

Date: August 20, 2021  
To: LPSD School Board  
From: Laura Hylton, Finance Director  
RE: August Board Report

### **State Funding to watch**

The State of Alaska each year applies for an approval from the Impact Aid Program to be eligible to deduct a portion of the Impact Aid districts receive from the State Foundation payments. This year the State failed the disparity test which allows this deduction to happen. The amount of Impact Aid deducted from State Foundation payments is estimated at roughly \$75 Million. The State is appealing this ruling and it remains to be seen if there will be a shortage in the appropriation. This will be important to watch, if the appeal is denied the Legislature will need to appropriate another \$75 million to fully fund the statutory foundation formula. This will create contention and likely be the issue that drives a movement to re-write the foundation formula. If the formula is opened up it is anyone's guess what the outcome will be. Education is the largest single State budget line item and is targeted for reduction by our Governor.

### **School Closures and Funding**

Questions related to the funding for schools failing to have 10 students during the October count warrant some clarifying information. The foundation formula contains a hold harmless provision that is triggered when a district experiences a 5% reduction in average daily membership. The hold harmless provision steps down the lost revenue over a 3-year period to allow districts the ability to pay costs related to closing schools. Closing schools is costly and takes time and has taken various forms in LPSD.

As a District LPSD decided it was not feasible to keep schools open when they do not make count. Due to our small school in any given year multiple schools could be short of students and financially operating without full funding is not sustainable.

### **Preschool Funding**

The preschool grant funding announcement expected in July is delayed. The borough held preschool fund balance is \$400,000 and we can request funds to help support the program if the grant is not funded. The grant period would not begin until October 1<sup>st</sup> if funded. Options for preschool programs as discussed in the spring to reduce expenses include:

### **Projections**

Option 1 - 4-5 day program 4 hours (3 hours 1 hour prep) Budget: \$359, 927.03

Option 2 - 3 hours 3 students or less; 4 hours greater than 3 students: Budget: \$333,740.21

Those numbers included the following information/variables:

- Current/anticipated teachers & Rate of pay by site (which at this time we have 5 open PreK positions across the district)
- Options for lessening number of hours provided for services each day, based on student numbers
- Options for offering a 4 or 5 day program per week, based on student numbers
- Removal of inservice travel costs to King Salmon (which saves about \$12,000)

- Removal of additional certified educators in those roles greatly impacts the overall cost (this year we only anticipate one for Newhalen)
- No travel for myself for instructional support (I'd like to discuss options for maintaining that, if possible)
- Very limited supplies budget (which I have already purchased any necessary items for the beginning of this year)
- Having a percentage of my salary being funded through a literacy grant or other source.

Financial Report Attached.