

Dear KPBSD Staff and Community,

I am writing to share an important update regarding the Kenai Peninsula Borough School District's budget for the upcoming 2026-2027 (FY27) school year. As we move through this phase of budget development, the district is facing a significant gap between projected revenue and the anticipated cost of operating our schools. I want to provide clear, straightforward information about why this gap exists and what it means for our planning moving forward.

Last year, the Legislature made a historic decision to permanently increase the Base Student Allocation by \$700. That investment mattered. It provided stability at a critical time, and I remain grateful to the lawmakers who recognized the urgency facing public education. Even with that action, however, school districts across Alaska remain approximately \$1,283 per student below where funding would be today if the BSA had kept pace with inflation since 2011.

Despite this increase to the BSA, two factors are driving the projected funding shortfall for the upcoming school year. This shortfall will require the district to make difficult decisions in order to maintain fiscal stability.

First, Alaska's education funding formula creates a dynamic that is often misunderstood. As local property values increase, reflected in the growth of the full and true value of taxable real and personal property, the formula requires a higher local contribution and reduces state funding dollar-for-dollar. This does not increase the total amount of funding available to school districts. Instead, it shifts fiscal responsibility from the State of Alaska to the Kenai Peninsula Borough.

For FY27, the Kenai Peninsula Borough's required local contribution is projected to increase by approximately \$3.6 million due to this growth in property values. Under the state funding formula, that increase results in a corresponding reduction in State of Alaska's foundation funding.

Second, the Kenai Peninsula Borough's proposed FY27 budget provides approximately 5.27 percent less funding for schools than the prior year.

As a result of both the state funding formula and the borough's proposed budget, the district is projected to receive approximately \$4.5 million less in state revenue and approximately \$3.3 million less in borough revenue compared to FY26. Taken together, these changes represent a projected revenue shortfall of nearly \$8 million.

For planning purposes, the district has budgeted borough support of \$59,074,865 for FY27. This figure reflects the borough's proposed budget and represents a 5.27 percent decrease

from the FY26 borough appropriation. This approach is intentionally conservative and based on realistic revenue assumptions. While statute allows the borough to contribute up to a maximum of \$68,685,024, that amount represents a legal cap rather than an assumed or anticipated funding level and is not treated as available revenue for budgeting purposes unless the borough assembly provides an increase in revenue.

Given these realities, the district continues to plan conservatively and responsibly. Our priority will remain focused on protecting student learning and core classroom services as much as possible. Rising costs, combined with structural funding limitations, require careful and thoughtful decision-making to sustain services for students while maintaining fiscal stability. For FY26, the current school year, the district made reductions in expenditures of almost \$8 million. In FY27, the district must again identify reductions that will impact classroom size, school consolidation, and school programs and activities.

Over the next few weeks, we'll be engaging with our communities to share information, answer questions, and gather input. Transparency remains a priority, and we want everyone to understand the challenges ahead and be part of the conversation. Visit the [**Finance page**](#) on the school district website for more details, and please take a moment to share your input using the [**Balancing Act tool**](#).

I encourage staff, parents, and community members to attend a districtwide budget development meeting in your area:

KPBSD Budget Meetings:

- February 10, 2026
Homer High School Library at **6:00 pm**
- February 17, 2026
Kenai Central High School Library at **6:00 pm**
- February 18, 2026
Seward High School Library at **6:00 pm**

Thank you for your continued support of KPBSD and the students we serve.

Clayton Holland
Superintendent
Kenai Peninsula Borough School District