

Ketchikan Gateway Borough School District

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To: Michael Robbins, Superintendent of Schools

From: Daniel B. Schuler, Business & Operations Manager

Subject: Governor's Veto Impact on FY2025-2026

On June 12, 2025, Governor Dunleavy line-item vetoed the education portion of the State of Alaska's FY2025-2026, effectively reducing the legislation put forth the Alaska State Legislature from a \$700 BSA increase to a \$500 BSA increase.

The Governor's line-item veto has been met with widespread disdain. It also marks the first time in state history that a governor has not fully funded the education formula. Additionally, the Governor used his line-item veto power to veto the Legislature's inclusion of funding for a special legislative session, thereby ensuring that a potential override vote on his education line-item veto will not take place until the Legislature reconvenes in January 2026.

The Coalition for Education Equity of Alaska has signaled that they plan to sue the State of Alaska in which they aim to argue the governor's veto on education funding is unconstitutional because it would not fund "adequate" education. Caroline Storm, executive director for the Coalition, pointed to a lawsuit in 2004, filed by the coalition when they were under a different name, where the judge listed what adequate education was.

The reduction in funding at the State of Alaska level once again shifts education funding to the local cities and boroughs throughout the State of Alaska, a trend that has been prevalent since 2017.

The District had anticipated the potential for such a veto in its FY2025-2026 budget. While it had budgeted for a \$680 one-time increase outside the BSA, it did not include that amount in the calculation of the local contribution cap. However, that intentional local contribution cap calculation and a slight increase in the in-kind contribution for the self-insurance note receivable that was not included in the final FY2025-2026 draft approved by the Board of Education on April 30th, the net impact for the District is a reduction of estimated surplus by approximately \$460,000, leaving the projected surplus from operations for FY2025-2026 at appropriately \$665,000.

As of now, the Administration is anticipating two budget amendments to occur during the FY2025-2026 fiscal year, once in November 2026 after the OASIS count has been taken and then again in February or March after the OASIS count has been certified by the State of Alaska.