



MATANUSKA-SUSITNA BOROUGH

Office of the Borough Mayor

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May 16, 2017

Dear Assembly Members,

As Mayor of the Matanuska-Susitna Borough, I reduce line item 100.000.000.445.220 and 204.000.000.367.100-406-100 commonly referred to as education funding by \$1,598,798 or the exact amount of Amendment 3 to Ordinance Serial No. 17-017. This restores education funding to \$55,841,300 for the FY 2018 Budget. My reasons and explanation follow.

I and present and past Borough Assemblies have long supported increased funding for our schools. Since 2008, I have served continuously on the Borough Assembly and then as Mayor. Over the course of those nine years, local funding for schools increased each year except during two years in which funding remained flat.

- In that same stretch of time, while the local contribution to education increased 27.9 percent, the student population increased 18.5 percent.
- Also in that same time, the Borough took on the largest school construction bond debt ever—\$214 million in school bond projects. This School District bond package narrowly missed collapse during Assembly debate if it weren't for myself and my peers advocating for its passage.

Our taxpayers also strongly support schools. Not only did they vote for this Mat-Su record school bond package, but because we have few large commercial and industrial businesses for property tax diversification, it is the local homeowners who bear the burden of paying for the majority of property taxes, which help fund education.

- Mat-Su Borough taxpayers spend more property tax dollars on education (both funding and school construction debt) than all the large municipalities in Alaska. **A greater percentage of property taxes from the Mat-Su go to education than do in Anchorage, Fairbanks, Kenai, and Juneau.**

Since 2014, the Mat-Su's tremendous growth led to construction of our six new schools, one school expansion, and many upgrades. However, roads and emergency response are other vital services in which ceaseless growth and demand has occurred, yet the departments delivering services have not enjoyed similar increases in funding.

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- From 2011 to 2017, the School District has created 495 new positions, while the Borough has created just 43 positions. The Borough operates with the leanest personnel to resident ratio for any municipality in the state, one employee for every 330 residents.

This coming year our total Emergency Services Department and Fire Service Area budgets decreased by 7.2 percent. This spring the Animal Care Shelter had to reduce the hours that the building was open to the public due to staff shortages. The Borough's comprehensive budget shrank by \$9 million, all while the Borough Manager's proposed budget maintained level funding for schools. This was followed by the Assembly budget amendment to increase funding.

The uncertain State fiscal climate affects the Borough. One year ago, after we adopted the FY 2017 budget, the Borough was stung with a \$5.7 million dollar reduction from the State of Alaska. Our 70/30 agreement with the State for school bond debt reimbursement was changed unilaterally to 50/50. The Mat-Su Borough absorbed the entire \$5.7 million in its budget. **The Borough did not pass a dime of debt onto the School District, unlike Anchorage and Fairbanks.** The Manager was asked by the Assembly to institute a hiring freeze, to restrict overtime, to cut travel, to cut or delay capital projects, and to do any other measures needed to absorb the \$5.7 million loss. This same year education received a 6 percent increase in local funding. With the Governor's veto this caused a \$7.2 million dollar swing in finances for the Borough.

In hindsight, this was not prudent.

During this same period, the Borough's portion for school construction debt per year jumped from \$5 million to \$6 million for the years 2008 through 2012 and then to more than \$10 million from 2013 through 2018, to a whopping \$16,548,459, in FY 2017, the year of the veto.

A year after the veto, the fiscal and political climate in Juneau is just as uncertain. We know that experts say oil prices may not go above \$60 a barrel. We know the State is cutting municipal revenue sharing to zero. We do not yet know the final outcome for education funding. We know there were legislative efforts to cut funding to senior centers and senior housing. We can surmise that the Governor may be pushed into difficult decisions after the Legislature closes.

I am vetoing Amendment 3 not because I disagree with a school funding increase. Instead, I disagree with the method of funding found in Amendment 3. It is neither a prudent nor a sustainable method. It is the Borough's responsibility to build schools and have the land available.

The Borough has two recent policy statements, one from the School Board and Borough Ordinance Serial No. 17-031, which seek to preserve this money, but nevertheless Amendment 3 depleted it. For FY 2009 through FY 2015 lapse money kept a balance in the School Site Selection Reserve Fund of \$3 million to \$4 million. Now the Borough faces a reserve with only \$300,000, when land for the old Iditarod School went for \$1.5 million.

The Borough should retain all reserves due to the fiscal uncertainty of our times. The Borough Manager in conjunction with his Directors presented a well-reasoned FY 2018 Budget proposal. The Manager was able to reduce Borough operations by \$2 million and capital

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expenditures by \$6 million. Alongside our reductions, he kept education funding untouched. The Borough champions our schools.

Should this veto reduction survive scrutiny by the Assembly, the School Site Selection Reserve Fund will contain \$1,898,798. This is not school operating money, it is a Borough reserve. Its priority use is for school land purchases, but the Borough should retain all reserves for a true fiscal emergency.

To increase school funding, I urge the Assembly to tackle the tougher issues of Tax Cap reform or a dedicated Borough-wide sales tax, or both. A one quarter of one mill (.250) increase would produce \$2 million dollars. The Areawide mill rate would be 10.582 rather than 10.332. For every \$100,000 in home value the additional tax cost would be \$25. There have been times in Borough history where the mill rate was over 11. A sales tax proposal needs partnering with our three cities and the School District. **The voters would ultimately decide a sales tax. It diversifies revenue and takes pressure off of property taxpayers who already are taxed higher for our schools than Anchorage, Fairbanks, Kenai or Juneau.**

With State spending shortfalls, the Borough must find a better way forward. The Borough needs to keep the School Site Selection Reserve Fund balance high as our population continues to rise.

We need to support education but do it wisely.

Sincerely,



Vern Halter

Mayor

Matanuska-Susitna Borough

CC: John Moosey – MSB Manager
Lonnie McKechnie – MSB Clerk
Nick Spiropoulos – MSB Attorney
Cheyenne Heindel – MSB CFO
Monica Goyette – Superintendent of Schools
Luke Fulp – CFO of Schools
Donna Dearman – School Board Chair

Total Education Funding Fiscal Years 2008-2017

Fiscal Year	Adopted Budget	Net School Debt	Total Education Funding
2008	\$43,632,999	\$5,668,285	\$49,301,284
2009	\$44,711,888	\$5,650,011	\$50,361,899
2010	\$45,097,365	\$5,652,424	\$50,749,789
2011	\$48,347,365	\$6,119,290	\$54,466,655
2012	\$48,347,365	\$6,894,359	\$55,241,724
2013	\$49,797,786	\$8,717,993	\$58,515,779
2014	\$51,291,720	\$8,820,321	\$60,112,041
2015	\$51,291,720	\$9,746,659	\$61,038,379
2016	\$52,680,472	\$10,776,450	\$63,456,922
2017	\$55,841,300	\$10,856,274	\$66,697,574