

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #076 (2018-2019)

December 3, 2018

TO: SCHOOL BOARD

FROM: DR. DEENA BISHOP, SUPERINTENDENT

SUBJECT: FISCAL YEAR 2019-20 PRO FORMA FINANCIAL PLANNING  
OUTLOOK & BUDGET DEVELOPMENT GUIDANCE

ASD Core Value: *The district will be open, transparent and accountable to the public.*

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2019-20 Preliminary Financial Plan and Budget in accordance with the financial projections and budget guidance set forth in this memorandum.

The budget for FY 2019-20 is to be established for planning purposes with projected revenues of \$788.891 million as shown in Table 1 below. This represents an increase of \$3.114 million, or 0.4 percent, from the FY 2018-19 approved budget of \$785.777 million.

**Table 1. Individual Fund Budget Summary (in millions \$)**

	Estimated [1]	Approved	Pro Forma	FY 20 Pro Forma	
	FY 2017-18	Budget FY 2018-19		vs FY 19 Adopted	
			FY 2019-20	\$	%
Individual Funds					
General Fund	\$ 579.539	\$ 565.000	\$ 565.935	\$ 0.935	0.2%
Project Carryover[2]	-	17.000	17.000	-	0.0%
Transportation Fund	23.799	25.132	21.279	(3.853)	-15.3%
Grants Fund	47.895	61.266	61.879	0.613	1.0%
Debt Service Fund	81.403	80.653	79.070	(1.583)	-2.0%
Capital Projects Fund	-	4.228	10.000	5.772	136.5%
Food Service Fund	23.678	24.598	25.828	1.230	5.0%
Student Activities Fund	7.254	7.900	7.900	-	0.0%
ASD Managed Total	763.568	785.777	788.891	3.114	0.4%
SOA PERS/TRS On-behalf	38.586	46.000	46.000	-	0.0%
Total All Funds	\$ 802.154	\$ 831.777	\$ 834.891	\$ 3.114	0.4%

[1] Expenditures on the budgetary basis of accounting

[2] Reauthorization of upper limit spending authority for funds carried forward for ongoing projects

## PERTINENT FACTS:

### **Introduction**

This memorandum outlines the financial planning considerations and budget development guidance that will be used to develop the FY 2019-20 Preliminary Financial Plan.

The financial planning considerations are in the detailed financial outlook developed in the attached Appendix.

Key considerations in the development of a financial plan for the district this coming year include:

1. Revenue assumptions and risk analysis related to enrollment and changes in state, local and federal funding;
2. Address increasing capital requirements amid the uncertainty of state debt reimbursement; and
3. Address challenges of maintaining pupil transportation without State funding.

The administration is currently in the process of planning community budget conversations to educate the public on the FY 2019-20 budget gap and get feedback on what changes should be considered for overall budgets and resource allocation.

The Board has tasked the administration with developing a balanced budget under current law and associated revenue projections that will focus on student outcomes by implementing steps to achieve Destination 2020 goals and objectives.

### **Summary of Pro Forma Financial Outlook**

With a declining overall enrollment projection, assuming a flat revenue scenario for FY 2019-20, OMB estimates that the financial gap between revenues and expenditures will be roughly \$10.39 million to maintain the same level of services as presented in the FY 2018-19 budget.

The appendix to this memorandum presents financial planning considerations which will be used in developing the FY 2019-20 Preliminary Financial Plan and Budget as well as a 6 year outlook based on current law and flat funding thereafter. In preparing the budget for the 2019-20 fiscal year, OMB updates revenue projections and reviews the expenditure trend line as well as known and measurable variations from trends, assuming current staffing levels are maintained, in order to assess the potential financial gap between projected revenues and projected expenditures.

## **Key Considerations to Close the Gap**

Personnel costs make up roughly 88 percent of the district's General Fund budget. Salary and benefit increases are trending with inflation projections for FY 2019-20. In order to close the budget gap, the district is faced with extremely difficult choices on where to reduce staffing levels and create efficiencies in non-personnel costs.

### SUMMARY:

The administration will continue its evaluation of all programs to ensure continued alignment with the Destination 2020 strategic goals and initiatives of the district.

The administration will develop a balanced budget that attempts to minimize the erosion in the breadth and depth of course offerings while maintaining momentum toward Destination 2020 goals to the extent practical. The balanced budget will be submitted for public consideration in January and board deliberations in February.

Attachment

DP/JA/AR

Prepared by: Andy Ratliff, Senior Director, OMB  
Approved by: Jim Anderson, Chief Financial Officer

**Anchorage School District**  
**Anchorage, Alaska**

TO: ANCHORAGE SCHOOL BOARD  
From: CFO/OMB  
Subject: FY 2019-20 Pro Forma Financial Outlook  
Date: December 3, 2018

**Introduction**

OMB has prepared the Pro Forma Financial Outlook as an appendix to the *Pro Forma Financial Planning Outlook and Budget Development Guidance Memo* slated for Board review at the December 3, 2018 Board meeting and approval at the December 17, 2018 board meeting.

This Pro Forma Financial Outlook memo will:

1. Provide revenue, expenditure and budget gap projections for FY 2019-20
2. Update extraordinary revenue and expense items
3. Review key budget assumptions, including:
  - a. enrollment projections
  - b. revenue projections under current law
  - c. salary inflation
  - d. benefits changes
  - e. services, supplies, equipment, and other costs
4. Provide an illustrative six year outlook based on current law and flat funding thereafter

The purpose of the Pro Forma Budget Development Guidance Memo is to outline expected revenues and changes in cost estimates to provide the same level of service as this current year, taking into account the following: projected fluctuations in enrollment, price variation on fixed costs, and changes in labor contracts. Additionally, the Pro Forma communicates the anticipated budget gap between revenues and expenditures that serves as the starting point for developing the Preliminary Financial Plan.

The information contained in this financial outlook is primarily focused on general operating revenues and expenditures. Projections and analyses for other funds are provided to the extent that material or noteworthy changes are expected within either the amount or scope of the fund.

### **Enrollment and Revenue**

The FY 2019-20 revenue projections are updated to reflect the State OASIS average daily membership (ADM) count period, completed in October, for FY 2018-19, with changes based on current enrollment projections for FY 2019-20. As District enrollment drives the state funding formula, which in turn sets a cap on local funding, it is important to consider the enrollment outlook.

The OASIS count forms the baseline enrollment for the fall of 2019 which is then projected through the fall of 2025 based on a basic demographic model using birth rates, PFD enrollment, municipal projections, etc. The District is projecting a decline of 579 ADM (approx. 1.3%) to be used as the basis for the preliminary revenue estimate, however this is subject to change as more detailed projections become available. Of the 579 ADM decline, 105 ADM comes from the State's reduction in the bed count that is funded for McLaughlin Secondary School and The New Path which were reduced from 180 to 110 ADM and 55 to 20 ADM, respectively. The official enrollment projections and resulting change in revenue will be included in the Preliminary Budget in January.

ADM this year was lower than the demographic projections by approximately 1.77 percent while students with intensive needs increased by about 8.1 percent above projections.

### **Current Law**

The current law funding scenario is based on a Base Student Allocation (BSA) of \$5,930 as set by State Statute AS 14.17.470. HB 287, approved during the last legislative session, provides for \$30 million to be allocated outside of the Foundation Formula as one-time funds to be distributed statewide. The District's share of these funds is estimated at \$8.4 million with an additional \$1.9 million in additional local tax revenue.

Table 1 (below) shows the Foundation Formula for State funding and the local maximum contribution from the municipality. Three scenarios are shown including the Adopted FY 2018-19 budget, the preliminary OASIS count for FY 2018-19 and the FY 2019-20 Foundation Formula based on current law.

The preliminary OASIS count for FY 2018-19 was 831.99 fewer (827.99 fewer facilities based and 4 fewer correspondence) average daily membership (ADM) than the projection in the adopted budget. The projection for FY 2019-20 is 580.67 fewer ADM than the OASIS count. For the budget-to-budget basis of comparison, which is being used when comparing revenue, the ADM decrease will be approximately 1,412.

**Table 1.**

	Line #	Adopted FY 2018-19	Prelim OASIS FY 2018-19	Current Law FY 2019-20
BSA	1	5,930	5,930	5,930
ADM	2	45,646.50	44,818.51	44,239.84
<i>ADM change</i>	3		(827.99)	(578.67)
Correspondence ADM	4	1,101.68	1,098.00	1,096.25
<i>Corr. ADM change</i>	5		(4)	(2)
Total	6	46,748.18	45,916.51	45,336.09
	7	1.112392	1.116834	1.120774
School Size Adjust	8	50,776.80	50,054.82	49,582.85
Special Needs Factor	9	60,932.16	60,065.78	59,499.42
CTE Factor	10	61,846.14	60,966.77	60,391.91
SPED Intensive	11	878	949	949
<i>IN change</i>			71	-
Intensive Adjustment	12	11,414.00	12,337.00	12,337.00
Total Student + SPED	13	73,260.14	73,303.77	72,728.91
Correspondence ADM - 90%	14	991.51	988.20	986.63
District adjusted ADM	15	74,251.65	74,291.97	73,715.54
Basic need (BSA x AADM)	16	440,312,285	440,551,382	437,133,152
Required local effort (property taxes)	17	106,802,206	106,802,206	106,298,016
Eligible Impact Aid	18	16,250,000	16,250,000	16,250,000
Impact Aid %	19	50.50%	50.47%	50.47%
Deductible FIA	20	7,385,625	7,381,238	7,381,238
Total State Aid	21	326,124,454	326,367,938	323,453,898
Quality Schools - \$16/adj adm	22	1,188,026	1,188,672	1,179,449
Total entitlement	23	327,312,480	327,556,610	324,633,347
Reduction for unfunded entitlement		-	-	-
Total projected state revenue	24	327,312,480	327,556,610	324,633,347
Operating Grants Outside BSA	25	5,772,629	5,772,629	8,400,000
Property Values	26	40,302,719,290	40,302,719,290	40,112,458,740
Required Local Contribution	27	106,802,206	106,802,206	106,298,016
Additional Local Contribution	28	101,545,072	101,545,072	102,743,898
Total Local Contribution	29	208,347,278	208,347,278	209,041,914

## Revenue Projections

OMB is projecting an increase in total General Fund revenue from the FY 2018-19 budget to the FY 2019-20 Pro Forma in the amount of \$0.935 million (0.17 percent), reflecting increases in local taxes and Federal Impact Aid, partially offset by decreases in Federal revenue for JROTC instructor reimbursement and reduction in the use of fund balance.

## Local Revenue

Local revenue consists of municipal tax contributions, interest earnings, E-rate, user fees (tuition, summer school, activities, parking, etc...) and other various revenue sources.

Local tax contributions from the Anchorage Assembly are assumed to equal the maximum allowable limit imposed by the State Public School Foundation Formula. The local property value within the District used for calculating the state required local effort in FY 2019-20 is \$40.112 billion (January 1, 2018), a decrease of 0.47 percent from the prior year. An increase to the additional allowable contribution, which is available due to increases to funding outside the foundation formula, partially offset by a reduction to the required local contribution due to decreasing property values, provides for a net increase to local tax capacity of \$0.695 million for FY 2019-20.<sup>1</sup>

Interest earnings remain volatile as the bulk of earnings are from investments which have a greater risk of a change in market value based on the District's mark-to-market approach, however the Federal Reserve has made significant movement with regard to the federal funds rate which has increased to 2.25 percent. Other local revenues are expected to remain at levels generally similar to those used in the FY 2018-19 budget.

## State Revenue

OMB prepared the pro forma based on current law and is anticipating a 0.02 percent decrease in total state funding (\$0.052 million) for FY 2019-20. This is based on a BSA of \$5,930 which has remained unchanged since FY 2016-17. The decrease is primarily due to reductions in projected ADM and is partially offset by expected increases in operating grants provided outside of the formula.

## Federal Revenue

Federal revenue consists of Federal Impact Aid, JROTC instructor funding and Medicaid claim reimbursements. Budgeted Impact Aid revenue is expected to increase from FY 2018-19 levels, primarily as a result of developing trends in the way the program is administered at the Federal level. Over the past few years, the initial payment has been

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<sup>1</sup> Under the State Funding Formula, the maximum allowable local contribution for July 1, 2019-June 30, 2020 is based on local property value as of January 1, 2018 – a lag of roughly 24 months.

made to Districts based on 80 percent of the Local Opportunity Threshold (LOT). A subsequent adjustment to the LOT in the 10 to 12 percent range has generally been made two years after the initial payment. These projections may be updated as the District receives results from the Impact Aid survey in January; this sets the number of students used in the calculation for federal funding for the following fiscal year.

Reimbursement for the JROTC Instructor program is expected to decrease by about 14 percent based on the current employees and reimbursement rates of those in the program.

Table 2 below shows the District's projected revenue, by source, for the General Fund.

**Table 2.**

General Fund Revenue Budget	Adopted		Pro Forma		FY19 Adopted vs. FY20		
	FY 2018-19		FY 2019-20		\$	%	
Local Revenue							
Property taxes	\$	208,347,278	\$	209,041,914	\$	694,636	0.33%
Fund balance		823,850		-	(823,850)		-100.00%
E-rate		1,000,000		1,000,000	-		0.00%
Interest earnings		1,000,000		1,000,000	-		0.00%
Facility rentals		750,000		750,000	-		0.00%
User fees		1,475,000		1,475,000	-		0.00%
Other local		390,000		335,000	(55,000)		-14.10%
Total local revenue		213,786,128		213,601,914	(184,214)		-0.09%
State Revenue							
Foundation funding		326,124,454		323,453,898	(2,670,556)		-0.82%
Operating grants outside BSA		5,772,629		8,400,000	2,627,371		45.51%
Quality School Grant		1,188,026		1,179,449	(8,578)		-0.72%
State tuition reimbursement		408,484		408,484	-		0.00%
Total state revenue		333,493,593		333,441,831	(51,763)		-0.02%
Federal Revenue							
Federal Impact Aid		16,145,543		17,431,278	1,285,735		7.96%
JROTC instructor reimbursement		825,000		710,000	(115,000)		-13.94%
Medicaid reimbursement		750,000		750,000	-		0.00%
Total federal revenue		17,720,543		18,891,278	1,170,735		6.61%
Total Budgeted Revenue	\$	565,000,264	\$	565,935,022	\$	934,758	0.17%

### Expenditure Projections

The following General Fund Pro Forma expenditure projections for FY 2019-20 are based on:

- current General Fund staffing levels, net of reductions for enrollment decreases, and increases to meet the growing number of students with intensive needs within Special Education;
- net salary and benefit increases which are expected to be at or below the current CPI of 2.1 percent<sup>2</sup>, depending on bargaining group. Total salary and benefit cost growth over FY 2018-19 is expected to increase 1.81 percent after adjusting for enrollment;
- service/supply/equipment expenditure levels are generally based on a 0 to 2 percent increase, with some outliers being described in subsequent sections of this document. Supplies and equipment funding has been losing ground for years as flat funding has eroded purchasing power. While the District has increased efficiency to make up the difference, inflation will continue to eat away at the District's ability to procure goods and services.

### GENERAL FUND STAFFING

The FY 2019-20 Pro Forma general fund budget totals 5,122 full time equivalent positions distributed as described in Table 3 below. The District is moving toward standardizing its reporting to align to the State of Alaska Chart of Accounts. Using the State Chart of Accounts will allow comparability to other Alaska Districts and provide additional transparency as categories are clearly defined. The following link provides the current State Chart of Accounts.

[https://education.alaska.gov/publications/chart\\_of\\_accounts.pdf](https://education.alaska.gov/publications/chart_of_accounts.pdf)

Table 3 shows budgeted General Fund positions by State Function. Full definitions of each function are included in the link above beginning on page 26 of the Chart of Accounts. An additional 5 years of FTE data has been included for comparison.

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<sup>2</sup> Using first half 2018 CPI change from 2017  
<http://live.laborstats.alaska.gov/cpi/index.cfm>

**Table 3.**

State Function	Fiscal Year					
	2015	2016	2017	2018	2019	2020
100 - Instruction	2,616	2,659	2,602	2,496	2,441	2,385
200 - Special Education Instruction	903	907	932	921	956	977
220 - Special Education Support Services	229	226	225	225	218	218
300 - Support Services - Students	327	325	331	315	307	307
350 - Support Services - Instruction	166	157	154	161	152	152
400 - School Administration	149	149	148	142	143	143
450 - School Administration Support Services	245	242	243	245	244	244
510 - District Administration	32	32	28	28	23	23
550 - District Administration Support Services	180	181	182	184	187	187
600 - Operations and Maintenance of Plant	499	496	495	500	482	482
780 - Community Services	4	4	4	4	4	4
Total General Fund FTE	5,349	5,378	5,344	5,223	5,158	5,122

\*reductions in 2020 Instruction are based on projected enrollment declines and increases to Special Education are based on increased services provided to students with intensive needs.

### Personnel Services - Salaries

Salaries and benefits currently make up approximately 88 percent of the District's General Fund budget.

General Fund salaries, including a reduction of 56 direct classroom instruction FTE to address the year-over-year projected decrease in enrollment of 1,412 students as well as an additional 20.38 FTE to address increases in students with intensive needs, are projected to increase \$7.948 million in FY 2019-20 over the FY 2018-19 budget or about 2.49 percent.

### Personnel Services – Other Payroll Outlay and Benefits

#### Substitutes

The aggregate cost of substitutes has been increasing due to employee vacancies in hard-to-fill positions as well as an increasing number of leave days available for AEA members that are expected to be used. The cost of substitutes is expected to increase by about 2 percent.

#### Added Duty/Extra Help

The cost of added duty and extra help are expected to rise based on the increase to the amount of a level 1 addenda as outlined in the tentative agreement with AEA as well as an increase to the amount of additional duty payments that are calculated on the basis of per diem. The increase is expected to be about 1.8 percent overall.

### One-time Payments

Expenditures for one-time payments are expected to decrease by \$0.175 million, or about 13.4 percent, based on the amount of payments included in current contractual agreements.

### Medical Coverage

Group medical coverage continues to be a primary driver of increasing costs for the District, accounting for over 17 percent of General Fund expenditures. The District is working to flatten the trend of 8 to 10 percent annual increases in medical costs a number of ways including the employer sponsored health clinic (Vera), increasing employee contributions and decreasing benefits. Contribution rates for most recently settled contracts that extend through FY 2019-20 have no increases past FY 2017-18. The tentative agreement with AEA provides an increase of \$50 per month for FY 2019-20, or 3 percent. The year-over-year budget change from FY 2018-19 to FY 2019-20 reflects this increase and is partially offset by the change in FTE associated with declining enrollment and increases to special needs. Total General Fund expenditures for medical coverage are expected to increase approximately \$1.228 million from the FY 2018-19 budget, or about 1.25 percent overall.

### Attrition/Vacancy

The District continues to experience vacancies and turnover, particularly among special education specialists, special education teacher assistants and other hard-to-fill positions, however the potential for lower turnover exists as fewer opportunities may be available in Anchorage's current economic condition. The attrition offset for salaries has remained unchanged at \$5 million and the benefit attrition, which includes offsets for medical waivers, has increased to \$13 million as more employees in the District's self-insured plan continue to waive medical coverage.

### Other Benefits

Other benefits including retirement, life insurance, Social Security, Medicare, workers' compensation, and unemployment insurance, are expected to increase close to the same percentage as salaries increase per the negotiated agreements.

Table 4 below shows the anticipated changes in salaries, wages and benefits based on reduced enrollment and contractually obligated costs (both approved and those which are tentatively agreed).

**Table 4.****General Fund Salaries, Wages and Benefits**

General Fund Salaries, Wages and Benefits		FY 2018-19	FY 2019-20	Change	
		Adopted	Pro Forma	\$	%
Line #	Salaries and Wages				
1	100 - Instruction	\$ 165,168,434	\$ 168,079,962	\$ 2,911,528	1.76%
2	200 - Special Education Instruction	49,158,847	52,100,656	2,941,809	5.98%
3	220 - Special Education Support Services	14,124,440	14,641,514	517,074	3.66%
4	300 - Support Services - Students	16,665,011	17,266,581	601,570	3.61%
5	350 - Support Services - Instruction	11,535,152	11,910,415	375,263	3.25%
6	400 - School Administration	15,776,006	15,933,766	157,760	1.00%
7	450 - School Admin. Support Services	9,601,158	9,697,169	96,011	1.00%
8	510 - District Administration	2,002,589	2,030,037	27,448	1.37%
9	550 - District Admin. Support Services	13,006,166	13,137,122	130,956	1.01%
10	600 - Ops and Maintenance of Plant	22,471,173	22,657,202	186,029	0.83%
11	780 - Community Services	236,125	238,726	2,601	1.10%
12	Total Salaries and Wages	319,745,101	327,693,150	7,948,049	2.49%
	Other Payroll Outlay				
13	Substitutes	9,020,907	9,200,040	179,133	1.99%
14	Added Duty/Extra Help	10,420,108	10,605,418	185,310	1.78%
15	Personal Leave	4,980,741	5,013,819	33,078	0.66%
16	Other	1,255,576	1,255,576	-	0.00%
17	One-time Payments	1,303,515	1,128,803	(174,712)	-13.40%
18	Salary Attrition/Vacancy	(5,000,000)	(5,000,000)	-	0.00%
19	Total Other Payroll	21,980,847	22,203,656	222,809	1.01%
20	Total Salaries, Wages and Other Payroll	341,725,948	349,896,806	8,170,858	2.39%
	Benefits				
21	Medical Insurance	98,167,988	99,395,748	1,227,760	1.25%
22	Teachers' Retirement System (TRS)	31,333,875	32,073,777	739,902	2.36%
23	Public Employees' Retirement System (PERS)	17,133,699	17,543,609	409,910	2.39%
24	Workers Comp	5,082,336	5,217,632	135,296	2.66%
25	Other (SS, MC, Unemp., Life ins, etc.)	12,037,052	12,304,895	267,843	2.23%
26	Benefit Attrition	(11,000,000)	(13,000,000)	(2,000,000)	18.18%
27	Total Benefits	152,754,950	153,535,661	780,711	0.51%
28	Total Salaries, Wages and Benefits	\$ 494,480,898	\$ 503,432,468	\$ 8,951,570	1.81%

**Other than Personnel Services**

Costs for other than personnel services (OTPS) make up approximately 12 percent of the District's General Fund operating budget.

In the Pro Forma projection, most purchased services, supplies, equipment and other costs are expected to track with the Anchorage CPI inflation.

Notable OTPS which are expected to change at a rate other than CPI are listed below:

#### Contracted Services

- Utilities – the overall cost of utilities is again projected to increase at a rate above inflation, most notably heating and water/sewer. Projected rate increases for FY 2018-19 have not materialized at this point in the school year, so the overall estimated utilities cost, between FY19 & 20, is expected to decrease overall. The utility rates continue to be difficult to predict as commodity prices and regulatory approvals have shown no clear pattern. Additionally, usage has varied widely during the last several years as weather conditions in Anchorage have been unpredictable.
- Rent – due to stagnant CPI within Anchorage, the District expects minimal change in rental costs of the Ed Center.
- Instructional contracted services – the District is expecting to see an increase in the cost of software as well as increased costs paid to UAA based on utilization of Alaska Middle College.
- Legal fees – over the last few years, the District has limited its use of legal services and expects to be able to reduce the amount budgeted by about \$0.2 million, or 20 percent, however, some of these costs have shifted to general liability claims to be more appropriately categorized.
- Unallocated adjustments – the FY 19 budget included about \$2.2 million set aside to pay contractual obligations. The FY 20 Pro Forma budget does not include this amount being carried forward as those cost are allocated into the salary projections above.

#### Supplies and Equipment

- Fuel – the District is anticipating a rise in fuel costs as the price of oil has started to slowly rebound. OMB is estimating a 5 percent increase in fuel costs at approximately \$25,000.
- Most other supply and equipment allocations are estimated using a 0.5% growth rate to maintain purchasing power.
- Depreciation on equipment that is part of the Equipment Replacement Fund is expected to increase by approximately \$0.2 million.

#### Other

- General liability claims – based on recent trends, OMB is projecting an increase in the cost of self-insured general liability claims by approximately \$0.3 million.

- Other insurance policy costs are estimated to be around 2 percent, which is subject to revision once more renewal information becomes available.

### Projected Budget Deficit

The projected budget gap between anticipated revenues and expenditures for the General Fund under current law is \$6.563 million as shown in the table 5 below. Total revenue is projected to increase by \$0.935 million or 0.17 percent while expenditures are projected to increase by \$7.498 million, or about 1.33 percent.

**Table 5.**

Line #	Adopted Budget		Pro Forma		FY19 Adopted Budget vs. FY20 Pro Forma	
	FY 2018-19		FY 2019-20		\$	%
General Fund Revenue						
Local Revenue	1	\$ 213,786,128	\$ 213,601,914	\$ (184,214)	-0.09%	
State Revenue	2	333,493,593	333,441,831	(51,762)	-0.02%	
Federal Revenue	3	17,720,543	18,891,278	1,170,735	6.61%	
	4	565,000,264	565,935,023	934,759	0.17%	
General Fund Expenditures						
Salaries (net of attrition)	5	341,725,948	349,896,806	8,170,858	2.39%	
Benefits (net of attrition)	6	152,754,950	153,535,661	780,711	0.51%	
Contracted Services	7	52,391,347	50,313,344	(2,078,003)	-3.97%	
Supplies	8	13,682,171	13,773,081	90,910	0.66%	
Capital Outlay	9	1,791,232	1,988,908	197,676	11.04%	
Insurance	10	2,654,616	2,989,963	335,347	12.63%	
Total General Fund Expenditures	11	565,000,264	572,497,764	7,497,500	1.33%	
General Fund Budget Gap	12	\$ -	\$ (6,562,741)	\$ (6,562,741)		

### Pupil Transportation Fund

The Pupil Transportation Fund is used to record revenues and expenditures associated with transporting students from home to school and back.

### Transportation Revenue

Transportation funding is currently projected at approximately \$21.279 million, reflecting current law of \$481 per ADM that has been in place since FY 2015-16. Due to an expected decrease in enrollment, the District is expecting a corresponding reduction in revenue of \$0.677 million. Additionally, for the purposes of the Pro Forma, a contribution from the

General Fund or use of Transportation Fund's fund balance has been excluded. The total reduction of transportation revenue is approximately \$3.853 million, or 15.33 percent.

### Transportation Expenditures

The following Transportation Fund pro forma expenditure projections for FY 2019-20 are based on:

- Current staffing levels
- wage and benefit increases
- fuel
- current levels of service in both District and contractor serviced routes, and
- transportation equipment leasing costs.

### Personnel Services

Personnel service increases have leveled off from the voter-approved initiative which raised the minimum wage (and driver wages that are tied to 2 times the minimum) by a set dollar amount, and instead switch to inflation adjustments based on CPI. Beginning January 2019 the minimum wage will increase from \$9.84 in 2018<sup>3</sup> to go to \$9.89.

The District is anticipating increases to health insurance provided to bus drivers and attendants through the Alaska-Teamster Employer Welfare Trust Fund with nominal increases tied to rising salaries. The District is expecting to continue making Federally imposed contributions for the Alaska-Teamster Employer Pension Trust at \$1.54 per hour for those with less than 6 years in the plan and \$3.08 per hour for those with 6+ years. In addition to the Teamster pension obligation, the District also contributes to PERS for employees in the bus drivers and attendants union.

### Other than Personnel Services

On November 16, 2015 the board approved a 10-year pupil transportation award of contract beginning in FY 2016-17 in the amount of approximately \$14.5 million per year with yearly cost increases based on Anchorage CPI. The administration is projecting a slight increase to the pupil transportation contract on the basis of CPI, however, the Transportation Department did an extensive review of routes that had attendants on board and was able to reduce overall contract expenditures by eliminating excessive pass through costs. Costs for leasing buses is expected to increase in FY 2019-20 by approximately \$0.105 million as eight additional buses are brought on board.

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<sup>3</sup> State of Alaska Division of Labor Standards  
<http://labor.alaska.gov/lss/whhome.htm>

### Transportation Budget Gap

Table 6 below shows a net budget gap of approximately \$3.827 million as a result of declining revenue and relatively flat operational costs.

**Table 6.**

Transportation Fund Pro Forma Estimate	Adopted Budget FY 2018-19		Pro Forma FY 2019-20		FY19 Adopted Budget vs. FY20 Pro Forma	
					\$	%
<b>State Transportation Revenue</b>	\$	21,955,966	\$	21,279,363	\$ (676,603)	-3.08%
Transportation Fund Fund Balance		-		-	-	100.00%
General Fund Fund Balance		3,176,150		-	(3,176,150)	-100.00%
<b>State Transportation Revenue</b>		25,132,116		21,279,363	(3,852,753)	-15.33%
Salaries		4,970,418		4,984,335	13,917	0.28%
Benefits		4,151,166		4,255,166	104,000	2.51%
Contracted Services		14,820,133		14,636,284	(183,849)	-1.24%
Supplies		853,146		887,272	34,126	4.00%
Capital Outlay		282,253		286,350	4,097	1.45%
Insurance		55,000		56,650	1,650	3.00%
<b>Total Transportation Expenditures</b>		25,132,116		25,106,057	(26,059)	-0.10%
<b>Transportation Budget Gap</b>	\$	-	\$	(3,826,694)	\$ (3,826,694)	

### Debt Service Fund

The Debt Service Fund is used to pay for the District's long term debt generated by the passage of municipal bonds. The District's total debt service has been approximately \$80-87 million over the past several years, funded almost entirely by state reimbursements and local tax appropriations. The District has maintained relatively flat level of payments by not seeking bonding authority for more than has been paid off in the previous year. Debt payments are expected to decline by about 2 percent to \$79.07 million in the next bond sale which is expected to occur in the first quarter of 2019.

### Food Service Fund

The Food Service Fund is primarily self-supporting and most of its revenue is generated from Federal reimbursements. In FY 2018-19, there were no changes to the Community Eligibility Provision program (CEP) which provides breakfast and lunch to the entire student population at eligible schools at no cost to families. During the current year, these schools will be evaluated along with the entire CEP program to determine if additional

schools can be added to the program without negatively affecting the program as a whole. As the year progresses and additional information becomes available, the level of service, revenue and expenditure projections will be updated. Changes to the Federal reimbursement rates and number of meals sold are projected to increase revenue and expenditures by approximately \$1.2 million, or about 5 percent.

### **Local/State/Federal Operating Grants Fund**

Grant funding includes categorical State and Federal funding that is used to supplement education programs and are subject to appropriation. For FY 2019-20, grants are projected to trend upward by approximately 1 percent for a total allotment of \$61.879 million. The Administration will continue to evaluate changes at the State and Federal level that could affect the grant funding and provide updates as they become available.

### **Capital Projects Fund**

These funds are used for major capital outlays relating to the acquisition, construction, and remodeling of capital facilities. Beginning with the 2015 Legislative session, there has been no capital grants allocated to the Anchorage School District. The administration has included a \$10 million request for upper limit authority for FY 2019-20, consistent with prior years, to accommodate legislative grants or other capital contributions, if received.

### **Student Activities Fund**

These funds support the District's extracurricular activities and school sponsored clubs and organizations. Student activity funds are self-supporting and money is collected primarily through fundraising activities. For FY 2019-20, the District is anticipating approximately \$7.9 million in expenditures, about the same as the current year.

### **Six Year Outlook**

The Office of Management and Budget (OMB) has prepared a 6 year fiscal outlook of the District's General Fund with revenue forecasts and the resulting staffing changes based on current law and flat funding thereafter.

In the following model, utilities, services, supplies and materials, equipment and other costs remain consistent with current levels, with incremental cost increases being below projected inflation as efficiencies are expected to be gained over time. The remaining funds are allocated to wages and benefits and an FTE target is derived based on an average cost of wages and benefits per FTE. Adjustments to the average wages and

benefits per employee are made based on expected inflation of 1.5 percent, slightly below historical averages.

For the purposes of this model, FTE changes to balance the budget are made across all functions proportionate to each function's percentage of the total. This is an illustrative example to show the scope of potential service level changes based on different revenue scenarios and not intended to bind future School Boards or Administrations to staffing levels contained herein.

# **Anchorage School District Pro Forma 6 Year Outlook**

**Based on current law and 6 years of flat funding**

*prepared by AR - 11/20/18*

Line #	CAGR	Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	TREND
<b><u>Demographics</u></b>										
1		Anchorage Population (SOA DOLWD)	297,000	297,000	297,500	297,500	297,500	297,500	297,500	
2		Public School K-12 Enrollment As Pct of ANC POP	15.46%	15.26%	15.22%	15.28%	15.34%	15.29%	15.11%	
3		ASD K-12 Enrollment (State ADM Count)	45,917	45,336	45,271	45,450	45,629	45,479	44,958	
4		Average Pupil Teacher Ratio	24.4	24.6	25.6	26.1	26.6	27.1	27.6	
5		ASD Special Education Intensive Students (State ADM Count)	949.0	949.0	949.0	949.0	949.0	949.0	949.0	
<b><u>Revenue Outlook</u></b>										
6		State of Alaska Base Student Allocation (BSA)	5,930	5,930	5,930	5,930	5,930	5,930	5,930	
7		State of Alaska Public School Foundation Formula	327.7	325.0	323.4	323.8	324.2	321.9	316.5	
8		State of Alaska Public School Funding Outside Formula	5.8	8.4	-	-	-	-	-	
9		Local Municipal Support	208.3	209.0	208.1	209.5	210.9	211.7	211.8	
10		Federal (Impact Aid + JROTC + Medicaid)	17.7	18.9	18.9	18.9	18.9	18.9	18.9	
11		Other General Fund Local Revenue (E-Rate, Local Fees)	5.5	4.6	4.4	4.2	4.0	3.8	3.6	
12		District Reserves	-	-	-	-	-	-	-	
13		Total General Fund Revenue	565.0	566.0	554.8	556.4	558.0	556.3	550.9	
		Year-over-year Change	2.4	0.9	(11.2)	1.6	1.6	(1.7)	(5.4)	
<b><u>General Fund Staffing (FTE)</u></b>										
14		Instruction	2,441	2,391	2,293	2,260	2,228	2,180	2,115	
15		Special Education	1,175	1,151	1,104	1,088	1,072	1,049	1,018	
16		Support Services	459	450	431	425	419	410	398	
17		School Administration and Support	387	379	364	358	353	346	335	
18		District Administration	210	206	197	194	192	188	182	
19		Operations/Maintenance and Community Services	486	476	457	450	444	434	421	
20		Staffing Total	5,158	5,052	4,846	4,776	4,707	4,606	4,470	
21		Year-over-year Change	(65)	(106)	(207)	(70)	(69)	(101)	(136)	
22		Cumulative Change	(65)	(171)	(377)	(447)	(516)	(617)	(753)	
23	1.5%	Aggregate Average (\$ Salary + Benefits/FTE, net of attrition)	91,609	93,899	95,308	96,737	98,189	99,661	101,156	
24		Total Salaries + Benefits for FTE, net of attrition (\$ millions)	472.5	474.4	461.8	462.0	462.2	459.0	452.1	
25	2.0%	Other Payroll Outlay Subtotal (\$ millions)	22.0	22.4	22.9	23.3	23.8	24.3	24.8	
26		Total GF Personnel Expenditures (\$ Millions)	494.5	496.8	484.7	485.3	486.0	483.3	476.9	
<b><u>General Fund Expenditures (\$ millions)</u></b>										
27		Salary & Benefits	494.5	496.8	484.7	485.3	486.0	483.3	476.9	
28	1.5%	Purchased Services	52.4	50.3	51.1	51.8	52.6	53.4	54.2	
29	1.0%	Supplies & Materials	13.7	13.8	14.0	14.1	14.3	14.4	14.5	
30	1.0%	Capital Equipment	1.8	2.0	2.0	2.0	2.1	2.1	2.1	
31	1.0%	Other	2.6	3.0	3.0	3.1	3.1	3.1	3.2	
32		General Fund Expenditures Total (w/o Trans)	565.0	566.0	554.8	556.4	558.0	556.3	550.9	