

KENAI PENINSULA BOROUGH SCHOOL DISTRICT (KPBSD)

Leave No District Behind At the Cap Circuit Breaker

SITUATION: Foundation formulas are built around assumptions that are good and bad. Some states recognize the inherent inequity in funding diverse districts and create mechanisms to assist in rectifying disparities that are created. Even when the “mother of all formulas” is created, disparities continue to exist. Frequently, states are reluctant to revise or reinvent all the mechanisms that fund schools. Therefore, we propose **AT THE CAP CIRCUIT BREAKER** legislation for additional state Foundation Aid for districts that are “at the cap” and fiscally responsible. The administrations of the Kenai Peninsula Borough and the Kenai Peninsula Borough School District can demonstrate that they have acted in a fiscally responsible manner. The circuit breaker goes into effect if criteria 1 through 4 are met as defined below:

Tables 1 and 2 illustrate that declining state Foundation Aid has hampered the Kenai Peninsula Borough from contributing additional local funds because the borough funds to the cap (the maximum allowable by statute).

1. The percentage of state aid as a function of total expenditure has remained flat for the last three years.

Table 1 **Three Prior Years of State Foundation Aid**

Year	State Aid	Percent of Total Expenditure
1999	\$42,800,605	58.8%
2000	\$43,104,729	57.6%
2001	\$42,231,591	56.5%

2. The last three years of borough aid as dollars and percentage have been funded at the maximum allowed by law.

Table 2 **The Last Three Years of Borough Aid (at the cap)**

Year	Borough Aid	Percent of Total Expenditure
1999	\$29,476,785	40.5%
2000	\$29,294,461	39.5%
2001	\$29,628,226	40.4%

(Please note that the sum of Foundation Aid and Borough Aid does not equal 100% due to grant and Federal revenue.)

Table 3 illustrates that the Kenai Peninsula Borough School District has exceeded the 70% of the overall budget for instructional purposes and 30 % of the overall budget for administrative purposes. Table 4 illustrates that the Kenai Peninsula Borough School District has limited central office administrative expenses to less than 5% of the overall budget. To our knowledge, in terms of percentage of costs, the Kenai Peninsula Borough School District has one of the most efficient central office administrations in the state.

3. The last three years of 70%-30% administrative costs/teaching costs are in compliance with statute.

Table 3 **Instructional/Administrative Percentages**

Year	Instructional	Administrative
1999	75.5%	24.5%
2000	75.7%	24.3%
2001	71.9%	28.1%

4. The last three years of central office administrative costs have shown fiscal responsibility.

Table 4 **Central Office Administrative Costs**

Year	Percentage of Total Budget
1999	3.9%
2000	4.3%
2001	4.3%

SOLUTION:

The Kenai Peninsula Borough School District proposes that legislation could be introduced to assist boroughs that fund to the cap for three years and the corresponding school district has complied with the 70%/30% rule and limited central office administrative costs to under 5%. The **At The Cap Circuit Breaker** legislation would award an additional 5% Foundation Aid to the districts that meet the aforementioned criteria. In the case of the Kenai Peninsula School District approximately an additional 2 million dollars would be available for use. If the Kenai Borough chose to continue to fund to the cap, approximately an additional \$460,000 could be available for use by the Kenai Peninsula School District for FY '03.

**KENAI PENINSULA BOROUGH SCHOOL DISTRICT (KPBSD)
Revision of the Area Cost Differential**

The Kenai Peninsula School District administration believes that the present area cost differential of 1.004 assumes that operating geographically rural schools within the Kenai Peninsula is about the same as operating urban schools in Anchorage. The district believes that the “Kenai Peninsula-as-Anchorage” assumption is totally inaccurate. Our school district is actually comprised of elements of the Matanuska-Susitna Borough School District, Valdez City Schools, Delta/Greeley School District, and the Lake and Peninsula Borough School District all in one. By funding the Kenai Peninsula Borough School District similarly to the Anchorage School District our schools are adversely impacted. In spite of budget cutting and fiscal restraint, the district has concluded that one major obstacle to long-term fiscal solvency is the present area cost differential.

The Kenai Peninsula Borough School District respectfully requests that our district area cost differential is based upon the geographic reality of our district. Making the assumption that the KPBSD is actually comprised of elements of the Matanuska-Susitna Borough School District, Valdez City Schools, Delta/Greeley School District, and the Lake and Peninsula Borough School District all in one, the following table illustrates how this proposal would affect the funding of the schools of the KPBSD:

Proposed Area Cost Differential

School District	Area Cost Differential	KPBSD Schools	
Valdez City Schools and Delta/Greeley S.D. (*For Homer, Seward, and “on the road” small schools, we used Valdez and Delta/Greeley cost differential of 1.10.)	1.10	Chapman El Chapman Sec Cooper Landing Homer Middle Homer High Hope Kachemak-Selo McNeil Canyon Moose Pass Nikolaevsk El Nikolaevsk Sec	Ninilchik El Ninilchik Sec Paul Banks Razdolna Seward El Seward Mid Seward Sec Spring Creek Voznesenka El Voznesenka Sec West Homer El
Matanuska-Susitna Borough School District (*We used the Mat-Su area cost differential of 1.01 for the Central Peninsula schools.)	1.01	Aurora Borealis K-Beach El Kenai Alternative High Kenai Central High Kenai Middle Mountain View Nikiski El Nikiski Jr/Sr North Star El	Redoubt El Sears El Skyview High Soldotna El Soldotna Middle Soldotna High Sterling El Tustumena El
Lake and Peninsula School District (*For schools accessible only by air and water, we used Lake and Peninsula School District area cost differential of 1.56.)	1.56	Nanwalek Port Graham Susan B. English Tebughna	

(The table utilizes the area cost differential of the four above-mentioned school districts based on similar geographic/demographic characteristics of the communities.)

SOLUTION:

The Kenai Peninsula Borough School District requests that our geographically diverse district be allowed to immediately **adopt multiple area cost differentials** that genuinely reflect the cost of educating students in a 24,737 square mile borough (16,221 on land). Our district has sites accessible only by water or air, remote schools off the road system, and schools dispersed over 250 miles of road system. Using comparable district area cost differentials previously stated, appendices 1 and 2 illustrate that \$2,800,000 in additional state Foundation Aid should be available to our district for FY '03. We request a revised cost differential for FY '03 due to the departure from the intent of SB 36 to "prepare and submit to the legislature by January 15 of every other fiscal year proposed district cost factors."

March 1, 2002