY2015 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 travel costs related to geographic location.
- Cost of getting goods and services to the district.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Chatham School District's FY2015 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

Mrs. Sally McLaughlin – Pres.  
Ms. Shawna Harper  
Mr. Kevin Frank Sr.  
Mr. Albert Howard  
Ms. Frances Jacobs

P.O. BOX 109 ANGOON, ALASKA 99820

PHONE: 788-3302 or 788-3682 FAX: 788-3252

## Chatham School District Mission Statement

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. Revised: 8-7-2008

September 18, 2014

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

SUBJECT: FY 2015 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 districts control including annually increasing operations and maintenance costs due to rising 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 2014-2015 budget includes expenditures for functions 100 – 400 of \$3,176,020 which is 68% 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 15 is 159. In FY 2005 the Chatham School District's ADM was 195.10. Since FY 2005 the district's enrollment has dropped by approximately 25%.

In FY 14 the Chatham Board of Education voted to temporarily close the Tenakee School site due to lower than expected enrollment. Operation and maintenance costs were still incurred during FY 14. Tenakee School has reopened for the 2014-2015 school year with a current enrollment of 12 students.

The cost to travel within the district has increased by over 50% since FY 05. Travel from Angoon to Klukwan requires flying in a small plane to Juneau, typically an overnight stay in Juneau (in each direction), and then another small plane flight to Haines (Klukwan). The airfare for this round trip was approximately \$325.00 in FY 05. The average airfare for that same trip in FY 14 was \$526.00.

-- SCHOOLS --

ANGOON

GUSTAVUS

KLUKWAN

TENAKEE

Page two  
FY 15 Instructional Expenditure Waiver Request  
September 18, 2014

Annual operations & maintenance expenses have increased by approximately 56% since 2005. The FY 05 audited financial statements show \$481,569 in operation and maintenance expenses and the FY 15 budget is projected to be \$754,662. That is 16% of the districts total operating budget. Of that budgeted amount, \$383,385 has been budgeted for electricity and heating fuel which is 51% of the operations & maintenance budget. The price per gallon of heating fuel ranges from \$3.90 to \$4.74. The total cost for heating fuel in FY 14 was \$104,192. The price per KWH to generate electricity ranges from \$.52 to \$.72. The total cost for electricity in FY 14 was \$208,317.

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

Sincerely,



Bernie Grieve  
Superintendent of Schools

cc: The Honorable Anna Fairclough, Chair - Legislative Budget & Audit Committee

-- SCHOOLS --

ANGOON

GUSTAVUS

KLUKWAN

TENAKEE

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.5

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Copper River School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Copper River School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$5,272,114	65%	\$5,477,057	67%
School Administration Support Services: 450	237,482	3%	209,562	2%
District Administration: 510	230,853	3%	249,193	3%
District Administration Support Services: 550	489,880	6%	517,185	6%
Operation & Maintenance: 600	1,748,421	21%	1,643,492	20%
Student Activities: 700	131,507	2%	137,786	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$8,110,257</b>	<b>100%</b>	<b>\$8,234,275</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	68%	67%	68%	67%	65%	65%	66%	65%	67%
Enrollment *	560	519	503	496	472	490	487	444	425

\* Copper River School District operates four schools in three communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Copper River School District's request for waiver of the FY2015 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 FY2015 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](mailto:mjohnson@crsd.us)

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September 11, 2014

State of Alaska Board of Education & Early Development  
801 West 10<sup>th</sup> 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 decreasing 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 186 students over the past 10 school years (31% decrease) which reduces our revenue and leaving us with 4 schools and 424 students. One of our schools has dropped below the 101 student threshold in the funding formula which decreases our revenue. 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 \$2,613 per student to \$5,806 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 5 years we have closed 3 schools as part of our efforts to become more financially efficient.

The District operations and maintenance budget (O & M) represents 20% 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	FY12/13 Actual Expenses	FY13/14 Actual Expenses	FY14/15 Budgeted Expenses	Additional District Information
325 Non-Certified Salaries	\$337,713	\$292,352	\$309,638	Maintenance/Custodial Wages
360 Benefits	\$305,126	\$262,161	\$300,652	Benefits
410 Professional/Technical Services	\$7,664	\$24,378	\$7,000	Preventative Maintenance Contract
420 Travel	\$155	\$3,499	\$3,000	Training for Staff
430 Utility Services	\$37,590	\$33,370	\$37,550	Garbage and Sewer
435 Energy	\$748,465	\$590,099	\$745,118	Electricity, heating Oil & Propane
440 Other Purchased Services	\$52,426	\$62,332	\$63,500	Snow Removal/Vehicle Maintenance/Mandated Inspections
445 Insurance/Bond Premiums	\$98,089	\$105,339	\$110,000	Property & Auto Insurance
450 Supplies/Materials/Media	\$50,552	\$55,061	\$62,035	Maintenance/Janitorial Supplies
491 Dues and Fees	\$5,069	\$3,887	\$5,000	Vehicle Licensing/Water Samples
510 Equipment	\$643	\$81,245	\$0	Vehicle Purchase
<b>Total</b>	<b>\$1,643,492</b>	<b>\$1,513,724</b>	<b>\$1,643,493</b>	

ACTUAL COSTS BY FISCAL YEAR	FY 11/12	FY12/13	FY13/14
AVERAGE PER GALLON COST OF HEATING FUEL	\$3.94	\$3.59	\$3.69
ELECTRICITY COST PER KWH	28¢ - 84¢	31¢ - 80¢	27¢ - \$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.

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 Anne Fairclough, Chair  
Legislative Budget and Audit Committee (LB&A)

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.6

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Hoonah City School District FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Hoonah City School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$2,293,847	64%	\$2,625,212	64%
School Administration Support Services: 450	138,103	4%	156,834	4%
District Administration: 510	139,874	4%	143,374	3%
District Administration Support Services: 550	176,563	5%	233,102	6%
Operation & Maintenance: 600	500,599	14%	491,906	12%
Student Activities: 700	163,293	4%	172,692	4%
Community Services: 780	189,597	5%	292,685	7%
<b>Total</b>	<b>\$3,601,876</b>	<b>100%</b>	<b>\$4,115,805</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	60%	62%	60%	60%	62%	65%	66%	64%	64%
Enrollment *	153	131	123	106	121	114	114	102	101

\* Hoonah City School District operates two schools in the community of Hoonah. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Hoonah City School District's request for waiver of the FY2015 70% minimum expenditure for instruction requirement.

Deny the district's request.

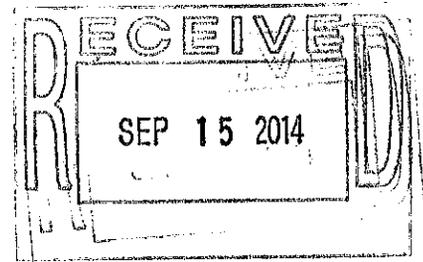
◆ **ADMINISTRATION'S RECOMMENDATION**

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

- Increasing fuel and electricity costs and other costs associated with operations and maintenance.
- Loss of forest receipts.
- Decreasing student enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Hoonah City School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



# Hoonah City Schools

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

September 9, 2014

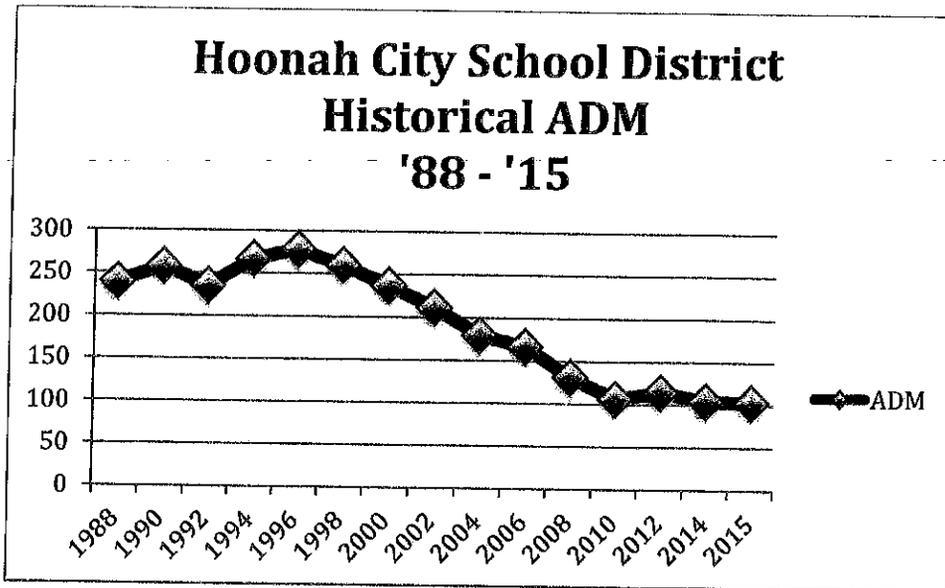
State of Alaska Board of Education and Early Development  
801 West 10<sup>th</sup> Street, Suite 200  
PO Box 110500  
Juneau, Alaska 99801-1182

Dear State Board of Education and Early Development,

Hoonah City School District is requesting a waiver of the “70% minimum expenditure for instruction requirement” due to reasons and causes beyond the district’s control including the high cost of transportation for goods and services along with increasing costs associated with maintenance and operations of the physical plant. Additionally, the **loss of forest receipts** has prevented us from replacing several positions that were cut in FY ’13 including one high school teacher, one middle school teacher, and a counselor. In FY ’14 we had a reduction in our principal from full-time to less than half-time. The Board of Education feels strongly that we make the principal a full-time position for FY ’15. The instructional side of the expenditure equation has suffered some losses while the maintenance and operations remain relatively fixed.

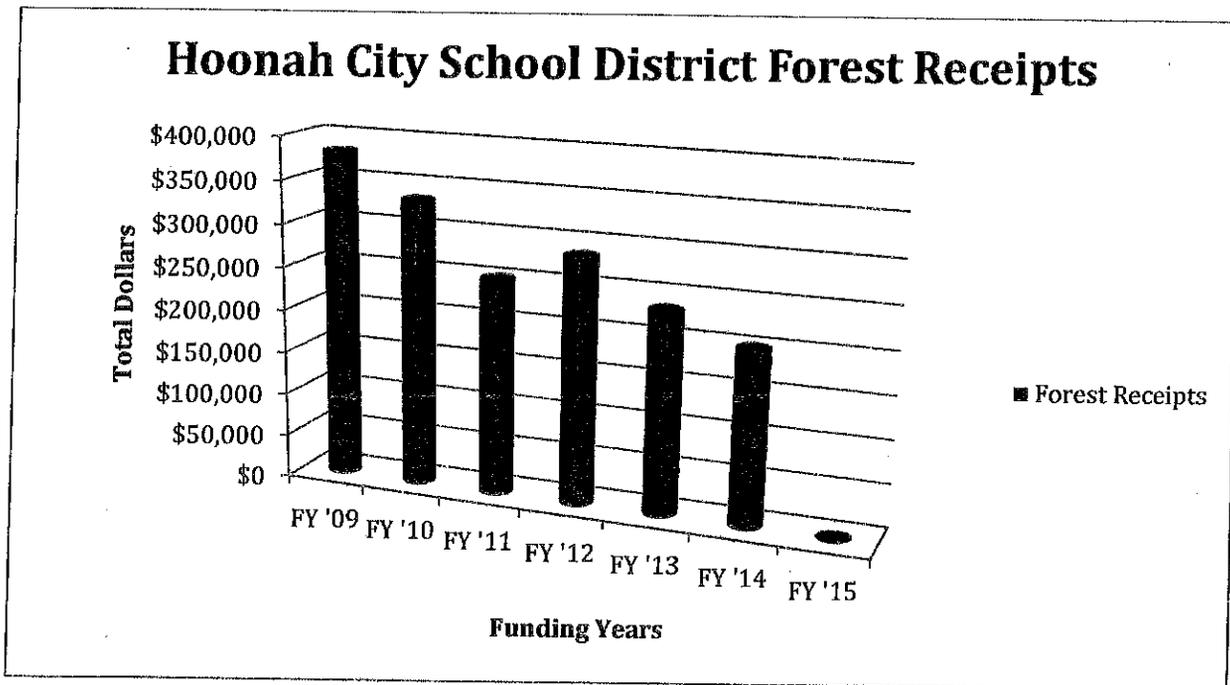
HCS has been working diligently toward meeting the 70% instructional funding requirement. In fact, we expended 64% in Functions 100-400 in FY’14, and we anticipate that percentage to remain flat in FY ’15. In order to meet the 70% minimum, we would have to add more than ¾ of a million dollars – money we do not have – to the instructional functions as our non-instructional functions are budgeted at the bare minimum.

Hoonah City Schools are housed in a large, sprawling campus including an elementary wing and an older middle/high school wing centering on a cafeteria and public/school library. There is a newer building housing the swimming pool and gymnasium. District office and some classroom spaces were located in the historic Erickson Building but, when renovations were completed in FY’14 all district offices and classes moved to the high school. The campus was designed when the Hoonah district boundaries included a thriving logging camp community in nearby Whitestone Harbor. When the logging camp began reducing operations and ultimately closed, HCS was left with a large campus in need of some major maintenance. Student population has dwindled from nearly 300 students in the logging camp days to just over 100 students today (103 projected in FY’15).



Enrollment has continued its' decline in recent years: 116 students in FY 12, 114 in FY13 and 104 in FY14. The FY '15 budget has our enrollment down further at 101 students. There has been no documented exodus or influx of families in the 850-resident community of Hoonah.

The most significant change in revenue is the sunset of forestry receipts, which will reduce the local contribution by nearly \$202,000 in FY 15.

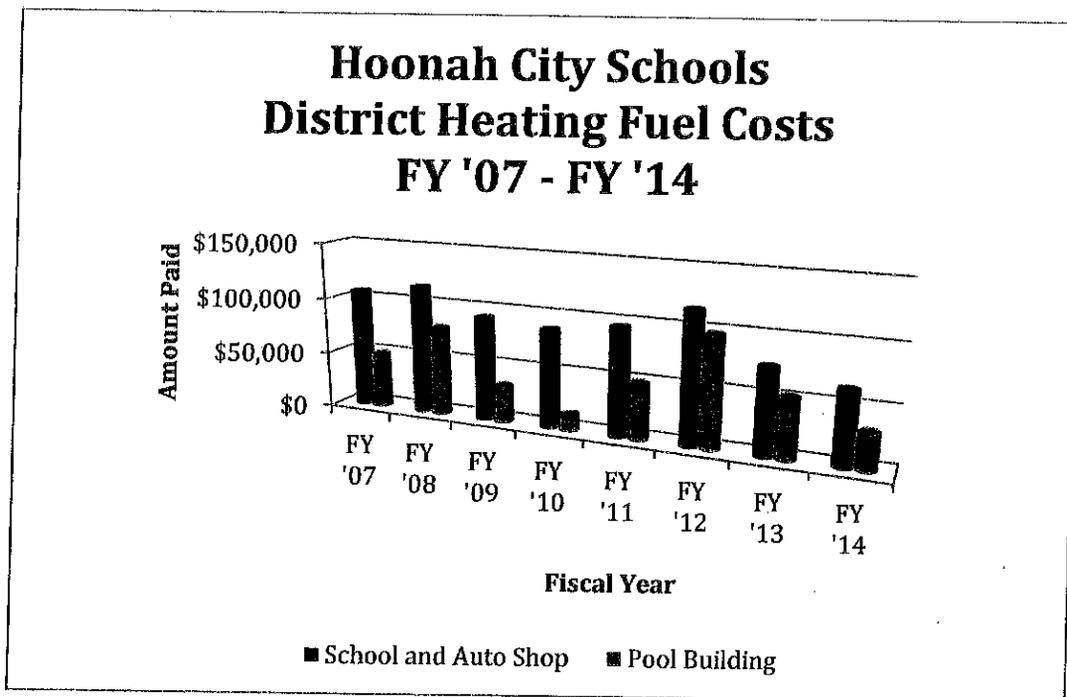


Major maintenance projects over the last five years have included repair of the natatorium roof and our most recent project was aimed at reducing energy costs in the high school building. The light fixtures were converted to energy-efficient LEDs and the roof, exterior walls, and windows

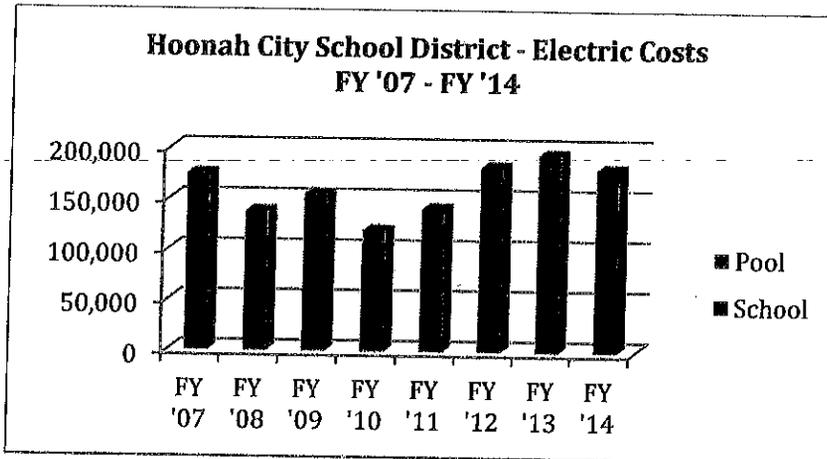
were insulated. We realized energy savings of \$48k in FY'14 when the work was completed and we hope that trend continues.

The Hoonah City School District spends nearly half a million dollars per year on operations and maintenance of the school buildings – this is clearly the largest expense on the non-instructional side of the equation, with fuel and electricity comprising the bulk of this function.

In addition to the main campus, Hoonah City Schools operates a swimming pool at the direction of the City of Hoonah. The City dedicates 1% of city sales tax to maintenance and operation of the pool driven by the compelling safety concerns that all students in our island community can swim. Electric costs associated with operating the pool have increased over the last two years due to the pool being opened more hours to deliver student swimming lessons and to provide the community with “open swim” times. Additionally, the cost of maintenance is very high. We had to replace a boiler, a large sand filter, the main pump, and some aging pipes in FY 13 and during the first quarter of FY 14. A condition survey reveals that all of the pipes need replacement.



The swimming pool was closed in 2009 and did not reopen until 2011 accounting for the dip in energy expenditures during that time period. The swimming pool was again closed in May, 2014 to repaint the pool and deck surface which cost an unanticipated \$55,080. In FY'13 a heat-cost recovery program was implemented that has helped us control fuel costs. However, FY '14 saw increased electric costs to open the pool more hours for student swimming instruction and sufficient “open swim” time for the community. Despite every effort to conserve, we anticipate that energy costs will continue to dominate the non-instructional expenditures in the Hoonah City Schools – nearly one-half of the Operations & Maintenance budget.



Of course, the cost of fuel not only impacts the heating costs of our facility, but extends out to the cost of all materials and supplies that must be barged in to Hoonah. We can count on spending at least 20% and sometimes over 50% on freight charges for all supplies coming in to Hoonah. For some items such as the tons of salt required for our swimming pool, the freight costs are actually higher than the cost of the item. Yet, we have no other options but to pay the freight charges on the items that we require to maintain and operate a school.

The bottom line is that it is extremely expensive to operate and maintain our physical plant. While we have experienced some savings due to heat cost recovery and better insulation in our roof and windows, we are reluctant to overstate the potential savings due to the other complicating factors listed above. The rising costs of fuel and electricity translate into factors outside of the district's control. We will continue to strive toward our goal of reducing energy expenses to free up funds for instruction.

Thank you for your consideration of our waiver request.

Sincerely,

Dennis W. Coulter, Superintendent  
Hoonah City Schools

Cc: The Honorable Anna Fairclough, Chair, Legislative Budget and Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.7

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Hydaburg City School District FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Hydaburg City School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$1,131,957	64%	\$1,484,603	69%
School Administration Support Services: 450	24,428	1%	31,453	1%
District Administration: 510	84,700	5%	91,083	4%
District Administration Support Services: 550	80,771	5%	69,334	3%
Operation & Maintenance: 600	360,634	20%	398,723	19%
Student Activities: 700	79,773	5%	84,388	4%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$1,762,263</b>	<b>100%</b>	<b>\$2,159,584</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	56%	62%	58%	55%	59%	60%	61%	64%	69%
Enrollment *	80	75	67	52	63	44	53	65	66

\* Hydaburg City School District operates one school in the community of Hydaburg. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Hydaburg City School District's request for waiver of the FY2015 70% minimum expenditure for instruction requirement.

Deny the district's request.

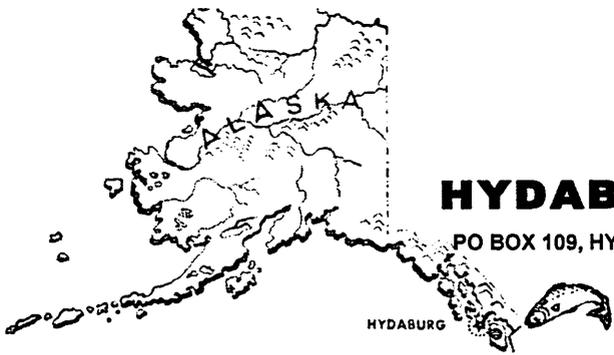
◆ **ADMINISTRATION'S RECOMMENDATION**

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

- Low student enrollment.
- High operations and maintenance costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Hydaburg City School District's FY2015 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 19, 2014

Ester Cox, Chair  
**Board of Education & Early Development**  
P.O. Box 110500  
Juneau, AK 99811-0500

Re: Revised Request for FY15 Budget Waiver for Hyدابург City School District

Dear Ms. Cox:

Hyدابург 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.

Hyدابург City School District is a single-site, K-12, municipal school district serving 63 students on Prince of Wales Island in Southeast Alaska. The attendance area is approximately one square mile, average temperatures range from 32-63 degrees, and average annual precipitation is 120 inches including approximately 20 inches of snow. There is daily air and ferry service between Ketchikan and Hollis, 33 miles away by road.

Hyدابург City School District has budgeted as much as is possible in the instruction functions of the budget. Although the District is small, there are 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 FY14 to 69% for FY15. The general fund budget continues to include an enviable pupil teacher ratio of 9 students for each teacher.

Significant changes in the FY15 HCSD budget over the FY14 budget include one full year of business office functions to contracted services and moving into the second full year of administrative sharing services that has resulted a 32% decrease in administrative cost from past years. This transition 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. Some instructional cost reductions resulted from the retirement of two long-term teachers with who are being replaced by teachers paid at a lower level on the salary schedule.

Small rural districts such as Hyدابург 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

Enclosure

cc (via email): Elizabeth Nudelman, School Finance Director, Dept. of Education &  
Early Development  
Senator Bert Stedman  
Representative Jonathan Kreiss-Tompkins

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.8

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Iditarod Area School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Iditarod Area School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$4,742,283	61%	\$5,117,446	63%
School Administration Support Services: 450	91,192	1%	93,984	1%
District Administration: 510	329,639	4%	345,118	4%
District Administration Support Services: 550	557,822	7%	502,305	6%
Operation & Maintenance: 600	1,912,137	25%	1,920,161	24%
Student Activities: 700	140,357	2%	143,336	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$7,773,430</b>	<b>100%</b>	<b>\$8,122,350</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	61%	60%	61%	60%	60%	63%	61%	61%	63%
Enrollment *	338	302	280	306	313	322	222	261	280

\* Iditarod Area School District operates seven schools in seven communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Iditarod Area School District's request for waiver of the FY2015 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 FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



# IDITAROD AREA SCHOOL DISTRICT

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

September 16, 2014

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

The Iditarod Area School District 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 including low enrollment at sites and increasing energy costs.

Our initial budget to the State of Alaska shows our instructional expenditure percentage as 63% which is an increase from FY14 of two percent. In FY15, our maintenance budget is projected to be 24% of our general fund budget. This is one percent less than our FY14 projected budget.

## Operations and Maintenance Costs

	FY15 Budget	FY14 Budget	FY13 Actual	FY12 Actual	FY11 Actual
Maintenance					
Utility Services	76,800	76,800	55,682	49,412	67,800
Energy	840,282	895,912	824,236	659,715	808,434
Operation & Plant (all other areas)	1,003,079	939,425	820,684	894,878	889,585
Totals	1,920,161	1,912,137	1,700,603	1,604,005	1,765,819
Increase from prior year	8,024	211,534	96,598	(161,814)	282,389

We are expecting continued increases in fuel and electricity costs at some sites due to fuel cost adjustments on existing tariffs and in local utility services such as water and sewer. The reduction in energy from FY14 to FY15 is due to reducing the amount of fuel purchased not a decrease in costs.

## Fuel Costs per Gallon

	FY15 Avg/Gallon	FY14 Avg/Gallon	FY13 Avg/Gallon	FY12 Avg/Gallon	FY11 Avg/Gallon	Fy10 Avg/Gallon
Yukon Sites	3.76	3.76	3.81	3.97	3.02	2.28
Kuskokwim Sites	6.31	6.31	6.25	6.27	6.35	6.35

We have unusually high maintenance costs and low student numbers within our district's boundaries. We have one school with a capacity of 200 students but have a projected enrollment of 59. We must heat and maintain the entire building.

Fuel expense continues to climb for FY15 at our largest site. The FY15 budget was based on FY14 fuel numbers as indicated above. Our largest site remains an issue with regards to fuel costs. In large part due to the location, the largest site also has the highest cost for fuel. FY14 average fuel cost was \$6.95 per gallon and for the start of FY15 the district just paid an invoice for \$7.46 per gallon.

The district installed a waste heat system at the largest site to lower energy costs, which did result in a savings the first year, but the waste heat provider increased rates by 39% or \$12,000 in FY13. There have not yet been more increases but there have been no decreases either.

At the district's largest site, the local electrical company imposed a rate hike of 30% in FY13. The electrical company is currently deciding on another rate hike based on electrical usage in the community. This re-evaluation is in part due to a grant obtained by the city (with district participation) to purchase LED lights for the city buildings and school buildings in this community. The district is projected to save \$31,032 from the installation at the one site and district office. Additionally in an effort to save money on energy costs, when lights expire at all of the other sites the maintenance department is replacing those lights with LEDs as well.

We are paying more than ten cents per gallon for water at two of the school sites. One local vendor increased our monthly water bill in FY12 from \$1200 to \$2500 per month. That increased again to \$2505 per month for FY14; the school has a FY15 projected enrollment of 42.

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.

Our maintenance budget only reflects day to day maintenance and preventative maintenance costs (maintenance and custodial labor) plus the cost of heat, electricity, property insurance, water and sewer. The continued high cost of fuel, electricity, wages (for FY14 and FY15, maintenance staff received an average of a 6% increase in wages per fiscal year) and benefits prohibits us from making significant reductions in maintenance spending. 47% of the maintenance budget is fuel, electricity and other utilities. This is a 4% decrease from the previous year and mainly 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 spread over seven sites. Staff time is expensed to the maintenance budget initially but when possible time is charged to special projects to reduce the general fund budget when possible.

#### District Enrollment

	FY15 Projected	FY14 Actual	FY13 Actual	FY12 Actual	FY11 Actual	FY10 Actual
In-district schools	203	211	181.81	194.7	196.28	202.57
Correspondence	77	77	40.5	127.2	116.75	103.30
Total Enrollment	280	288	222.31	321.90	313.03	305.87
Difference	8.00	65.69	(99.59)	8.87	7.16	25.44

Our enrollment continues to fluctuate from year to year. We have four schools that have had and will have between 10-20 students. One site potentially will not have 10 students during count. Instead of reducing staff and programs, we continue to make increases which results in lower Pupil Teacher Ratios (PTR). The lower PTRs are one method the district is using to keep students in the district versus leaving their villages to attend boarding programs.

Our small enrollment numbers at individual school sites continues to impact our economies of scale. For example; in our larger sites, we are projecting maintenance costs of \$4,821.84 to \$7,766.48 per student and at our smaller sites \$6,904.59 to \$19,262.50 per student. All of our buildings are able to hold more students than their current capacity.

The district continues to look for outside funding sources to provide basic and supplementary education our students may require while meeting all state and federal guidelines. The district also continues to look for and at cost saving measures that

allow for more of the budget to be allocated to instruction which is evidenced by the 2% increase in the instruction budget from FY14 (61%) to FY15 (63%).

If additional information is needed, please contact me at 524-1221 or Morganza Byrd, Business Manager at 524-1225.

Sincerely,



George Scott Ballard  
Superintendent

cc: Honorable Anna Fairclough, 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 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.9

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Kake City School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Kake City School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$1,583,125	60%	\$2,024,249	65%
School Administration Support Services: 450	47,178	2%	56,941	2%
District Administration: 510	167,359	6%	183,625	6%
District Administration Support Services: 550	200,685	8%	213,279	7%
Operation & Maintenance: 600	528,524	20%	506,136	16%
Student Activities: 700	108,015	4%	116,955	4%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$2,634,886</b>	<b>100%</b>	<b>\$3,101,185</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	61%	54%	59%	58%	59%	60%	60%	60%	65%
Enrollment *	104	101	93	89	85	93	105	104	99

\* Kake City School District operates one school in the community of Kake. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Kake City School District's request for waiver of the FY2015 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, which include continued high energy and utility costs.
- Continued low enrollment.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Kake City School District's FY2015 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 11, 2014

State of Alaska  
Board of Education & Early Development  
801 W. 10<sup>th</sup> 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 FY15 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 low enrollment which fluctuates 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 271,360 in FY12 to 215,003 in FY14, and reduce our fuel oil consumption from over 32,000 gallons used in FY 11 to the equivalent of 24,000 gallons used in FY14. This year, we reduced our budgeted amounts for heating and electricity by over \$25,000 from the FY14 budget to reflect the positive results we have achieved.

Although we have been able to reduce energy costs by constant monitoring of our usage, we are still conservative in our estimates due to continued fluctuations within the economy. In FY14, KCS D completed installation of a new propane boiler which allows us to run either a propane or diesel heating system subject to which fuel is most economical at the time. Heating and electrical costs are higher in Kake than most other communities in Southeast Alaska; energy remains the major non-instructional expenditure for the district, resulting in our continuing struggle to meet the 70% mandate.

The second major cause for KCS D's request for a waiver of the 70% mandate is continued low and inconsistent enrollment. For the last two years, KCS D enrollment has barely topped 100 students. However, with the closing of Gunnuk Creek hatchery and talk of several families planning to leave town, we budgeted this year for 99 students plus 1 intensive. As the district receives a substantial financial bump for being over the 101 student count, we thought that being conservative in our budgeting was advisable rather than having to lay off employees if we did not go over the 101 count. In conjunction with that strategic plan, if we are over 101 students, then the district will

***Kake City School District is an Equal Opportunity Employer***

add additional i-pads at the junior high and high school to complete the 1 to 1 initiative that we began in the elementary this year.

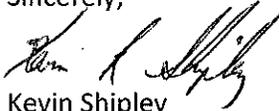
Though we continue to be unable to satisfy the 70% minimum expenditure requirement, we increased our instructional function component from 60% in FY14 to 65.3% in FY15. As a school district and a community, Kake will continue to strive for academic excellence and will continue our efforts to increase the Instructional component to the 70% minimum.

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. Again this year, Kake has achieved a 4 Star rating on the new State Accountability System.

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. The complete rationale and documentation required to grant the requested waiver is contained in the following pages.

Thank you for your time and consideration.

Sincerely,



Kevin Shipley  
Superintendent

cc: The Honorable Anna Fairclough, Chair  
Legislative Budget and Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.10

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Kashunamiut School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Kashunamiut School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$4,338,613	63%	\$5,133,964	66%
School Administration Support Services: 450	135,548	2%	136,812	2%
District Administration: 510	459,912	7%	477,339	6%
District Administration Support Services: 550	425,436	6%	459,555	6%
Operation & Maintenance: 600	1,299,772	19%	1,294,503	17%
Student Activities: 700	245,576	3%	245,576	3%
Community Services: 780	22,103	0%	33,286	0%
<b>Total</b>	<b>\$6,926,960</b>	<b>100%</b>	<b>\$7,781,035</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	70%	70%	65%	65%	68%	66%	64%	63%	66%
Enrollment *	339	326	313	302	306	312	302	317	307

\* Kashunamiut School District operates one school in the community of Chevak. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Kashunamiut School District's request for waiver of the FY2015 70% minimum expenditure for instruction requirement.

Deny the district's request.

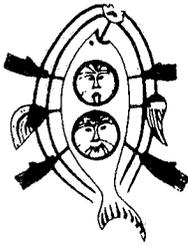
◆ **ADMINISTRATION'S RECOMMENDATION**

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

- High maintenance costs.
- High cost of travel.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Kashunamiut School District's FY2015 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 13, 2014

Commissioner of Education

State Board of Education

801 West 10th Street, Suite 200

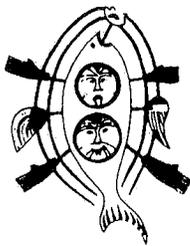
Juneau, AK 99801-1984

Dear Ms. Cox, 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 FY15 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 high cost of running an interscholastic athletic program, and the continual need for maintenance and upkeep of the buildings and grounds.

The cost of running an athletic program continues to hinder the district from reaching the 70% mark for instruction. Unfortunately the district has little control over travel costs however the district does 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. Another major factor influencing costs for athletics is the scheduling, here again the district has little control over the situation. Being represented during scheduling is an important strategy to help mitigate the costs. The district strongly opposes scheduling tournaments in places that are far out of the region and are very costly to get to. One example would be a tournament in Southeast. The district has also made conscious decisions regarding participation and has also reduced the number of athletes that travel to help contain costs. Despite cost increases and other increased needs the district has not increased the total budget for athletics. The athletic director continues to work diligently to operate within the budget as well as explore possible fundraising opportunities.

Total maintenance costs were down slightly when compared to last year's budget due to changes in staffing. However benefits and other costs continue to rise largely due to circumstances beyond the control of the district. The land the school, the district office, and the teacher housing quarters were built on continues to sink. The school was built with thermo probes to help alleviate heat transferring to



## KASHUNAMIUT SCHOOL DISTRICT

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

the permafrost and counter settling. However the district has recently noticed significant signs of settling in the school. The district is in the process of working with the thermo probe manufacturer and other experts to determine what steps need to be taken to stop further settling.

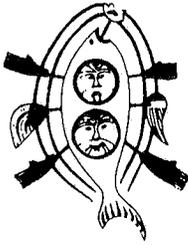
The ground in general around the building continues to settle at an alarming rate. The grounds around the entrances need to continually be built up to keep the school accessible. Teacher housing and the district office were not built on thermal piles so the buildings continually shift. In order for doors and windows to close properly the district is constantly required to re-level those building on a rotating basis. The district continues to explore options that will be more cost effective in dealing with the constant settling of the teacher housing and District office buildings. The struggle is finding other funds that don't have the typical restrictions prohibiting use on teacher housing or administrative buildings.

The age of the school building is continuing to show – more complex plumbing and heating issues are beginning to now require outside expertise to resolve. The cost to bring in specialty contractors to a remote location is very high. The cost of energy is currently rising. Although we seek the best price for fuel via the bidding process we have no control over the market ups and downs. 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 has and currently contracts for outside professional services for assistance and training in the business functions. In FY14 the district was awarded two multi-year multi-million dollar grants to help improve literacy. The need for continual technical assistance still exists and adding these grants adds to that burden. These grants are providing great opportunities for the children of Chevak, unfortunately because these are grant funds, they cannot be included in the 70% calculation of the budget.

In FY14 the district was able to move closer to being 70/30 compliant. This is due to the higher retirement on-behalf rates. The district stayed neutral or lowered the percentages of all the functions on the 30% side. All percentages on the 70% side increased with one exception compared to FY13.

In conclusion, an aging building and unstable ground are requiring higher levels of maintenance. The cost to run an athletic program, increased energy cost and providing 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



## KASHUNAMIUT SCHOOL DISTRICT

985 KSD Way

Chevak, Alaska 99563

(907) 858-7713 • Fax (907) 858-7328

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,

A handwritten signature in cursive script that reads "Larry B. Parker".

Larry Parker

Superintendent

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.11

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Kuspuk School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Kuspuk School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$6,200,774	66%	\$6,598,266	64%
School Administration Support Services: 450	215,686	2%	281,619	3%
District Administration: 510	389,851	4%	439,568	4%
District Administration Support Services: 550	430,451	4%	615,556	6%
Operation & Maintenance: 600	2,047,690	22%	2,160,648	21%
Student Activities: 700	151,501	2%	181,614	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$9,435,953</b>	<b>100%</b>	<b>\$10,277,271</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	65%	62%	64%	62%	64%	66%	66%	66%	64%
Enrollment *	397	383	340	341	349	346	335	333	331

\* Kuspuk School District operates nine schools in six communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Kuspuk School District's request for waiver of the FY2015 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:

- Continued high operations and maintenance costs, including high fuel and energy.
- High costs of shipping and handling of goods among sites.
- Declining enrollments.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Kuspuk School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d)

# KUSPUK SCHOOL DISTRICT

P.O. Box 49  
Aniak, Alaska 99557  
(907) 675-4250  
Fax (907) 675-4305

**Brad Allen**  
SUPERINTENDENT OF SCHOOLS  
(907) 675-4250, Ext. #222

September 10, 2014

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

Dear Board Members,

At this time, the Kuspuk School District is officially requesting a waiver of the 70% minimum expenditure for instruction requirement based on several components that are beyond the control of the district. These components include, but are not limited to high fuel and energy costs, increased costs of goods (shipping and handling) and the overall declining enrollment for the district over the last decade.

The operation and maintenance costs of our school sites are a very significant part of our budget and are again the primary reason why we cannot meet the minimum 70% instructional requirement for this fiscal year. The District has 6 remote locations with most schools over 30 years old and in need of major repair. We continue to request support from the state legislature to upgrade our schools but have not been successful to this point. Therefore, we are in the position of maintaining our sites with limited staffing and funds. In the event we are successful in receiving legislative funding, we would anticipate the costs for utilities and maintaining our facilities to decrease.

Travel and fuel costs to visit our remote sites continue to increase each year. With fuel costs increasing each year, this has a direct effect on the cost of maintaining our facilities, which is a large part of our overall maintenance budget. Due to the increase in fuel costs, the cost of traveling from site to site has become a larger portion of our maintenance budget each year. Air travel to our most remote site is over \$1,000 one-way. This does not include any time on the ground if the pilot has to wait for repairs to be made at the school. In addition to the schools, we maintain our own water system at five school sites because the communities do not have a public water system and/or not accessible to schools. Costs for the four school sites in which we must purchase water and sewer service has gone up tenfold in some locations over the last five years, with the average cost being over \$1,000 per month per school. With the advancing age of these particular schools, preventative, on-site maintenance is a large part of operating the District as a whole. We have also had to take on many maintenance issues that have suddenly come to our attention that must be dealt with immediately instead of putting them out to the RFP process and thus not allowing us to ask for some financial assistance from the Department of Education, Facilities Division. Replacement of items that must be done on more of an emergency basis such as boilers and sewer systems are examples of larger infrastructure items that must be completed to make sure the we can hold schools in a safe and healthy environment for our students.

As well as the high maintenance costs, the District has anticipated energy costs of approaching \$1,000,000 and property and liability insurance costs of approximately \$230,000. These two fixed costs alone represent approximately 15% of the total district budget. And with the overall costs to operate our maintenance and operations department district-wide accounting for over 21% of our overall budget, this line item alone makes it nearly impossible for the district to meet the 70% instructional requirement.

Considering the past increases in basic Worker's Compensation insurance, fuel to operate the schools, higher overall utility costs and travel costs from site to site, we feel the Operation and Maintenance budget is necessary given the condition of our schools and the high cost of just maintaining those facilities on a daily basis.

The District is again anticipating a slight decline in enrollment for the 2014-2015 school year. Our ADM for the last several years has declined. We have seen our over all district enrollment drop by almost 70 students in the past seven years, which represents more than a 18% decrease in enrollment and in our foundation funding. Our projected enrollment figure for the 2014-2015 school year is 331 students. This is problematic at all of our sites, but most particularly our smaller school sites. However, given the fact that all of our smaller sites have students ranging in age from Kindergarten to High School, we are committed to providing the best education possible for our students by having at least two highly qualified teachers at each school site. Through the use of Video Teleconference (VTC) courses, distant delivered courses such as AKLN, our AASB supported student laptop program and the implementation of other new forms of technology (SmartBoards and iPads) into our classrooms to help our students be competitive in their education, we hope to continue to provide our students with a positive reason to stay within our District and complete their education.

**Achievements:** Having identified the issues that do not allow Kuspuk School District to meet the 70% required instructional expenditures, it is also important to note the strides we have made over the last several years to continue to provide the best possible education for our students. Over the last few years, our student test scores have steadily continued to improve and the vast majority of our schools have made AYP at least once during the years when this accountability system was used. With the AYP system being replaced by the new Alaska School Performance Index (ASPI) last year, the district has a majority (7 out of 9) of its schools categorized as two and three star schools. The district recognizes that these designations show that there is work to be done to help improve our schools but welcomes the new system as it is based on student growth which allows the district to focus on each individual student to help them perform at their highest potential.

For the last seven years the district has prioritized updating our curriculum and completely supported new math, language arts, social studies and science curriculum materials as well as continuing to support and provide essential staff development for our employees. The district has also adopted the Common Core State Standards to help move the district forward with our levels of student proficiencies. Math scores and graduation rates have more than doubled across the district over the last decade. Even though it is impossible to meet the 70% instructional target without abandoning our facilities, we continue to dramatically increase our focus on instruction and creating positive school climates for all of our students and staff.

We will continue to try to decrease the number of teachers leaving Kuspuk School District each year in order to maintain a stable learning environment for our students. The number of Highly Qualified teachers employed by the District continues to increase each year. In addition to the grant funding we received in previous years to provide laptop computers for all of our junior high and high school aged students, we continue to provide the opportunity for video

teleconferencing classes to allow us to reach a larger number of students with a variety of classes as well as some students have the opportunity to participate in distance education programs such as AKLN. We have also acquired grant funding to help outfit the vast majority of our classrooms with SmartBoards as well as an elementary iPad project funded through grant funds from House District 6. Our smaller sites would not be able to see the benefits of these classes without this capability, which has encouraged our students to a higher level of learning. We have also partnered with other school districts and educational agencies to provide our students access to higher level educational opportunities inside and outside of the district.

Because of Federal Grant funding, we will continue to provide additional counseling services, after school tutoring, career and job training as well as providing course reimbursement for college level classes for our advanced high school aged students.

For the last several years, we have been successful in hosting several extension programs to give students more opportunities to be exposed to experience-based learning opportunities. Programs such as the math-science expedition which offers academic and outdoor leadership skills; several health related academies to help students gain the ETT/EMT certification with successful completion of these programs; a pilot ground school to help students obtain this certification to help start them on their way to a private pilots license; and other academic and job training opportunities such as carpentry and welding programs that have applicable and relevant real-world applications for our students. Without funding from grants as well as donations (in the form of the tax credit donation), these programs would not be able to be offered to the students our of district and other districts that we have partnerships with.

As previously stated, Kuspuk School District is respectfully requesting a waiver of the minimum expenditure for instruction requirement (AS 14.17.520) for the current 2014-2015 school year but not a waiver from a steadfast focus on student success.

If you have any questions, please contact me any time at the number listed below.

Sincerely,



Brad Allen  
Superintendent  
907-675-4250 ext. 222

cc: Honorable Anna Fairclough, Chair

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.12

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Lake & Peninsula School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Lake & Peninsula School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$9,842,327	67%	\$10,157,229	68%
School Administration Support Services: 450	62,657	1%	61,286	1%
District Administration: 510	624,439	4%	607,558	4%
District Administration Support Services: 550	513,110	4%	558,811	4%
Operation & Maintenance: 600	3,121,994	21%	2,973,619	20%
Student Activities: 700	464,447	3%	504,246	3%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$14,628,974</b>	<b>100%</b>	<b>\$14,862,752</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	66%	66%	65%	67%	65%	66%	65%	67%	68%
Enrollment *	378	368	369	343	327	326	330	330	308

\* Lake & Peninsula School District operates 13 schools in 13 communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Lake & Peninsula School District's request for waiver of the FY2015 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 FY2015 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 5, 2014

Re: Budget Waiver Request

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

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, and 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 7<sup>th</sup> 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 13 village communities in remote locations off the road system with a 2013 population of approximately 1,648.

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. Currently, the highest cost of fuel in the district is \$8.51 in Igiugig and the lowest cost is \$4.18 per gallon in Chignik Bay, with the average per gallon cost of \$5.95 per gallon. Fuel costs not only increase our heating expense; they also increase the cost of electricity. The highest rate paid per kilowatt hour is \$.95 and the lowest is \$.12 under agreement with Tazimna Hydroelectric Plant.

These elevated fuel prices affect the cost of other services as well. 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 \$19,498 in fiscal year 2014.

*Chignik Bay • Chignik Lagoon • Chignik Lake • Egegik • Igiugig • Ivanof Bay • Kokhanok • Levelock  
• Newhalen • Nondalton • Pedro Bay • Perryville • Pilot Point • Port Alsworth • Port Heiden*



## 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



In addition, transportation costs for the district have increased dramatically due to elevated fuel prices. The current cost of a round trip ticket from the south end of the district to Anchorage is \$1,530; the cost to King Salmon at the district midpoint is \$830. The cost of a round trip ticket from the north end of the district to Anchorage is \$450; the cost to King Salmon at the district mid-point is \$1,200.

Lake and Peninsula School District is being as proactive as possible in the face of rising energy costs. LPSD is working with state and local governments, utilities and local agencies to reduce reliance on diesel generated heat and electricity. The district strives to maximize every opportunity to improve the efficiency of buildings and systems; unfortunately the cost of utilities is outpacing the efficiencies. The district also continues to pursue innovations and improvements in travel, sports and maintenance operations to reduce costs and remain within our budget.

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 Anna Fairclough, Chair, Legislative Budget and Audit Committee (LB&A)

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.13

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Nome Public Schools FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Nome Public Schools FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$8,987,180	68%	\$10,014,727	69%
School Administration Support Services: 450	149,483	1%	138,124	1%
District Administration: 510	287,172	2%	272,251	2%
District Administration Support Services: 550	446,393	4%	592,908	4%
Operation & Maintenance: 600	3,087,579	23%	3,221,686	22%
Student Activities: 700	302,190	2%	355,685	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$13,259,997</b>	<b>100%</b>	<b>\$14,595,381</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	65%	62%	64%	65%	65%	66%	68%	68%	69%
Enrollment *	749	720	674	668	680	690	681	706	700

\* Nome Public Schools operates three schools in the community of Nome. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Nome Public Schools request for waiver of the FY2015 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.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Nome Public Schools FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

## NOME PUBLIC SCHOOLS

Box 131, Nome, Alaska 99762 \* Fax (907) 443-5144 \* Telephone (907) 443-2231



September 19, 2014

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

CC: The Honorable Anna Fairclough, Chair  
Legislative Budget & Audit Committee  
State Capitol, Room 514  
Juneau, AK 99811-0500

Dear Members of the Board,

In accordance with the Alaska Statute 14.17.520 (d), the 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 cost of other support systems to maintain our school, we fall short of reaching the 70% instructional expenditure requirement in the FY15 budget year.

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

Although in the previous year, we decreased our purchase of heating fuel and used our reserve inventory, those reserves are depleted and we will purchase an additional 30,000 gallons of heating fuel in FY15 at an anticipated cost of \$4.00 per gallon.

The energy saving measures we have implemented in recent years, such as LED lighting and extra insulation, have slowly helped to bring our O&M cost down. The O&M cost as a portion of the overall general fund is down from 23% in FY14 to 22% in FY15.

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 shipping food here for the NSLP continues to drive up the cost of the food service program. In FY 15 we anticipate a transfer from the operating fund of \$121,549 to make that fund solvent.

Most events require travel the day before and returning the 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 student activity cost is budgeted to be approximately \$50,000 more in FY15, due in most part, to the team travel costs.

These are just a few examples of the type of unknown expenditures that occur during the school year which 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.

The Nome Public Schools has made every effort to meet the 70% requirement on instructional expenditures. You will note some improvement toward meeting this requirement as our percentage has moved up from 67.8% in FY 14 to 68.6% in FY 15.

We feel that circumstances and issues not within our control preclude this minimum instructional requirement from being met in the FY 15 budget year. Therefore, we respectfully request that a waiver be granted.

Thank you for your consideration of this request.



Steve Gast, Superintendent  
Nome Public Schools

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.14

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the North Slope Borough School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

North Slope Borough School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$42,346,194	66%	\$46,862,647	67%
School Administration Support Services: 450	1,287,030	2%	1,343,011	2%
District Administration: 510	1,504,468	2%	1,631,891	2%
District Administration Support Services: 550	2,989,507	5%	3,229,775	5%
Operation & Maintenance: 600	14,416,596	22%	14,433,574	21%
Student Activities: 700	2,022,190	3%	1,935,257	3%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$64,565,985</b>	<b>100%</b>	<b>69,436,155</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	64%	63%	61%	64%	65%	66%	67%	66%	67%
Enrollment *	1,623	1,618	1,581	1,538	1,612	1,599	1,647	1,731	1,708

\* North Slope Borough School District operates 11 schools in eight communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the North Slope Borough School District's request for waiver of the FY2015 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:

- Costs associated with operating a 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 FY2015 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 Wolves 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 Aġviquqtit

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 Tiġiqanniat

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

## Kiita Snowy Owls Ukpiit

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 Naniġiaqtuqtit

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

## Tikigaaq Harpooners Kapuqtit

Tikigaaq School  
P.O. Box 148  
Point Hope, Alaska 99766  
(907) 368-2662/2663  
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 12, 2014

Esther Cox, Chair  
State Board of Education  
Department of Education & Early Development  
801 West 10<sup>th</sup> Street, Suite 200  
PO Box 110500  
Juneau, AK 99811-0500

Dear Chairperson Cox,

As allowed for under Alaska Statue 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.

The North Slope Borough School District has continued to increase instructional expenditures with the FY 2015 budget. Although it is not the 70% we strive for, it is a continual improvement from the 61% we were at only six years ago. These improvements are due to our diligent work and ongoing efforts to strongly support instruction in this unique rural arctic Alaska district.

Evidence of the strong support of instruction is the budgeted increase of \$4,516,453 or 10.7% for Instruction, while only increasing the Non-Instructional by \$353,717 or 1.6% over the FY 2014 budget.

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 both 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 18.2% of the FY2015 budgeted cost of the program. Because students learn better when they're not hungry and fed nutritious food, 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 10 states in the nation is enormous. The General Operating Fund budgeted to transfer \$2,694,113 to this program. Cost 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, \$0.47/lb and for the six villages that receive barge service, \$1.06-\$1.78/lb plus 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 outlying 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 \$7.16. The USDA grant through the State provides approximately \$600,000 or \$1.30 per meal serviced.

2. Maintenance – The 11 schools in 8 villages operated by the NSBSD are all located hundreds of miles north of the Arctic Circle. Where 45 and 50 degrees below zero, severe winds, heavy dampness and permafrost causing unstable ground conditions below our facilities are common occurrences. 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 reduce 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."

The district is the largest geographical school district in the United States where there are eleven schools and four other district operated buildings, over the vast arctic miles that are required by Alaska Statute be maintained by the district and are 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. The FY 2015 budget indicates a reduction of 1% of the overall budget. This reduction is due to attrition.

3. **Shipping & Transportation** – NSBSD encompasses 89,000 square miles, an area the size of the state 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 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 has continued to increase with only one airline offering service to 5 of the 7 villages outside of Barrow. The cost of tickets for staff travel has increased as much as 12.9% to these villages in one year.

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 being provide without true competition drives the rising cost. The extreme arctic weather conditions and the schools facilities functioning as community have been barriers to attaining the 70% threshold. The district is doing everything within its control to increase the percentage of resources being budgeted on instruction.

Respectfully Submitted,



Peggy Gowan, Superintendent  
North Slope Borough School District

Cc: The Honorable Anna Fairclough, Chair LB&A

Letter No. 15-22

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.15

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Northwest Arctic Borough School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Northwest Arctic Borough School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$36,736,236	64%	\$42,157,175	66%
School Administration Support Services: 450	1,176,897	2%	1,387,196	2%
District Administration: 510	1,806,110	3%	2,064,417	3%
District Administration Support Services: 550	2,222,769	4%	2,352,943	4%
Operation & Maintenance: 600	13,563,488	24%	14,280,260	22%
Student Activities: 700	1,720,682	3%	1,804,265	3%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$57,226,182</b>	<b>100%</b>	<b>\$64,046,256</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	63%	65%	65%	60%	60%	62%	66%	64%	66%
Enrollment *	1,976	1,944	1,857	1,831	1,776	1,803	1,840	1,888	1,981

\* Northwest Arctic Borough School District operates 12 schools in 11 communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Northwest Arctic Borough School District's request for waiver of the FY2015 70% minimum expenditure for instruction requirement.  
Deny the district's request.

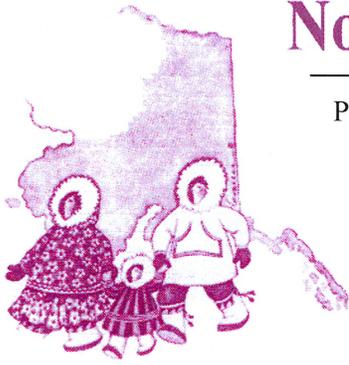
◆ **ADMINISTRATION'S RECOMMENDATION**

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

- High operations and maintenance including high energy costs.

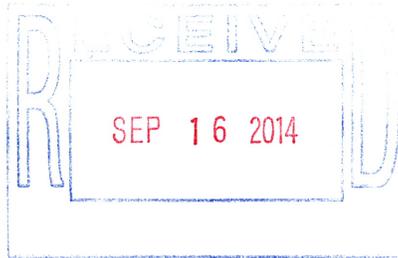
◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Northwest Arctic Borough School District's FY2015 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) 442-1802 • Fax (907) 442-2246



September 11, 2014

State of Alaska Board of Education  
Department of Education & Early Development  
801 West 10<sup>th</sup> Street, Suite 200  
Juneau, Alaska 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, 2014 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 Operation & Maintenance and high energy costs.

### **Operation & Maintenance and high energy costs:**

The FY2015 Budget for Operation & Maintenance encompasses 22% of our overall budget. Energy and utilities make up 51% of our total Operation & Maintenance costs.

### **Other Efforts and/or Actions Taken:**

- While our goal is to reach the 70% threshold, geography, climate and isolation continue to conspire against us. Every effort has been made by the Regional School Board, Superintendent's office, site principals and all staff to distinctly focus on instruction.
- The prior 2014 instruction budget was at 64%, the current 2015 budget is at 66% this does show our commitment to meet the instructional 70% requirement.
- In order to achieve the benchmark of 70% instructional costs for the FY2015 budget the district would need an additional \$8,000,000. Then we would be able to meet the 70% requirement.

The District's commitment to the School Improvement Plans (SIP), the implementation of these plans with a focus on the Responses to Interventions (RTI), not only shows our commitment to improving direct instruction the students receive, we have also absorbed the non-instructional costs associated with these efforts in the budget. These noteworthy accomplishments reflect the sound business practices and assurances of the District.

Serving the Villages of

Ambler • Buckland • Deering • Kiana • Kivalina • Kobuk • Kotzebue • Noatak • Noorvik • Selawik • Shungnak

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. However, for this current year, with all of our efforts, it is simply not possible for NWABSD to meet this objective.

Sincerely,



Dr. Annmarie O'Brien,  
Superintendent

cc: Honorable Anna Fairclough, Chair  
Legislative Budget and Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.16

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Pelican City Schools FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Pelican City Schools FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$243,150	52%	\$257,392	52%
School Administration Support Services: 450	30,267	7%	42,005	9%
District Administration: 510	26,779	6%	43,989	9%
District Administration Support Services: 550	52,631	11%	59,230	12%
Operation & Maintenance: 600	95,289	21%	73,344	15%
Student Activities: 700	15,250	3%	15,250	3%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$463,366</b>	<b>100%</b>	<b>\$491,210</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	60%	59%	59%	61%	58%	62%	56%	52%	52%
Enrollment *	15	16	15	13	12	18	15	11	9

\* Pelican City Schools operates one school in the community of Pelican. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Pelican City Schools request for waiver of the FY2015 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 costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Pelican City Schools FY2015 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](mailto:psd@pelicanschool.org)



Jim Merriner, Chair  
State Board of Education & Early Development  
801 West 10<sup>th</sup> Street, Suite 200  
PO Box 110500  
Juneau Alaska 99811

September 6, 2014

RE: Request for FY15 Budget Waiver for Pelican City School District

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 52% of the total expenditures of a total FY15 budget of \$491,210. The reasons PCSD is unable to comply with this statute are outlined below and are due primarily due 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 70/30 instructional requirement and is beyond our control.

Although the enrollment projection was originally estimated to be 10 students for FY15, in May 2014 all indications were there would only be 9 students enrolling in August. The FY15 budget was approved by the Board of Education based on an enrollment of less than 10 students. At this point, it appears enrollment may exceed 10 students for FY15. 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 FY15, 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 FY15 budget includes a six hour per day for the 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 volunteers.

Staff, students, and consultants must travel by air to get to and from Pelican; that 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 eight-five cents per pound (\$.85). PCSD uses an expeditor in Juneau to assist in getting needed supplies to Alaska Seaplanes or the Alaska State Ferry; these costs are \$15 per pickup with an additional \$5 charged 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 (\$.30) 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. The Business Manager voluntarily waived health care insurance and arrangements have been made for the teacher to procure her own health care coverage equating to the COBRA rate available to her from her previous employer.

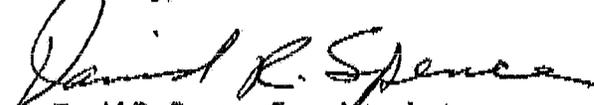
PCSD realized a savings in the operations and maintenance budget due to the City going back to hydro power early in 2013. The new boiler installed in 2012, funded through the CIP program, and has resulted in reduced of the fuel costs to the school.

PCSD has had a new teacher each year for five years; part of the reason for this high turnover rate is because there is inadequate housing available in the community. The building closed to school operations several years ago is being 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 FY15 budget waiver is greatly appreciated.

Sincerely,

  
David R. Spence, Superintendent

cc: Elizabeth Nudelman, Director of School Finance, DEED  
The Honorable Anna Fairclough, Chair, Legislative Budget & Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.17

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Pribilof School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Pribilof School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$1,600,933	60%	\$1,747,000	62%
School Administration Support Services: 450	95,830	4%	115,600	4%
District Administration: 510	110,230	4%	143,050	5%
District Administration Support Services: 550	242,564	9%	157,600	6%
Operation & Maintenance: 600	571,859	22%	604,500	22%
Student Activities: 700	30,486	1%	30,500	1%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$2,651,902</b>	<b>100%</b>	<b>\$2,798,250</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	64%	65%	69%	68%	68%	67%	64%	60%	62%
Enrollment *	123	112	110	98	87	82	89	81	79

\* Pribilof School District operates two schools in two communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Pribilof School District's request for waiver of the FY2015 70% minimum expenditure for instruction requirement.

Deny the district's request.

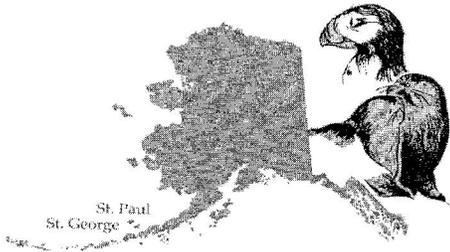
◆ **ADMINISTRATION'S RECOMMENDATION**

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

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

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Pribilof School District's FY2015 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 & St. Paul School**  
Box 207 & St. Paul Island & Alaska 99660  
Phone:907-546-3337 & Fax:907-546-2356

September 10, 2014

State of Alaska Board of Education & Early Development  
801 West 10<sup>th</sup> 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 AS 14.17.520 for the budgeted expenditures for FY2015. Pursuant to AS 14.17.520, we must meet this 70% requirement or request a waiver. Our FY2015 submitted budget included expenditures for functions 100-400 which are 62% of our budgeted school operating fund expenditures due to factors outlined below.

As previously explained in the waiver request from prior years, PSD 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 schools. 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 FY2015 and prior year include:

- 1) The district's high unit transportation costs are projected to increase due to general inflation, rising aviation gas and 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 \$5.05 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) Increases in PERS expenditures are expected to remain three times higher than in prior years as a result of legislative changes in 2008. Those cost increases primarily impacting the non-instructional fringe benefit area of our budget.
- 5) With flat and or declining enrollment and revenue, 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 FY2015 or the foreseeable future. Because the Pribilof School District is a REAA and has no revenue raising authority or power; compliance though increasing funding and also corresponding instructional expenditure levels from local sources is outside of our control.

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 in past, present and future years. 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,



Connie A. Newman  
Superintendent

cc: The Honorable Anna Fairclough, Chair, Legislative Budget and Audit Committee

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.18

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Saint Mary's School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Saint Mary's School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$2,598,500	61%	\$3,165,800	64%
School Administration Support Services: 450	146,000	3%	161,800	3%
District Administration: 510	320,500	8%	346,900	7%
District Administration Support Services: 550	183,000	4%	162,300	4%
Operation & Maintenance: 600	872,200	20%	943,600	19%
Student Activities: 700	153,600	4%	155,700	3%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$4,273,800</b>	<b>100%</b>	<b>\$4,936,100</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	65%	62%	62%	61%	61%	61%	61%	61%	64%
Enrollment *	185	186	177	164	177	181	183	203	185

\* Saint Mary's School District operates one school in the community of Saint Mary's.  
The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Saint Mary's School District's request for waiver of the FY2015 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 increasing fuel and electricity.
- 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 FY2015 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 19, 2014

The State of Alaska Board of Education  
Department of Education and Early Development  
801 W 10<sup>th</sup> 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 \$943,600. This represents 20% of the total operating fund budget. This function consists of maintenance and custodian salaries & benefits (24.2%), services (1.7%) 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 (52.3%), staff travel (.4%), property insurance (8.5%) which is required by law, and maintenance supplies and equipment (12.9%).

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 2014 delivery of fuel (38,500 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 FY09 we used 47,230 gallons of heating oil at a cost of \$3.8011/gallon; 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; and in FY15 we expect to use 45,000-50,000 gallons of heating fuel at \$4.5000. In FY15 we will be using heating fuel at a cost of \$3.9327/gallon, an increase of 4.62 cents/gallon or an increase of 1.2% per gallon over the prior year. 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 September to our fuel vendor was \$3.838/gallon which will mean our average price per gallon will rise slightly in FY15.

The local power plant pays a similar rate for fuel. We are once again forecasting an increase in electricity costs. Fuel and labor costs are increasing 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 increases the cost of electricity generated by these fuel driven engines and results in higher electricity bills for the district. We paid an average of 52.1956 cents/kwh for 338,344 kwh in FY09, 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, and 50.5451 cents/kwh for 381,232 kwh in FY14. Electricity usage surged by 51% in FY09 after major renovations of our two schools which upgraded their electric service, lighting, etc., and has since stabilized somewhat with increases averaging 12.68% per year over the last three years.

The district's two main educational facilities, the elementary school and the high school, underwent major renovations six 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 order to ensure we have the necessary funds for additional costs associated with the newer equipment 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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Herbert  
Superintendent  
St. Mary's School District

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.19

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Skagway School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Skagway School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$1,318,754	63%	\$1,668,052	67%
School Administration Support Services: 450	93,804	4%	93,715	4%
District Administration: 510	180,374	9%	198,460	8%
District Administration Support Services: 550	161,861	8%	171,123	7%
Operation & Maintenance: 600	330,670	16%	346,816	14%
Student Activities: 700	0	0%	0	0%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$2,085,463</b>	<b>100%</b>	<b>\$2,478,166</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	67%	68%	70%	66%	64%	61%	63%	63%	67%
Enrollment *	100	106	95	90	78	59	64	84	85

\* Skagway School District operates one school in the community of Skagway. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Skagway School District's request for waiver of the FY2015 70% minimum expenditure for instruction requirement.

Deny the district's request.

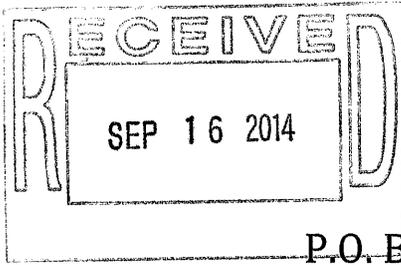
◆ **ADMINISTRATION'S RECOMMENDATION**

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 FY2015 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

April 29, 2014

15 September, 2014  
State of Alaska Board of Education and Early Development  
801 W. 10<sup>th</sup> Street, Suite 200  
PO Box 110500  
Juneau, Alaska 99811-0500

Re: FY 2014-2015 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 67.31% for the FY 2014-15 Budget Year. This is well above the level of 63.24% for the FY 2013-14, 63.2% for FY 2012-13, and 60.9% for FY 2011-2012. The reasons and causes for this request for waiver include continually rising costs for fuel, insurance and maintenance costs.  
The projections for the FY 2013-2014 budget for Skagway School is as follows:

**FY 2014 - 2015 Projected Budget**

Function	Amount	Percent
Instructional (100-400)	1,668,052	67.31%
School Administration Support Services (450)	93,715	03.78%
District Administration (510)	198,460	08.00%
District Administrative Support Services (550)	171,123	06.91%
Operation and Maintenance (600)	346,816	14.00%
Student Activities (700)	0	00%
Community Services (780)	0	00%
<b>TOTAL:</b>	<b>2,478,166</b>	

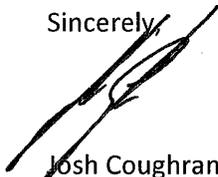
The Skagway School District has been granted budget waivers from the State of Alaska Board of Education for the past few years due to the unique nature of our district. Skagway School District is a single school site district with a very small enrollment within an isolated environment. Utilizing all due diligence to create a balanced budget that serves the needs of our students we are 2.69% below the 70% target.

The current projected budget is as close to the 70% requirement Skagway School District has been in several years, and we feel that a waiver will not be necessary in the near future due to an increased teaching staff and a positive trend in student enrollment.

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 (\$47,102.45 for heating fuel in FY14, and \$51,660.59 for electricity in FY14) and impact the percentage of the budget we must designate to keep the physical plant of our building in tact and functioning.

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 67.31% for FY 2014-2015. The reasons and causes for this request for waiver include continually rising costs for fuel, insurance, maintenance, and other costs. Although we are unable to meet the 70% rule we still offer an excellent education for the students of Skagway. The Skagway School Board under the leadership of President Darren Belisle and the Skagway School Superintendent, Josh 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,



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

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

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

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.20

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Tanana City School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Tanana City School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$905,569	62%	\$1,064,057	65%
School Administration Support Services: 450	34,278	2%	65,452	4%
District Administration: 510	103,034	7%	97,367	6%
District Administration Support Services: 550	98,978	7%	96,236	6%
Operation & Maintenance: 600	287,659	20%	292,523	18%
Student Activities: 700	21,394	2%	19,550	1%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$1,450,912</b>	<b>100%</b>	<b>\$1,635,185</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	48%	54%	54%	54%	53%	54%	62%	62%	65%
Enrollment *	54	57	39	43	41	34	49	41	41

\* Tanana City School District operates one school in the community of Tanana. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Tanana City School District's request for waiver of the FY2015 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 FY2015 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

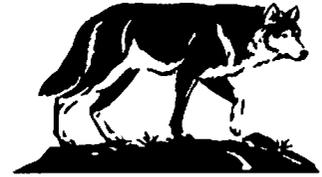
P.O. Box 89

89 River Street

Tanana, Alaska 99777

Telephone: (907) 366-7203 or 7207 Fax: 7201

*Thérèse Ashton, Superintendent*



September 17, 2014

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

Dear State Board of Education & Early Development Members:

The Tanana City School District's FY15 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 FY15 budgeted minimum expenditure for instruction for the Tanana City School District is 65%. This is an instructional increase of 3% from FY14 (62% Instruction) that we have been able to maintain for the FY14 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 \$1.6 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 forty (40) the entire school building is in use. The district has seen, over the last 10 years, a decline in enrollments of students, which has stabilized at around forty-two (42) for the last two years. However, the decline in enrollments 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 14% which is down 2% from FY14 (16%). 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.

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 very qualified special education teacher at the start of the salary scale, which

brought cost down from the previous teacher by \$23,000 within the special education 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 (up to \$4000.00 so far).

The internet that was being provided in the last several years has been at a subpar bandwidth and is now 7 Mbps, which is still below the 10 Mbps that all schools are trying to attain. This cost has significantly raised our cost even with ERATE reimbursement.

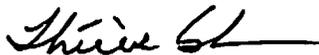
Tanana is not on the road system, therefore, transportation for contracted services (i.e., Xerox repair/maintenance, accountant, and attorney) and required inspections (handicap elevator, kitchen hood, fire alarm and sprinkler systems) require air travel (\$240.00 round trip is the price when someone comes from outside of the village) and return visits if there are repairs needed.

Operation and plant maintenance impact the budget heavily due to fuel and utility costs. Operations and plant maintenance comprise 18% of the budget. (This is down 2% from FY14 of 20%). However, salaries and benefits do go up each year to have a full-time maintenance/custodial staffer 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 \$6.40 per gallon) 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. Costs to get from Tanana to Fairbanks and back is \$220.00 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.

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 FY14 Instructional budget was maintained at 62% for a second year. The FY15 budget will be maintained at 65%. Within the instructional budget more emphasis continues to be focused on professional development of staff to meet the needs of individual students. 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 Anna Fairclough, Chair  
Legislative Budget and Audit Committee (LB&A)  
State Capitol, Room 514  
Juneau, AK 99801-1182

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.21

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Wrangell Public Schools' FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Wrangell Public Schools FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$4,837,966	72%	\$4,373,287	68%
School Administration Support Services: 450	245,161	3%	210,676	3%
District Administration: 510	130,238	2%	246,489	4%
District Administration Support Services: 550	353,755	5%	433,570	7%
Operation & Maintenance: 600	916,009	14%	891,770	14%
Student Activities: 700	248,211	4%	242,734	4%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$6,731,340</b>	<b>100%</b>	<b>\$6,398,526</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	68%	67%	68%	68%	69%	71%	72%	72%	68%
Enrollment *	355	346	324	315	339	387	386	344	265

\* Wrangell Public Schools operates three schools in the community of Wrangell. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Wrangell Public Schools' request for waiver of the FY2015 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.
- High food service costs.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Wrangell Public Schools' FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



**WRANGELL  
PUBLIC SCHOOLS  
DISTRICT OFFICE**

GATEWAY TO THE STIKINE

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

September 16, 2014

Alaska Department of Education and Early Development  
801 West 10<sup>th</sup> 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 2014-2015 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	\$2,953,372.00	45%
Special Education	200	\$484,236.00	7%
Special Education	220	\$60,509.00	1%
Support Services: Students	300	\$178,893.00	3%
Support Services: instruction	350	\$295,708.00	5%
School Administration	400	\$400,569.00	6%
 Total Instruction 100-400		 \$4,373,287.00	 67%
 School Administration: Support	450	\$210,676.00	3%
District Administration	510	\$246,489.00	4%
District Administration: Support Services	550	\$433,570.00	7%
Operations & Maintenance	600	\$891,770.00	14%
Student Activities	700	\$242,734.00	4%
Other: Student transportation/ Food Service	900	\$125,000.00	2%
Total non- instruction 450-900		\$2,150,239.00	33%
 Total overall Budget		 \$6,523,526.00	

- One of the main contributing factors to our current scenario is declining enrollment. When there are fewer students we receive less money yet we still need to continue the same level of maintenance of all facilities. Our budget is based currently on 265 students, which is down from 269 students last year (see attached).
- Food service costs are up in Wrangell. This is due to the increasing cost of commodities, and personnel. Since Wrangell Public Schools does not have a centralized kitchen facility in order to provide a quality lunch program we contracted this year with Nana Management to provide food service. Their cost is significantly higher than what has been experienced in past years.
- 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.

In summary, when you have the three 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. This year, Our 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 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.22

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Yukon Flats School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Yukon Flats School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$6,901,277	66%	\$7,635,867	68%
School Administration Support Services: 450	134,052	1%	152,661	1%
District Administration: 510	483,305	5%	550,164	5%
District Administration Support Services: 550	371,603	4%	385,903	3%
Operation & Maintenance: 600	2,417,506	23%	2,528,908	22%
Student Activities: 700	110,000	1%	57,153	1%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$10,417,743</b>	<b>100%</b>	<b>\$11,310,656</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	62%	64%	60%	61%	61%	64%	67%	66%	68%
Enrollment *	266	281	271	272	247	259	257	244	256

\* Yukon Flats School District operates seven schools in seven communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Yukon Flats School District's request for waiver of the FY2015 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 costs for maintenance of buildings and equipment.
- High cost of shipping supplies.
- Remote location.
- High cost of unregulated utilities.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Yukon Flats School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).



## Yukon Flats School District

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F: (907) 662-3094 or 2519

[www.yukonflats.net](http://www.yukonflats.net)

Arctic Village  
Beaver  
Chalkyitsik  
Circle  
Fort Yukon  
Venetie

Esther Cox, Chair  
State Board of Education & Early Development  
801 W 10<sup>th</sup> Street, Suite 200  
PO Box 110500  
Juneau, AK 99811

September 8, 2014

Dear Ms. Cox,

Please consider this as Yukon Flats School District's request for a minimum instruction waiver for school year 2014–2015. 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 22% 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 contractors for major and minor repairs, boiler maintenance, and water tank cleaning as we do not have qualified employees at each individual site.

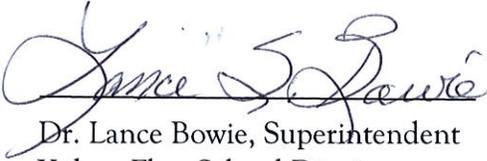
For the majority of our schools, the heating oil must be flown in using specialized fuel planes. We expect to use over 130,000 gallons of heating oil, and our fuel price ranges from \$6.19 to \$6.40 per gallon, depending on location. Our fuel usage varies greatly depending on weather conditions, and if we use 10% more fuel than expected, our fuel costs would increase over \$80,000.

Our electricity and water is procured from expensive, unregulated sources that continue to raise their prices. Our utility contracts with Chalkyitsik and Venetie have expired, and we

are currently negotiating their renewals. Previously we were under flat-rate contracts that the villages are now proposing to convert to variable contracts. In Chalkyitsik, we were paying \$1,500 a month for water and \$2,000 (summer) or \$2500 (winter) a month for electricity. Under the latest proposal, the Yukon Flats School District would need to pay Chalkyitsik \$3,000 a month for water and \$1.15 per kWh, resulting in monthly charges between \$5,000 and \$30,000 (see **Appendix B**). In Venetie the proposed price of water has been increased from \$2,000 to \$3,000 per month, and now they wish to move the school district to a variable kWh. In Arctic Village, we currently pay \$8,500 a month for electricity and \$1,500 a month for water, and we recently received notice that the village council wants to renegotiate the rates for the upcoming school year. We are fighting the rising prices and currently self-generating in Venetie, and considering self-generating in Chalkyitsik and Arctic Village based on the outcome of the negotiations.

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 2014-2015 school year.

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

A handwritten signature in cursive script, appearing to read "Lance Bowie".

Dr. Lance Bowie, Superintendent  
Yukon Flats School District

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

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

October 29, 2014

From: Mike Hanley, Commissioner

Agenda Item: 5.23

◆ **ISSUE**

In accordance with AS 14.17.520 the board is asked to consider the Yupiit School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement.

◆ **BACKGROUND**

Yupiit School District FY2015 Operating Budget Expenditures:

Function	FY14 Dollars	FY14 %	FY15 Dollars	FY15 %
Instructional: 100 – 400	\$7,901,329	66%	\$8,567,190	67%
School Administration Support Services: 450	163,269	1%	167,957	1%
District Administration: 510	438,647	4%	438,567	4%
District Administration Support Services: 550	562,950	5%	540,450	4%
Operation & Maintenance: 600	2,750,737	23%	2,852,549	22%
Student Activities: 700	195,865	1%	206,640	2%
Community Services: 780	0	0%	0	0%
<b>Total</b>	<b>\$12,012,797</b>	<b>100%</b>	<b>\$12,818,353</b>	<b>100%</b>

History of Instructional Expenditures Requiring a Waiver and Actual Enrollments

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Instructional %	68%	70%	68%	65%	63%	70%	68%	66%	67%
Enrollment *	458	460	445	449	450	448	431	439	431

\* Yupiit School District operates three schools in three communities. The FY2015 enrollments are budget projections.

◆ **OPTIONS**

Grant the Yupiit School District's request for waiver of the FY2015 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 including energy & utilities.
- Business office personnel turnover.

◆ **SUGGESTED MOTION**

I move the State Board of Education & Early Development grant the Yupiit School District's FY2015 request for waiver of the 70% minimum expenditure for instruction requirement in accordance with AS 14.17.520(d).

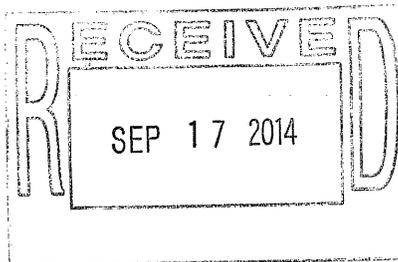
# Yupit School District

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



September 11, 2014

Ester Cox, Chair  
**Board of Education & Early Development**  
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 strives to meet required 70% on instructional expenditures as outlined in law. For FY 2015 the district planned for and worked toward budgeting 70% of expenditures towards instruction, however actual results for the district are 67%.

The Yupit School District requests a waiver to the 70% minimum expenditure for instruction requirement for FY 2015 due to reasons and causes beyond the control of the district, specifically the turnover in the Business Office requiring the new individual to be in training for at least 6 months with a contracted CFO, the state Independent Accountant and Consultant – we have the equivalent of three people working in the business office at various times throughout year. Additionally the district has gone out to bid for their fuel and although it was a dime less per gallon this year, it still remains a high percentage of the budget. In FY 2015 the budgeted fuel purchased for the year equates to 48% of the maintenance & operations budget and nearly 10% of the overall general operating fund budget. Finally the cost of utilities in the District are extremely high. In the current year we have been negotiating for a new water/sewer contract in one site that will increase. Those are very important part of our schools, but they are maintenance costs and only redirect funds from the instructional 70%.

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) position.

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 2014-2015 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 that reads 'Norma Holmgaard'.

**Norma Holmgaard**  
Superintendent

Enclosure