

Municipal Budget Advisory Commission

report on the

Anchorage School District 2012-2013 Preliminary Financial Plan

2/1/2012

The Superintendent presented a budget of \$726,842,354. This budget amount does not include the \$120 million in PERS/TERS liability for 2012-2013.

BAC ANALYSIS:

Flat funding versus forward funding: ASD assumes flat funding when creating their budget; however, they advocate for state forward funding of education. The state allocates a specific amount of money prior to the next year's school year; thus, the case has been suggested that this is forward "saving" for education, not forward funding. The real difference is between actual dollars that will ultimately go to ASD (including possible state grants) and the money that the state "forward funds" or saves in anticipation of the future school year.

Timing: The Superintendent delivers the budget to the school board in mid January. The BAC, the public, and the school board have approximately three weeks to review the budget before the final vote by the school board. There is realistically about a week and a half to submit substantial recommendations which could be incorporated into an amendment at the first hearing on the budget which is February 1st, 2012. It will then be transmitted to the assembly for review and ratification.

PERS/TERS liability: Has been omitted from the budget since it is not a cash transaction, and will instead be "appropriately recorded in all financial statements of the District." This will bring the district in line with the current practice at the Municipality and make the two budgets more comparable.

FTE Reallocations: Numerous employee positions have been transitioned from one department to another, as well as in and out of both the General Fund and the Grants Fund. According to the presentation by ASD, there will be a net decrease of about 30 teachers; they took 82 teacher positions out of the General Fund (in 2011 paid in a grant fund) and now will be taking 48 other positions out of the General Fund and putting 82 teachers back into the General Fund; thus, there is a net of about 30 positions.

Department Growth: One example of Department growth is in the Demographic Department. In 2010, the total cost of this department was \$214,338 (of which \$210,980 was salaries and benefits). The proposed 2012-2013 budget is \$688,854 (of which \$646,754 is salaries and benefits). According to the ASD Budget document the department's purpose is to provide info and services on how to use and manage current schools, new schools, and new school sites. Additionally, this department "identifies and acquires future school sites", helps with forecasting, CIP, and school boundaries maps.

Data Center: ASD is converting Kennedy Elementary to a Data Center. According to the Superintendent, this was a vacant school on JBER and will likely never be needed again for

students. The school district is currently planning on spending \$30K to paint the school and another \$1.5 million to make the school suitable to be used as a Data Center. The municipality of Anchorage recently built a Data Center and proposed to share the facility and split the cost. The initial offer by the MOA was a shared investment of \$850,000 each and a yearly rent of \$85,000. The school district declined this offer to share services. The BAC is awaiting the comparable cost from school district.

Capacity: Enrollment in the elementary schools system has dropped by from 28,000 to 24,000 since 1993-94 while the district added capacity for at least 3,000 more students during that time frame. In addition, the district has purchased two sites for future elementary schools with no projections of a significant increase enrollment.

The district has planned to move sixth-graders into middle schools. That would mean the loss of 2,500 more students from the elementary system.

BAC RECOMMENDATION:

The most pressing and necessary change that the BAC recommends is the budget process itself. The current process is inadequate, and does not allow sufficient time for the public to review or complete an educated assessment of this budget. It is ludicrous to believe that the school board can adequately vet an \$846 million dollar budget in less than three weeks. Unfortunately, the system that is in place puts the school board in a position where they must heavily rely on the recommendations of the administration, without adequate time to vet the data, or complete a thorough analysis of the recommendations.

It is clear that the school district has shifted employees from department budget to department budget. It is difficult to track the true FTE cost of a department because of the reallocation of employees. An additional complication is the movement of employees from one funding source to another. The BAC has requested a 5 year review of each department with FTE counts, as well as employee costs, to help understand these FTE movements, and overall employment growth. An initial assessment of FTEs seems to indicate that when the American Reinvestment and Recovery Act money was accepted from the federal government, the District used much of this money to grow the number of employees, because of the shifting of employees from fund to fund, or department to department, it is unclear how many of these positions are being absorbed into the General Fund; though they may have been hired with one time money.

According to the ASD 2011 6-yr. fiscal plan, in the past six years, spending per student has increased by 38%, the number of employees has increased by 9%, and personnel costs have increased by 47%. Additionally, if they assume flat funding for the next four years, in the year 2016 they will be facing a \$101.83 million dollar budget gap. ASD has not yet presented their updated 2012 6 yr fiscal plan.

It has been argued this process is necessary because the state doesn't forward fund education. However, the school district makes the case that they assume "flat funding" when building their budget. Thus, if they assume flat funding they should be able to formulate a budget with that assumption.

In regard to capacity, the elementary system is currently at 86% capacity and will fall to 80%

capacity without sixth-graders. The secondary school system is at 92% capacity. Re-balancing the elementary system to 92% capacity could save \$10-15 million/year.

Additional scrutiny must be brought to every base assumption made for the school district's budget. In the school districts own budget document, they use the assumption of enrollment growth in justifying the tasks of the Demographic Department. However, this assumption is not consistent with enrollment trends over the past ten years. The district assumes growth, yet the student population numbers do not support this assumption.

Lastly, the BAC recommends the school board revisit the opportunity to share services with the MOA. There is an appearance of reluctance to create synergy between the municipality and the school district, one example is the Data Center. Thus, a true cost analysis needs to be presented to the BAC and the assembly to justify the renovation costs, as well as the long term maintenance and operation of this facility.