

FY2026 SCHOOL FUNDING

CITY AND BOROUGH OF SITKA ASSEMBLY & SCHOOL BOARD

JANUARY 16, 2025



SITKA

SCHOOL DISTRICT

DISCOVER | NURTURE | INSPIRE

PROCESS AND LAW PERTAINING TO LOCAL FUNDING OF PUBLIC EDUCATION



1. By May 1 school board must submit budget to assembly



2. Within 30 days of receiving formal school budget, the administrator must inform the school board in writing of the level of local funding to be made available for public education



3. No action means that whatever is in the SSD budget for local funding will be the local contribution and the CBS budget would have to be amended to reflect the amount in the SSD budget (if different)



4. As school funding is a significant part of the CBS expense budget and a significant revenue to SSD, it is very helpful to both CBS and SSD to agree upon the amount of local funding to direct to education as early as possible.

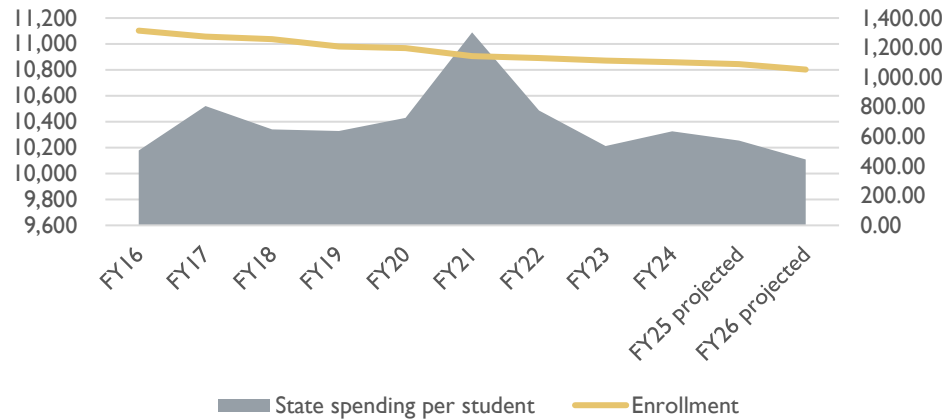


5. The SSD generally allocates some funding from CBS as instructional (counts towards the “cap”) and other as non-instructional (doesn’t count towards the “cap”). The assembly may specify how funds are to be used but does not have to.

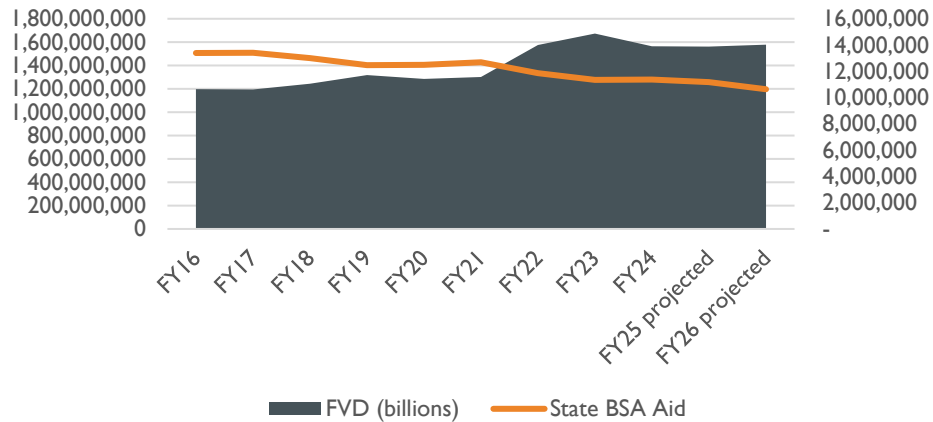
NEW this year:

-first year to appropriate funds from School Building Infrastructure Fund

State spending per student



Total state aid compared to property values



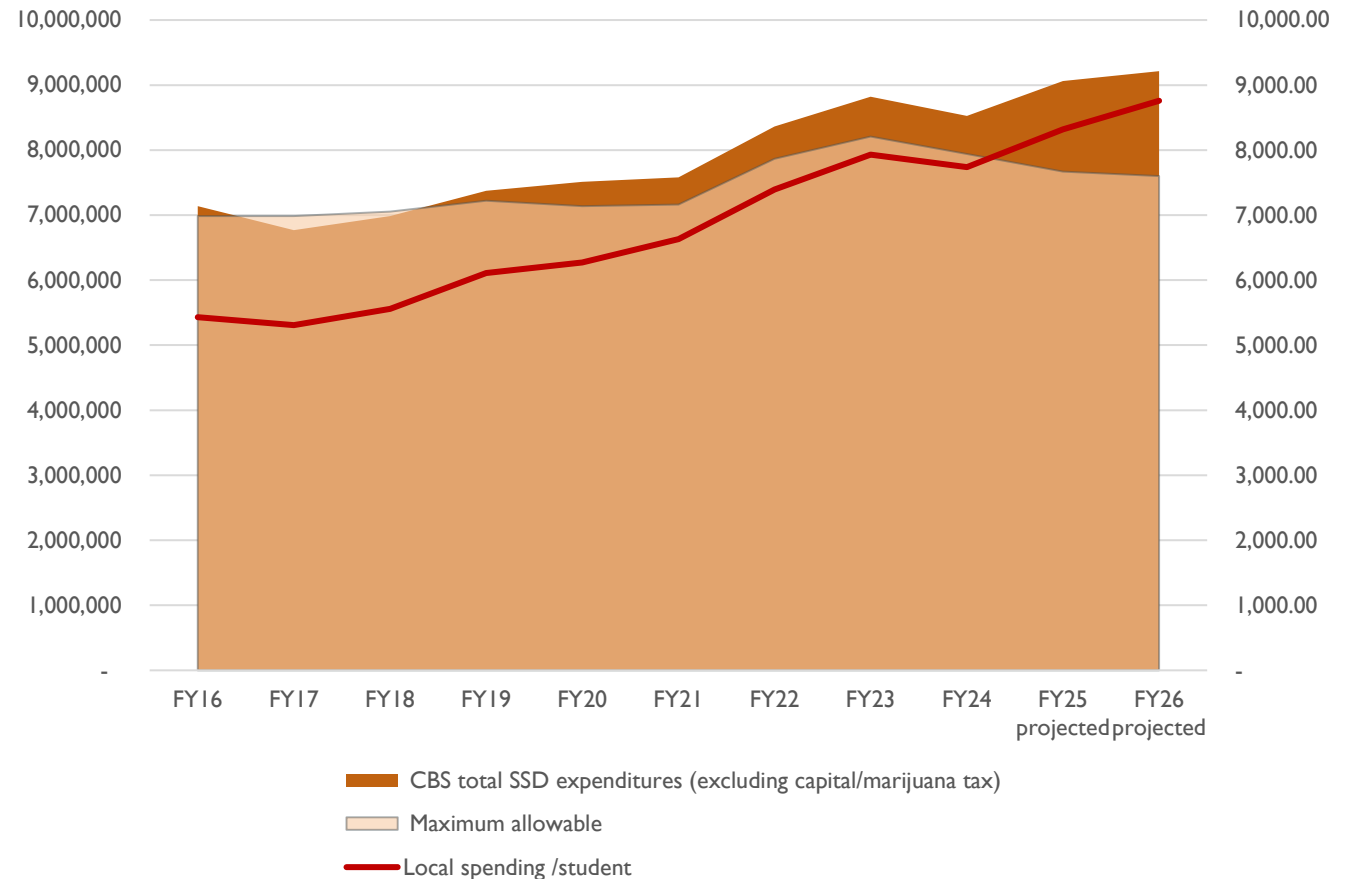
NUANCES OF LOCAL FUNDING FOR EDUCATION

- Maximum allowable local contribution (“cap”) changes based on both **enrollment** as well as the “full value determination” (FVD) of the municipality’s **property**, (which is calculated by the State). The higher our FVD goes, the higher required local contribution. The BSA has stayed flat and enrollment continues to decrease, so the only factor driving an increase in school funding is increased property values which increases what the CBS can fund. For FY2026 the decrease is being driven by the estimated decrease in enrollment, as there was a slight increase for FVD.
- If the state increases **the Base Student Allocation (BSA)**, the State funding as well as the maximum allowable local funding also increases
- Secure Rural Schools funding not yet re-authorized.
- Marijuana tax increased from 6% to 8% in 2024. Based on current projections, FY2025 revenue is expected to come in higher and assuming remittances remain steady, a total of \$360,000 will be available. Concerns over other funding being counted towards cap.
 - Cap decreasing-FVD
 - Other dedicated funding

TOTAL LOCAL FUNDING

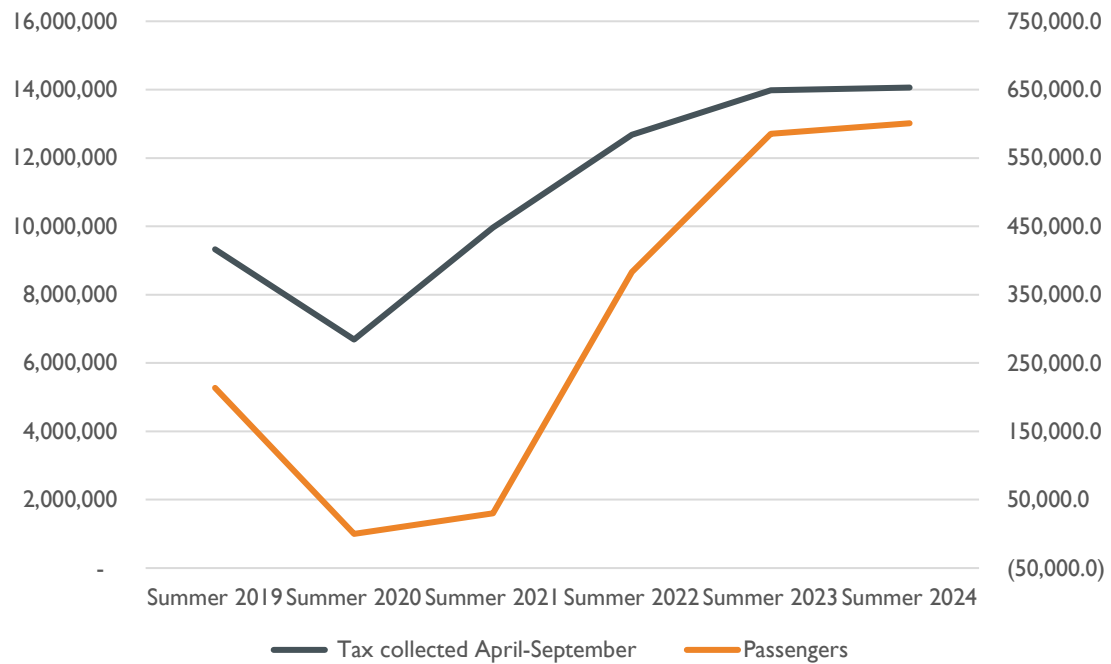
- CPI from 2016 to 2024 increased 21%
- State funding has decreased 17% overall (an increase of .75% per student)
- Cap has increased 8.8%
- Total local spending increase 29.1%
- Increase in local spending per student 61% (including expense transition excluding CAPEX and marijuana tax)
- Potential for increase to senior property tax exemptions.
- Concerns around sustainability of local funding levels, especially if cruise tourism decreases—over \$3.8M of total sales tax revenue will be dedicated to schools/education in FY2026

Local funding to schools

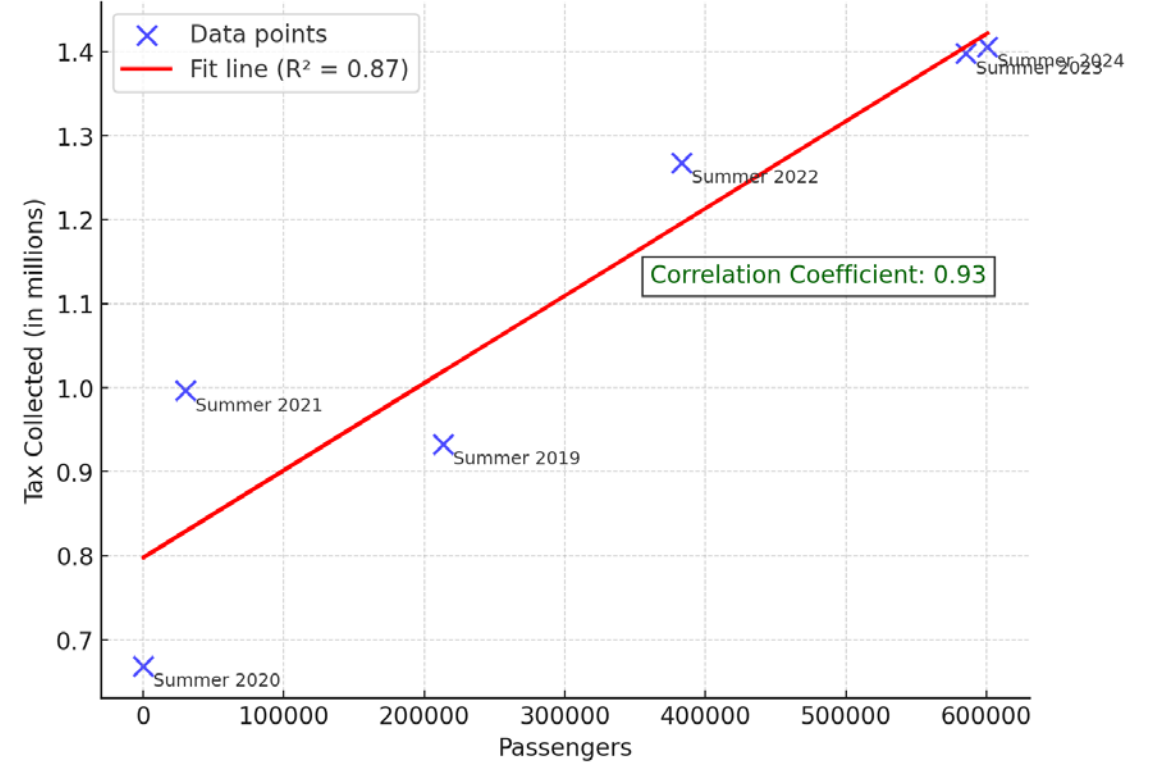


CORRELATION BETWEEN SALES TAX AND CRUISE PASSENGERS

Cruise visitors vs Sales Tax Collections



1e7 Updated Correlation Between Passengers and Tax Collected



SCHOOL FUNDING FOR FY2026

FY26 Local support for education

Maximum funding for education as allowed by State (distributed monthly)	\$ 7,600,975
Student Activities from the General Fund	134,600
PAC Utilities	67,000
PAC Contract -up to	125,000
Secure Rural Schools (assuming reauthorization) 50% up to	300,000
Student activities funded from Marijuana tax proceeds (estimate)	360,000
	\$ 8,587,575

Other

Maintenance of school buildings (estimate)	670,000
--	---------

TOTAL FUNDING FOR SSD \$ 9,257,575

- *To help with cash flow, the CBS will distribute May and June both at beginning of May*
- *SRS will be distributed upon receipt, usually May/June-SRS has not been reauthorized, so if it doesn't come in, it wouldn't be disbursed.*
- *The CBS will continue to operate the Blatchley Pool*

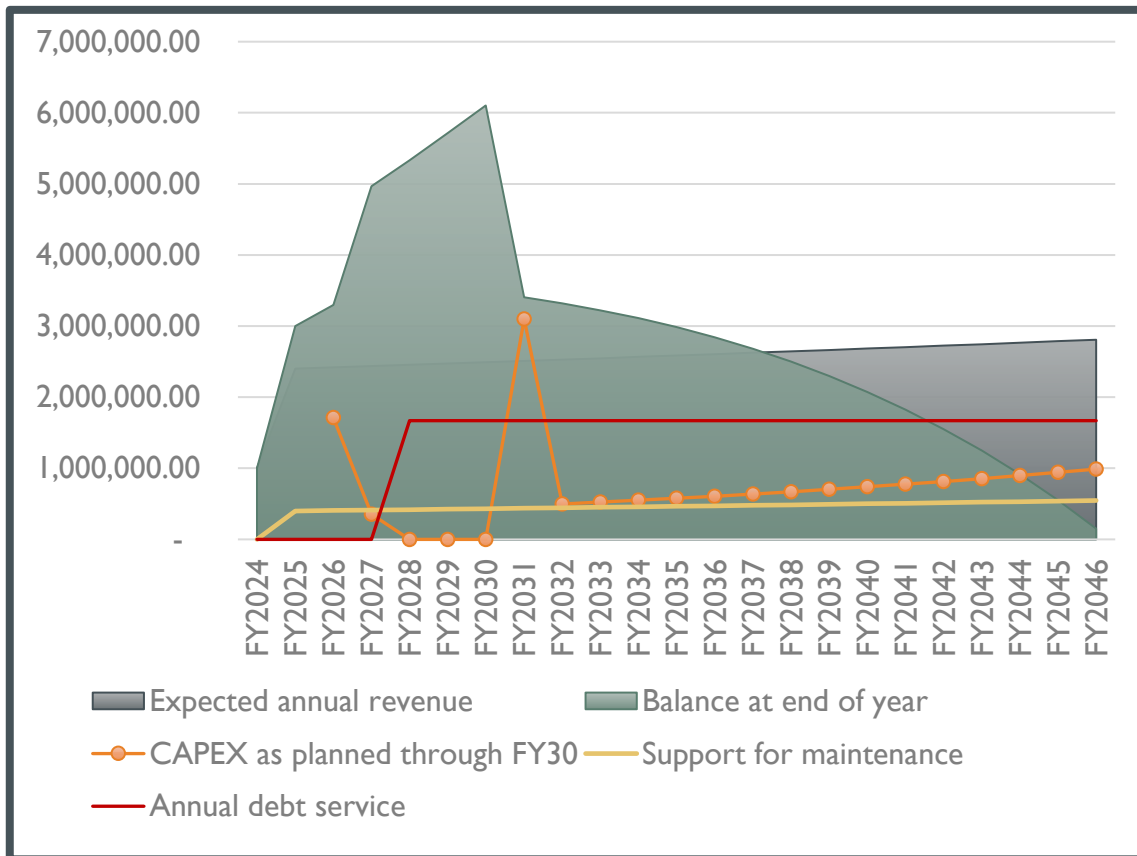
CONSIDERATIONS FOR USING THE 1% SEASONAL SALES TAX

- Process for project approval is outlined in the MOA. List of projects based on preliminary condition assessments and risk scoring has been prepared by the Public Works Facilities Team. This, in collaboration with the school district, was used as basis to generate a list that was approved by the School Board 1/8/25.
- It has been nearly 20 years since any major renovations have been done on any schools (Blatchley-around 2007/district-wide maintenance in 2005/SHS and PAC in 2004/Baranof and SHS 1999-2000)
- Cost have escalated and the state no long reimburses any portion of debt service
- The following charts show two 20-year scenarios-one in which we implement the presented CIP plan as presented and one in which the desired grant funding does not come through
- The CBS team recommends adding one appropriation for floor surfacing that the SSD didn't include as there will efficiencies doing floor surfacing for multiple facilities
- Our current plan assumes seasonal sales tax levels do not decline, but if tourism decreased, this will impact the upcoming models



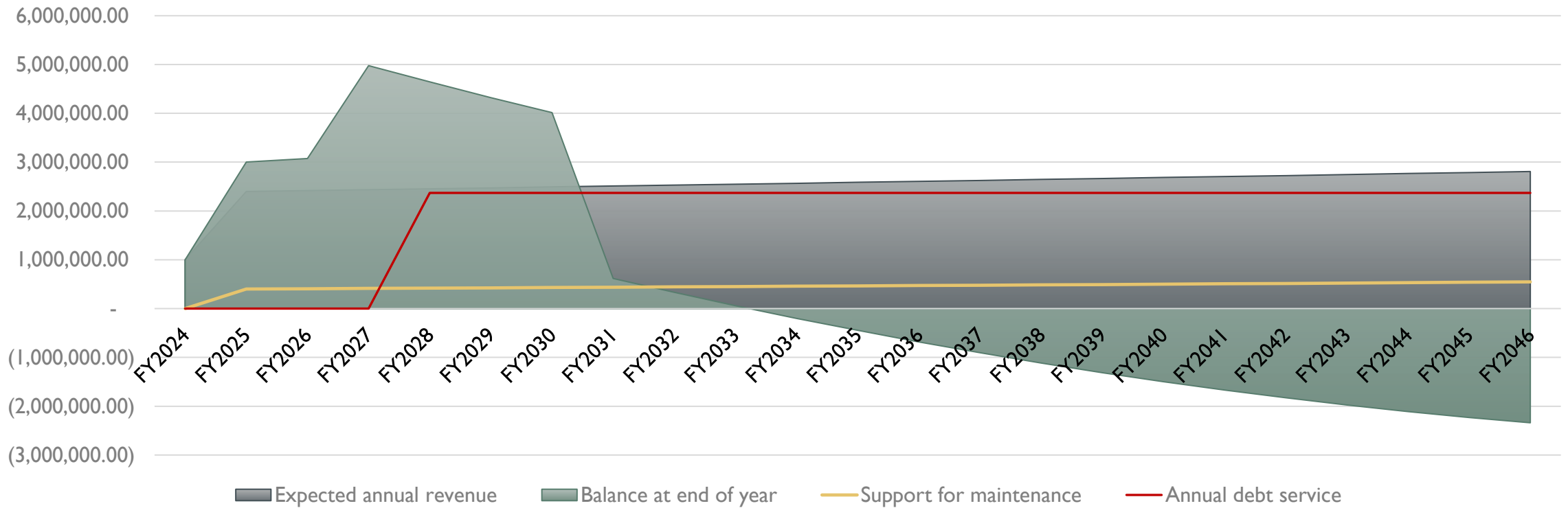
School	Prioritization Risk Score	Project	Estimate Year	FY26	FY27	FY28	FY29	FY30	Deferred	Funding			TOTAL
										Grant	Loan	Capital	
CBS Identified Projects													
SHS	Urgent	SHS Exterior Window Repair	2024	50,000								50,000	50,000
KGH	High	KGH Covered Area Revitalization	2024	75,000								75,000	75,000
KGH	High	KGH Playground Improvements	2024									-	-
SSD	High	SSD DDC Upgrades (SHS, BMS, XES)	2024	175,000								175,000	175,000
XES	High	XES Asphalt Repairs	2024	125,000								125,000	125,000
XES	High	XES Back Ramp Replacement	2024	15,000								15,000	15,000
BMS	High	BMS Envelope Restoration	2024	50,000	2,500,000		10,000,000			4,000,000	8,500,000	50,000	12,550,000
SHS	High	SHS Envelope Restoration	2024	50,000		2,500,000		10,000,000		2,500,000	10,000,000	50,000	12,550,000
SHS	High	SHS Entry Doors & Grate Replacement	2024	85,000								85,000	85,000
SSD	High	SSD Boiler Overhaul	2024	200,000								200,000	200,000
SEACC	High	SEACC Envelope Refurbishment	2024		100,000							100,000	100,000
SEACC	High	SEACC Window Replacements	2024		15,000							15,000	15,000
KGH	High	KGH Compressor Replacement	2024	15,000								15,000	15,000
KGH	Medium	KGH School Sign Replacement	2024	20,000								20,000	20,000
SHS	Medium	SHS Flooring & Wall Paneling Replacement	2024						1,250,000			1,250,000	1,250,000
SHS	Medium	SHS Parking Lot Improvements	2024						400,000			400,000	400,000
KGH	Medium	KGH Gym Floor Resurfacing	2024	125,000								125,000	125,000
KGH	Medium	KGH HVAC Controls Upgrade	2024	150,000								150,000	150,000
XES	Medium	XES Walk-In Freezer Repair	2024	25,000								25,000	25,000
XES	Medium	XES Covered Area Repairs	2024	20,000								20,000	20,000
SHS	Medium	SHS Gym Wood Floor Refurbishment	2024	120,000								120,000	120,000
XES	Medium	XES Gym Floor Resurfacing	2024	150,000								150,000	150,000
BMS	Medium	BMS Flooring Replacement	2024						600,000			600,000	600,000
BMS	Medium	BMS Band Wood Floor Refurbishment	2024	50,000								50,000	50,000
XES	Medium	XES Flooring Replacement	2024						400,000			400,000	400,000
PAC	Medium	PAC Exterior Improvements	2024	100,000								100,000	100,000
XES	Medium	XES Exterior Repainting	2024	200,000								200,000	200,000
XES	Medium	XES Roof Restoration	2024						1,250,000	1,250,000		-	1,250,000
PAC	Medium	PAC Bollard Replacements	2024	40,000								40,000	40,000
BMS	Medium	BMS Gym Wood Floor Refurbishment	2024	100,000								100,000	100,000
TOTAL				1,940,000	2,615,000	2,500,000	10,000,000	10,000,000	3,900,000	7,750,000	18,500,000	4,705,000	30,955,000

SCENARIO I: MID-RANGE CIP PLAN AS PRESENTED



- Bond in FY2028 (\$18,500,000 in mid-long range capital plan inflation adjusted to \$20,809,984)
- In this scenario, the 1% seasonal is used to cover priority near-term project and then to support debt service beginning in FY2028 on bonds for more significant near-term needs. The current level of support for maintenance is maintained.
- Under this scenario the equivalent of ~\$400,000 in today's dollars is what would be available until debt service is fully paid
- Assumes 4% annual inflation for capital projects

CIP PLAN AS PRESENTED, BUT NO GRANT FUNDING (NO ADDITIONAL CAPEX AFTER FY31)



ANSWERS NEEDED FOR FY2026 BUDGET PROCESS



Are these the correct levels of funding to include in the Draft Administrator's budget?

During discussion, if any changes from what is presented are needed it would be helpful to clearly outline those changes and discuss