

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #065 (2019-2020)

December 3, 2019

TO: SCHOOL BOARD

FROM: DR. DEENA BISHOP, SUPERINTENDENT

SUBJECT: FISCAL YEAR 2020-21 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 2020-21 Preliminary Financial Plan and Budget in accordance with the financial projections and budget guidance set forth in this memorandum.

The budget for FY 2020-21 is established for planning purposes with projected revenues of \$788.698 million as shown in Table 1 below. This represents a decrease of \$97.161 million, or -12.6 percent, from the FY 2019-20 approved budget of \$885.859 million.

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

Individual Funds	Actuals [1]	Adopted Budget	Pro Forma	FY 21 Pro Forma vs FY 20 Adopted	
	FY 2018-19	FY 2019-20	FY 2020-21	\$	%
General Fund	\$ 590.909	\$ 572.500	\$ 563.631	\$ (8.869)	-1.5%
Project Carryover[2]	-	20.000	20.000	-	0.0%
Transportation Fund	25.882	25.029	25.705	0.676	2.7%
Grants Fund	49.520	148.078	58.911	(89.167)	-60.2%
Debt Service Fund	77.266	77.876	77.560	(0.316)	-0.4%
Capital Projects Fund	-	10.000	10.000	-	0.0%
Food Service Fund	23.219	24.476	24.990	0.514	2.1%
Student Activities Fund	6.299	7.900	7.900	-	0.0%
ASD Managed Total	773.095	885.859	788.698	(97.161)	-12.6%
SOA PERS/TRS On-behalf	49.218	55.000	46.000	(9.000)	-18.3%
Total All Funds	\$ 822.313	\$ 940.859	\$ 834.698	\$(106.161)	-12.9%

[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 2020-21 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 2020-21 budget gap and conducting internal and external surveys to 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 Board's long-term strategic plan.

Summary of Pro Forma Financial Outlook

With a declining overall enrollment projection, assuming reduced revenues for FY 2020-21, OMB estimates that the financial gap between revenues and expenditures will be roughly \$19.578 million to maintain the same services as presented in the FY 2019-20 budget.

The appendix to this memorandum presents financial planning considerations which will be used in developing the FY 2020-21 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 2020-21 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 87 percent of the district's General Fund budget. Salary and benefit increases are trending with inflation projections for FY 2020-21. 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 Board's strategic goals and initiatives of the district for FY 2020-21.

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 Board goals to the extent practical. The balanced budget will be submitted for public consideration in January with board deliberations in February.

Attachment

DB/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 2020-21 Pro Forma Financial Outlook
Date: December 3, 2019

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, 2019 Board meeting and approval at the December 17, 2019 board meeting.

This Pro Forma Financial Outlook memo will:

1. Provide revenue, expenditure, and budget gap projections for FY 2020-21
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 and demographics, 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 2020-21 revenue projections are updated to reflect the State OASIS average daily membership (ADM) count period, completed in October, for FY 2019-20, with changes based on current enrollment projections for FY 2020-21. 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 2020 which is then projected through the fall of 2026 based on a basic demographic model using birth rates, PFD enrollment, municipal projections, etc. The District is projecting a decline of 300 ADM, approximately -0.66 percent, (as compared to 485 few ADM in FY 2019-20) to be used as the basis for the preliminary revenue estimate, however this is subject to change as more detailed projections become available. Additionally, an increase of 30 students with intensive needs are projected for FY 2020-21, an increase of about 2.9 percent.

ADM this year was slightly higher than the demographic projections by approximately 96 ADM while students with intensive needs increased by about 82 or 8.6 percent above projections.

Current Law

The current law funding scenario is prepared using a Base Student Allocation (BSA) of \$5,930 as set by State Statute AS 14.17.470. For FY 2020-21, there are no one-time funds in statute similar to the previous two years which provided \$20 million and \$30 million statewide for Fiscal years 2018-19 and 2019-20, respectively.

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 2019-20 budget, the preliminary OASIS count for FY 2019-20 and the FY 2020-21 Foundation Formula based on current law and preliminary demographic estimates.

The preliminary OASIS count for FY 2019-20 is 95.76 ADM (66.33 more facilities based and 29.43 more correspondence) higher than the projection in the adopted budget. The projection for FY 2020-21 is 300 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 204.24. Please keep in mind the District is still waiting on official enrollment projections from the contracted demographer.

Table 1.

	Line #	Adopted FY 2019-20	Prelim OASIS FY 2019-20	Current Law FY 2020-21
BSA	1	5,930	5,930	5,930
ADM	2	44,239.84	44,306.17	44,006.17
<i>ADM change</i>	3		66.33	(300.00)
Correspondence ADM	4	1,096.25	1,125.68	1,125.68
<i>Corr. ADM change</i>	5		29.43	-
Total	6	45,336.09	45,431.85	45,131.85
	7	1.120774	1.118974	1.118974
School Size Adjust	8	49,582.85	49,577.46	49,241.77
Special Needs Factor	9	59,499.42	59,492.95	59,090.12
CTE Factor	10	60,391.91	60,437.58	60,028.71
SPED Intensive	11	949	1,031	1,061
<i>IN change</i>			82	30
Intensive Adjustment	12	12,337.00	13,403.00	13,793.00
Total Student + SPED	13	72,728.91	73,840.58	73,821.71
Correspondence ADM - 90%	14	986.63	1,013.11	1,013.11
District adjusted ADM	15	73,715.54	74,853.69	74,834.82
Basic need (BSA x AADM)	16	437,133,152	443,882,382	443,770,483
Required local effort (property taxes)	17	106,298,016	106,298,016	107,883,578
Eligible Impact Aid	18	16,250,000	16,250,000	16,000,000
Impact Aid %	19	50.47%	50.47%	50.47%
Deductible FIA	20	7,381,238	7,381,238	7,267,680
Total State Aid	21	323,453,898	330,203,128	328,619,225
Quality Schools - \$16/adj adm	22	1,179,449	1,197,659	1,197,357
Total entitlement	23	324,633,347	331,400,787	329,816,582
Reduction for unfunded entitlement		-	-	-
Total projected state revenue	24	324,633,347	331,400,787	329,816,582
Operating Grants Outside BSA	25	8,400,000	8,400,000	-
Property Values	26	40,112,458,740	40,112,458,740	40,710,784,171
Required Local Contribution	27	106,298,016	106,298,016	107,883,578
Additional Local Contribution	28	102,743,898	102,743,898	102,342,603
Total Local Contribution	29	209,041,914	209,041,914	210,226,181

Revenue Projections

OMB is projecting a decrease in total General Fund revenue from the FY 2019-20 budget to the FY 2020-21 Pro Forma in the amount of \$8.869 million (-1.55 percent), reflecting increases in local taxes and Foundation Funding, offset by decreases in one-time State funding, Federal Impact Aid, and a 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 2020-21 is \$40.711 billion (January 1, 2019), an increase of 1.49 percent from the prior year. This increase in property values also increases the District's required local tax contribution by approximately \$1.585 million, which also results in a dollar-for-dollar reduction in State Foundation Funding. A decrease to the additional allowable contribution of \$0.401 million (net of loss of one-time State funds, decrease in regular ADM, and increase in IN students), provides for a net increase to local tax capacity of \$1.184 million for FY 2020-21.¹

E-rate revenue, which is a Federal program intended to help school districts offset the cost of bandwidth, is expected to decrease by \$0.9 million, or about 60 percent in FY 2020-21. The decrease is due to a one-time payment in FY 2019-20 for hardware that is not in FY 2020-21, coupled with a decrease in the reimbursement based on FY 2019-20 actual costs. E-rate revenue is based on the previous year's internet and data expenditures, and since costs went down in FY20 by 43 percent, the District's expected reimbursement for FY21 will show a corresponding decline.

Interest earnings have increased in recent years due to a strong economy in the lower 48 and the federal funds rate remaining above 1.5 percent (currently 1.75 percent) although some volatility remains 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.

State Revenue

OMB prepared the pro forma based on current law and is anticipating a 0.96 percent decrease in total state funding (\$3.217 million) for FY 2020-21. This is based on a BSA of

¹ Under the State Funding Formula, the maximum allowable local contribution for July 1, 2020-June 30, 2021 is based on local property value as of January 1, 2019 - a lag of roughly 24 months.

\$5,930 which has remained unchanged since FY 2016-17. The decrease is primarily due to reductions in one-time funding, cost shifting to local taxes based on the required local contribution, decreases in projected ADM, and is partially offset by expected increases in students with intensive needs.

Federal Revenue

Federal revenue consists of Federal Impact Aid, JROTC instructor funding and Medicaid claim reimbursements. Budgeted Impact Aid revenue is expected to decrease from FY 2019-20 levels, primarily as a result of a reduction of students on Joint Base Elmendorf Richardson (JBER).

Reimbursements for Medicaid and the JROTC program are expected to remain consistent.

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

Table 2.

General Fund Revenue Budget	Adopted FY 2019-20	Pro Forma FY 2020-21	FY20 Adopted vs. FY21 Pro Forma	
			\$	%
Local Revenue				
Property taxes	\$ 209,041,914	\$ 210,226,181	\$ 1,184,267	0.57%
Fund balance	5,064,654	-	(5,064,654)	-100.00%
E-rate	1,500,000	600,000	(900,000)	-60.00%
Interest earnings	1,500,000	2,000,000	500,000	33.33%
Facility rentals	750,000	750,000	-	0.00%
User fees	1,975,000	2,075,000	100,000	5.06%
Other local	335,000	335,000	-	0.00%
Total local revenue	\$ 220,166,568	\$ 215,986,181	\$ (4,180,387)	-1.90%
State Revenue				
Foundation funding	323,453,898	328,619,225	5,165,327	1.60%
Operating grants outside BSA	8,400,000	-	(8,400,000)	-100.00%
Quality School Grant	1,179,449	1,197,357	17,908	1.52%
State tuition reimbursement	408,484	408,484	-	0.00%
Total state revenue	\$ 333,441,831	\$ 330,225,066	\$ (3,216,765)	-0.96%
Federal Revenue				
Federal Impact Aid	17,431,278	15,959,726	(1,471,552)	-8.44%
JROTC instructor reimbursement	710,000	710,000	-	0.00%
Medicaid reimbursement	750,000	750,000	-	0.00%
Total federal revenue	\$ 18,891,278	\$ 17,419,726	\$ (1,471,552)	-7.79%
Total Budgeted Revenue	\$ 572,499,677	\$ 563,630,973	\$ (8,868,704)	-1.55%

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 2.58 percent², depending on bargaining group. Total salary and benefit cost growth over FY 2019-20 is expected to increase 1.85 percent after adjusting for enrollment;
- Service/supply/equipment/other expenditure levels are generally based on a 0 to 3 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 2020-21 Pro Forma General Fund budget totals 5,130 full time equivalent positions distributed as described in Table 3 below. Table 3 shows budgeted General Fund positions by State Function.

Table 3.

State Function	Fiscal Year					
	2016	2017	2018	2019	2020	2021
100 - Instruction	2,659	2,602	2,496	2,441	2,355	2,342
200 - Special Education Instruction	907	932	921	956	998	1,016
220 - Special Education Support Services	226	225	225	218	225	229
300 - Support Services - Students	325	331	315	307	308	308
350 - Support Services - Instruction	157	154	161	152	148	148
400 - School Administration	149	148	142	143	143	143
450 - School Administration Support Services	242	243	245	244	246	246
510 - District Administration	32	28	28	23	28	28
550 - District Administration Support Services	181	182	184	187	187	189
600 - Operations and Maintenance of Plant	496	495	500	482	478	478
780 - Community Services	4	4	4	4	4	4
Total General Fund FTE	5,378	5,344	5,223	5,158	5,119	5,130

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

Full definitions of each function are included in the link below the table beginning on page 26 of the Chart of Accounts. An additional 5 years of FTE data has been included for comparison.

https://education.alaska.gov/publications/chart_of_accounts.pdf

- Reductions in Function 100 are a result of lower projected enrollment.
- Increases in Function 200/220 are due to increased Special Education personnel, particularly among those working with students having intensive needs.
- Increase in Function 550 is the addition of two new FTE needed to ensure compliance with the District's newly implemented apprentice policy, which states that construction projects over \$100,000 must have at least 15 percent apprentices.

Personnel Services - Salaries

Salaries and benefits currently make up approximately 87 percent of the District's General Fund budget.

General Fund salaries in total, including a reduction of 13 direct classroom instruction FTE to address the year-over-year projected decrease in enrollment of 300 students as well as an additional 23.7 FTE to address increases in students with intensive needs, are projected to increase \$7.159 million in FY 2020-21 over the FY 2019-20 budget or about 2.19 percent.

Personnel Services – Other Payroll Outlay and Benefits

Personal Leave

Personal leave is expected to track the aggregate increase in salaries at a cost of approximately \$0.11 million.

One-time Payments

Expenditures for one-time payments are expected to remain flat based on the amount of payments included in current contractual agreements. One-time payments in the APA contract that is expiring at the end of the current fiscal year are offset by increases in retention bonuses for certain special education teacher assistant positions as well as recruitment incentives for hard-to-fill positions.

Medical Coverage

Group medical coverage continues to be a primary driver of 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 2020-21 have no increases past FY 2017-18. The current

agreement with AEA provided an increase of \$50 per month for FY 2019-20, or 3 percent, with no increase in FY 2020-21. The year-over-year budget change from FY 2019-20 to FY 2020-21 reflects changes in FTE based on enrollment and exigent need, as well as potential increases to unsettled contracts.

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, was increased to \$14 million in FY 2019-20 as more employees in the District's self-insured plan continue to waive medical coverage. The District is continuing to evaluate and refine its attrition estimates to be included in the Preliminary FY 2020-21 Budget.

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 on the following page 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		FY 2019-20 Adopted	FY 2020-21 Pro Forma	Change	
				\$	%
Line #	Salaries and Wages				
1	100 - Instruction	\$ 165,539,413	\$ 168,601,227	\$ 3,061,814	1.85%
2	200 - Special Education Instruction	53,077,866	55,340,665	2,262,799	4.26%
3	220 - Special Education Support Services	15,108,239	15,592,129	483,890	3.20%
4	300 - Support Services - Students	17,461,695	17,825,649	363,954	2.08%
5	350 - Support Services - Instruction	11,451,054	11,687,540	236,486	2.07%
6	400 - School Administration	15,844,505	16,002,951	158,446	1.00%
7	450 - School Admin. Support Services	9,747,271	9,844,744	97,473	1.00%
8	510 - District Administration	2,294,891	2,322,557	27,666	1.21%
9	550 - District Admin. Support Services	13,287,367	13,559,255	271,888	2.05%
10	600 - Ops and Maintenance of Plant	22,775,243	22,967,068	191,825	0.84%
11	780 - Community Services	224,123	227,337	3,214	1.43%
12	Total Salaries and Wages	326,811,667	333,971,122	7,159,455	2.19%
	Other Payroll Outlay				
13	Substitutes	8,502,080	8,587,101	85,021	1.00%
14	Added Duty/Extra Help	11,988,336	12,052,185	63,849	0.53%
15	Personal Leave	4,757,592	4,856,340	98,748	2.08%
16	One-time Payments	1,220,251	1,218,600	(1,651)	-0.14%
17	Salary Attrition/Vacancy	(5,500,000)	(5,500,000)	-	0.00%
18	Total Other Payroll	20,968,259	21,214,225	245,966	1.17%
19	Total Salaries, Wages and Other Payroll	347,779,926	355,185,347	7,405,421	2.13%
	Benefits				
20	Medical Insurance	99,866,463	100,072,881	206,418	0.21%
21	Teachers' Retirement System (TRS)	31,931,522	32,609,473	677,951	2.12%
22	Public Employees' Retirement System (PERS)	17,846,955	18,272,925	425,970	2.39%
23	Workers Comp	5,158,253	5,269,759	111,506	2.16%
24	Other (SS, MC, Unemp., Life ins, etc.)	12,275,367	12,541,830	266,463	2.17%
25	Benefit Attrition	(14,000,000)	(14,000,000)	-	0.00%
26	Total Benefits	153,078,560	154,766,866	1,688,306	1.10%
27	Total Salaries, Wages and Benefits	\$ 500,858,486	\$ 509,952,214	\$ 9,093,728	1.82%

Other than Personnel Services

Costs for other than personnel services (OTPS) make up approximately 13 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 well below Anchorage CPI inflation as efficiencies are expected to be found and increase at a modest 0.5 percent.

Notable OTPS which are expected to change at a rate other than 0.5 percent are listed below:

Contracted Services

- Utilities – the overall cost of utilities is again projected to increase at a rate above inflation, most notably heating (5 percent), electric (3.5 percent), and refuse (5 percent). 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 – the rental agreement for the Ed Center and Highland Academy contains a clause that increases the base rate per square foot once every five years. The next increase in the base rate begins on July 1, 2020 and results in an increase of about \$0.418 million, or about 11 percent. Other leases, primarily at charter schools, are expected to track inflation.
- Instructional contracted services – the District is expecting to see an increase in the cost of software and increase by about \$0.2 million, or about 2.3 percent

Supplies and Equipment

- 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 decrease by approximately \$0.353 million.

Other

- General liability insurance and property insurance is expected to increase by 40 percent and 10 percent, respectively, above the FY 2019-20 Adopted Budget. The majority of these increases materialized during the current fiscal year after the budget had been approved so these increases are reflective of two years. This is primarily due to nationwide trends in traumatic brain injuries and sexual abuse claims that has insurance carriers reluctant to insure school districts.

Projected Budget Deficit

The projected budget gap between anticipated revenues and expenditures for the General Fund under current law is \$19.578 million as shown in the table 5 below. Total revenue is projected to decrease by \$8.869 million or -1.55 percent while expenditures are projected to increase by \$10.710 million, or about 1.87 percent.

Table 5.

Line #	Adopted Budget FY 2019-20	Pro Forma FY 2020-21	FY20 Adopted Budget vs. FY21 Pro Forma	
			\$	%
General Fund Revenue				
Local Revenue	\$ 220,166,568	\$ 215,986,181	\$ (4,180,387)	-1.90%
State Revenue	333,441,831	330,225,066	(3,216,765)	-0.96%
Federal Revenue	18,891,278	17,419,726	(1,471,552)	-7.79%
	572,499,677	563,630,973	(8,868,704)	-1.55%
General Fund Expenditures				
Salaries (net of attrition)	347,779,926	355,185,347	7,405,421	2.13%
Benefits (net of attrition)	153,078,560	154,766,866	1,688,306	1.10%
Contracted Services	52,146,089	53,618,524	1,472,435	2.82%
Supplies	14,577,091	14,657,670	80,579	0.55%
Capital Outlay	1,844,311	1,491,849	(352,462)	-19.11%
Insurance	3,073,700	3,488,996	415,296	13.51%
Total General Fund Expenditures	572,499,677	583,209,253	10,709,576	1.87%
General Fund Budget Gap	\$ -	\$ (19,578,280)	\$ (19,578,280)	

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

State 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 State revenue of \$0.112 million. The District is anticipating using additional local property tax revenue of \$4.539 million to balance the budget in the Transportation Fund, however, that amount may be reduced as fund balance becomes available. Consistent with past pro-forma budgets, this projection does not include a use of Transportation fund balance. The Transportation Fund ended the most current fiscal year (2018-19) with \$944,419, of which \$500,000 was designated to be used in FY 2019-20 and \$419,752 to be used for ongoing projects. The remaining funds are considered undesignated.

Transportation Expenditures

The following Transportation Fund pro forma expenditure projections for FY 2020-21 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 2020 the minimum wage will increase from \$9.89 in 2019³ and go to \$10.19, an increase of about 3 percent.

The District is anticipating increases to benefits to be tied to salary adjustments. 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 an increase to the pupil transportation contract on the basis of CPI, however, the Transportation Department continues to try and find efficiencies in contractor provided routes. Costs for leasing buses is expected to increase in FY 2020-21 by approximately \$0.145 million as eight additional buses are brought on board.

Transportation Budget Gap

Table 6 on the following page shows a balanced budget with increased revenue and expenditures of \$0.676 million or about 2.7 percent.

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

Table 6.

Transportation Fund Pro Forma Estimate	Adopted Budget FY 2019-20		Pro Forma FY 2020-21		FY20 Adopted Budget vs. FY21 Pro Forma	
					\$	%
REVENUES BY SOURCE						
Local Sources						
Property taxes	\$	3,249,869	\$	4,538,508	\$	1,288,639 39.65%
Transportation Fund fund balance		500,000		-		(500,000) -100.00%
Total local revenue		3,749,869		4,538,508		788,639 21.03%
State Sources						
State transportation revenue		21,279,363		21,166,968		(112,395) -0.53%
Total revenue		25,029,232		25,705,476		676,244 2.70%
Total Transportation Expenditures						
Salaries		4,703,652		4,809,484		105,832 2.25%
Benefits		4,431,708		4,531,421		99,713 2.25%
Contracted services		14,683,620		15,122,292		438,672 2.99%
Supplies		853,152		887,278		34,126 4.00%
Capital outlay		286,100		245,000		(41,100) -14.37%
Insurance		71,000		110,000		39,000 54.93%
Total expenditures		25,029,232		25,705,476		676,244 2.70%
Transportation Budget Gap	\$	-	\$	-	\$	-

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 \$77-87 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 0.4 percent to \$77.56 million in the next fiscal year.

While the District’s debt payments are expected to decline, it should be noted the tax request for FY 2020-21 will increase by approximately \$16.5 million due to a reduction in the amount of State support for the repayment of bonded indebtedness. The increase in the tax request is due to the Governor’s veto of HB 39 which included reductions of \$48.9 million Statewide for bond debt, of which Anchorage was due to receive about \$20.5

million. The District expects to have approximately \$4 million in Debt Service fund balance that can be used to alleviate some of the burden that has been shifted to the taxpayers of the Anchorage Municipality.

Food Service Fund

The Food Service Fund is primarily self-supporting and most of its revenue is generated from Federal reimbursements. In FY 2019-20, one school was added, and three removed, from 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 \$0.51 million, or about 2.1 percent.

The District continues to support students who are unable to pay for meals and has included \$100,000 in the General Fund to account for bad debt that cannot be covered with Federal dollars.

Local/State/Federal Operating Grants Fund

Grant funding includes categorical State and Federal funding that is used to supplement educational programs and are subject to appropriation. For FY 2020-21, grants are projected to decrease by 60.2 percent for a total allotment of \$58.911 million. This decrease is due to the removal of unrealized State grants that were included the FY 2019-20 budget of approximately \$89.75 million but are not in current law. 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 2020-21, 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. The amount expended in the Student Activities Fund typically falls in the \$6 to \$8 million range and upper limit authority is generally requested at the higher end. For FY 2020-21, the District is requesting approximately \$7.9 million in expenditure authority, 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 2.0 percent, in line with 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 changes based on different revenue scenarios and not intended to bind future School Boards or Administrations to the staffing or program FTE, contained herein.

Additionally, the five years prior to FY 2020-21 have been included as a reference with FY 2016 through FY 2019 being actual revenue and expenditures and FY 2020 being the adopted budget data.

Anchorage School District 6 Year Outlook
Based on current law and 6 years of flat funding
prepared by AR - 11/25/19

Nominal \$

Line #	CAGR	Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	TREND
Demographics														
1		Anchorage Population (SOA DOLWD)	298,965	297,751	295,365	294,000	292,900	292,900	292,900	292,900	292,900	292,900	292,900	
2		Public School K-12 Enrollment As Pct of ANC POP	15.97%	16.01%	15.90%	15.62%	15.48%	15.41%	15.62%	15.76%	15.70%	15.53%	15.53%	
3		ASD K-12 Enrollment (State ADM Count)	47,756	47,680	46,949	45,937	45,336	45,132	45,745	46,148	45,998	45,477	45,477	
4		Average Pupil Teacher Ratio	23.3	23.8	24.4	24.4	25.0	26.0	26.6	27.3	27.9	28.6	29.3	
5		ASD Special Education Intensive Students (State ADM Count)	823.0	834.0	876.0	948.0	949.0	1,061.0	1,061.0	1,061.0	1,061.0	1,061.0	1,061.0	
Revenue Outlook														
6		State of Alaska Base Student Allocation (BSA)	\$ 5,880	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	\$ 5,930	
7		State of Alaska Public School Foundation Formula	329.8	330.6	326.7	326.7	325.0	330.2	334.0	336.0	333.7	328.3	327.2	
8		State of Alaska Public School Funding Outside Formula	-	-	-	5.8	8.4	-	-	-	-	-	-	
9		Local Municipal Support	200.6	205.3	209.0	208.3	209.0	210.2	212.4	214.2	215.0	215.2	216.3	
10		Federal (Impact Aid + JROTC + Medicaid)	21.3	21.5	19.5	22.0	18.9	17.4	17.4	17.4	17.4	17.4	17.4	
11		Other General Fund Local Revenue (E-Rate, Local Fees)	7.4	5.2	7.4	16.0	6.1	5.8	5.6	5.4	5.2	5.0	4.8	
12		District Reserves	-	-	-	-	5.1	-	-	-	-	-	-	
13		Total General Fund Revenue	559.1	562.6	562.6	578.8	572.5	563.6	569.4	573.0	571.3	565.9	565.7	
		Year-over-year Change	(10.1)	3.5	0.0	16.2	(6.3)	(8.9)	5.8	3.6	(1.7)	(5.4)	(0.2)	
General Fund Staffing (FTE)														
Reduce Staffing Levels to Balance Budget														
14		Instruction	2,659	2,602	2,495	2,441	2,355	2,255	2,231	2,197	2,139	2,066	2,018	
15		Special Education	1,133	1,157	1,146	1,175	1,223	1,171	1,159	1,141	1,111	1,073	1,048	
16		Support Services	482	485	478	459	456	437	432	425	414	400	391	
17		School Administration and Support	391	391	388	386	389	373	369	363	353	341	333	
18		District Administration	213	210	212	210	214	205	203	200	194	188	183	
19		Operations/Maintenance and Community Services	500	499	504	486	482	462	457	450	438	423	413	
20		Staffing Total	5,378	5,344	5,223	5,157	5,119	4,902	4,850	4,776	4,650	4,491	4,386	
21		Year-over-year Change		(34)	(121)	(66)	(38)	(217)	(52)	(74)	(126)	(159)	(105)	
22		Cumulative Change		(34)	(155)	(221)	(259)	(476)	(528)	(602)	(728)	(887)	(992)	
23		2.0% Aggregate Average (\$ Salary + Benefits/FTE, net of attrition)	87,709	88,529	90,504	90,944	93,163	95,026	96,927	98,865	100,842	102,859	104,916	
24		Total Salaries + Benefits for FTE, net of attrition (\$ millions)	471.7	473.1	472.7	469.0	476.9	465.8	470.1	472.2	468.9	462.0	460.2	
25		2.0% Other Payroll Outlay Subtotal (\$ millions)	24.6	24.8	23.1	21.7	24.0	24.5	25.0	25.5	26.0	26.5	27.0	
26		Total GF Personnel Expenditures (\$ Millions)	496.3	497.9	495.8	490.7	500.9	490.3	495.1	497.6	494.9	488.5	487.2	
General Fund Expenditures (\$ millions)														
27		Salary & Benefits	496.3	497.9	495.8	490.7	500.9	490.3	495.1	497.6	494.9	488.5	487.2	
28		1.5% Purchased Services	38.8	44.1	44.3	53.0	52.1	53.6	54.4	55.2	56.0	56.9	57.7	
29		1.0% Supplies & Materials	15.0	20.1	17.6	14.8	14.6	14.7	14.9	15.0	15.2	15.3	15.5	
30		1.0% Capital Equipment	1.5	1.7	1.6	1.9	1.8	1.5	1.5	1.5	1.5	1.6	1.6	
31		1.0% Other	3.6	2.1	2.8	3.0	3.1	3.5	3.5	3.6	3.6	3.6	3.7	
32		General Fund Expenditures Total	555.2	565.9	562.1	563.4	572.5	563.6	569.4	573.0	571.3	563.9	565.7	