



Office of the Borough Mayor

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Charlie Pierce
Borough Mayor

March 18, 2019

Mrs. Penny Vadla, President
Kenai Peninsula School District
148 North Binkley Avenue
Soldotna, Alaska 99669

RE: FY 2019 Budget Request

Dear Ms. Vadla:

This is in response to Mr. Dusek, KPBSD Superintendent's letter dated, March 15, 2019, requesting additional funding for FY19. We clearly understand and appreciate the challenges we are all facing due to the States most recent proposed FY20 budget contractions. We should also agree, there are strong possibilities that both the School District, as well as, the Kenai Peninsula Borough will be greatly affected by these reductions. The amounts, however, are unknown. In an effort to prepare for our revenue uncertainties, the Borough is currently sitting on fourteen vacant positions, working under a hiring freeze, and have delayed most of our capital projects until further notice.

As you are aware, just like the District, we are facing a potential borough wide \$20 million cut in FY20. The Borough's General Fund FY19 budget is currently projecting deficit spending of \$2 million. Funding the School District to the maximum allowable amount in FY19 of \$52,162,387, along with the anticipated reduced maximum funding of \$48,241,536 in FY20, will provide an average overall increased funding to the School District of \$463,500 each year. This \$463,500 annual increase, along with the potential reductions of oil and gas property taxes, debt reimbursement, and fish tax to the KPB General Fund of \$10.5M, would reduce the Borough's fund balance to less than \$2M by 06/30/2021 with no other changes. This is an unsustainable model and therefore it is unfortunately premature to provide additional revenue at this time, without fully understanding what the School District's, as well as, the KPB's FY19 and/or FY20 budget reductions will be.

Educational funding currently represents 67.5% of the Kenai Peninsula Borough's General Fund Expenditures; funded by 43% of the Borough's general fund property tax receipts, 100% of the borough's sales tax receipts, and 100% of the borough's state debt reimbursement receipts. With the uncertainty of oil and gas property tax revenues, reduced debt service reimbursements, fish tax receipts, and other state-funded programs, the Borough is positioned to lose up to \$10.5M in general fund revenues, of which \$6.1M directly impacts educational funding.

As we develop our FY20 budget, we will continue to do our very best to provide as much revenue in support of public education. We understand the importance of public education and share in the responsibility to deliver services, and I am committed to assisting you in your success.

Failure is not an option.

Be Safe Always,



Charlie Pierce

Kenai Peninsula Borough Mayor

Cc: Mr. Sean Dusek, Superintendent
Johni Blankenship, Borough Clerk