

**FISCAL PROJECTIONS
AND
POLICY CONSIDERATIONS**

II. FISCAL PROJECTIONS AND POLICY CONSIDERATIONS

General Government

Introduction

This section of the report presents six year revenue and expenditure projections for general government services and the Anchorage School District. The projections are intended to answer some of the "what if" questions that may occur as fiscal choices are discussed. The purpose here is **not** to predict what the future will be or should be, but to provide a framework for thinking about the implications of the budget choices facing the community.

Revenues are the driving force behind the projections. This does not imply that spending should always rise to meet available revenues. Rather, this approach reflects the necessity of presenting a balanced budget, coupled with dramatic declines in state assistance to local government; plummeting property values which represent Anchorage's major tax base; and substantial reductions in expenditure levels over the last two years.

For purposes of projections, alternative revenue scenarios are presented and the resultant expenditure implications are discussed in terms of these revenue constraints. **To reiterate, these scenarios do not represent recommendations of the Administration or the Assembly, rather they are examples of the multitude of paths which the community could choose to follow.**

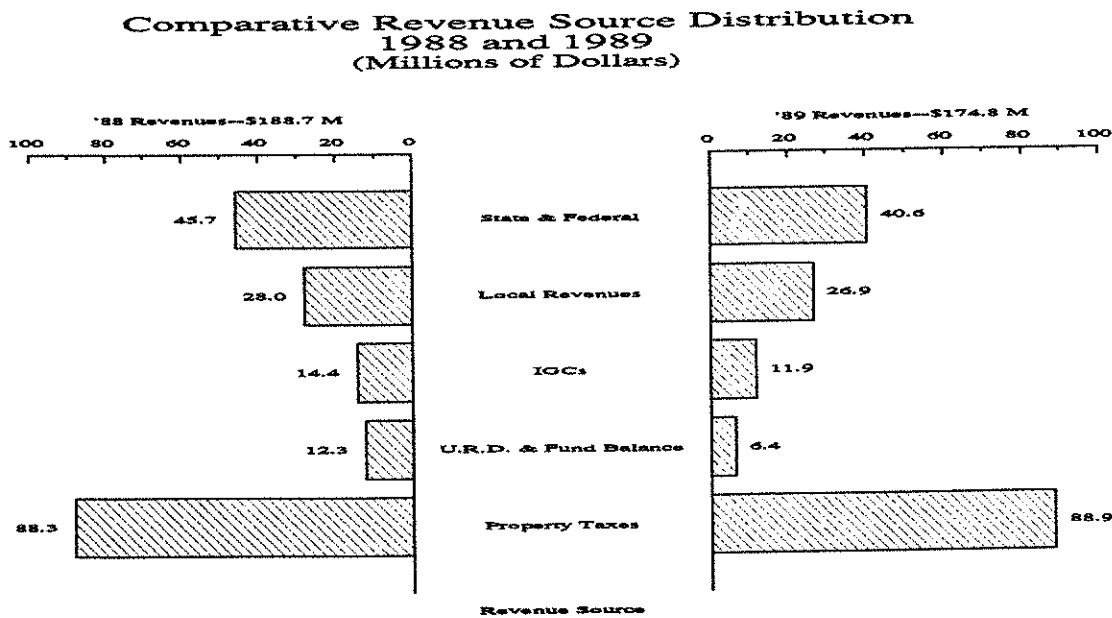
Revenues

By early December the Assembly will adopt a 1989 General Government Operating Budget. The level of that budget is as yet uncertain. These budget decisions will not only determine the structure and amount of taxes for 1989 but will also strongly influence taxes and expenditures in future years. In this section of the report we present several alternative sets of projections for purposes of comparison and discussion. These alternative projections are based upon different sets of assumptions as to policy decisions on the 1989 budget level, projected local taxes, and future levels of capital activities.

Certain assumptions are consistent among the various alternatives. For example, assumptions regarding inflation rates, population growth, changes in assessed valuation and State revenues are the same among the standard projections. These assumptions are detailed in Appendix A-2. (Changes in some of these variables are discussed separately in a brief section on sensitivity analyses.)

Before proceeding to a comparison of alternatives, we will note some of the important features of projected revenues. Figure 2-1 shows the distribution among major sources of revenues in 1988 General Government Operating Budget (Revised as of June 30, 1988) and the 1989 Proposed General Government Operating Budget.

Figure 2-1



Local Revenues include user fees and charges, interest earnings, hotel/motel tax, automobile tax, and other miscellaneous revenues. IGCs - Intragovernmental Charges; URD - Utility Revenue Distribution.

1988 Revised Budget, 1989 Proposed Budget.

In 1989 State revenues drop precipitously from \$44.7 million to \$39 million. This decline occurs even though we are assuming a constant level of State appropriation to local assistance programs (i.e., revenue sharing, municipal assistance, and locally shared State taxes). This anomaly results from the effects of a State law passed in 1987 which changed the distribution schedule of the State Revenue Sharing payment to July, the beginning of the State fiscal year, rather than October and April. Early receipt of funds provided Anchorage (and other communities on calendar fiscal years) a one-time boost in revenue sharing receipts. That timing change served to postpone some of the negative impact of declining State appropriations for revenue sharing and municipal assistance. That impact must now be dealt with in 1989.

The Utility Revenue Distribution, established by ordinance to allow for a distribution to general government from surplus revenue of municipally owned utilities (analogous to the return paid to owners of private utilities), was \$5 million in 1988. The utilities may not have the financial wherewithal to afford this distribution to owners in 1989 through 1994 due to weakened market conditions. Therefore, for projection purposes we assume no revenues from Utility Revenue Distribution throughout the period.

There has been considerable discussion of changing the formula by which utilities are assessed property taxes (Municipal Utility Service Assessment). The resolution of this issue is uncertain, so we have assumed that although changes may occur in the distribution of payments among utilities, the overall impact of any change would be revenue neutral, i.e., total revenues would not be effected.

The Intragovernmental Charge (IGC) revenue item reflects the mechanism used by the Municipality to account for the costs of certain services provided by one unit of government for another. Specifically, net charges for operating services made against utilities and capital grants comprise a revenue source to general government. As the overall budget (and level of services provided) declines, charges to utilities fall. Similarly, the level of capital activity has fallen substantially, resulting in lower charges against capital grants. IGCs are shown as declining at a rate of 5% per year 1990 through 1994.

Another major cutback in revenue results from the assumption of a lower level of fund balance contribution in 1990 through 1994. Over the last several years, the application of fund balance to the budget has been a source of tax relief. However, as revenues from all sources continue to tighten and the size of government declines, the amount of fund balance available to supplement expenditures is likewise expected to decline.

Other Local Revenues, which include user fees and charges, interest earnings, hotel/motel tax, automobile tax, and other miscellaneous revenues are expected to remain fairly stable over the period, increasing gradually with growth in the local economy.

The distribution among revenues continues to move toward local sources over the period. Any further drops in State revenues would accelerate that shift.

Table 2-1 below summarizes the alternative 1989 budget and future year tax policy assumptions which define the alternative scenarios presented here.

Table 2-1

<u>Scenario Title</u>	<u>Major Policy Assumptions</u>
A	Constant Mill Rate: Property Taxes for 1989 and outyears assume average mill rate held at 1988 level of 8.65 mills, or less if reach tax limit.
B	1989 Proposed Budget: Property Taxes for 1989 and outyears set to maintain 1988 dollar level plus allowance for new construction, or less if reach tax limit.
C	Tax Limit: Property Taxes for 1989 and outyears assume level allowable under the Charter Tax Limitation.
D	Temporary Sales Tax: A temporary sales tax (excluded from tax limit) yielding \$10 million instituted for 1989 and 1990, then sunset. Property Taxes for 1989 and outyears assume level allowable under the Charter Tax Limitation (as in C above).

The capital expenditure alternatives are represented by "Case 1" and "Case 2" capital assumptions which are combined with scenarios A through D, as described above. All of the "Case 1" scenarios involve the assumption that capital activity will be strictly limited in the future. That is, Case 1 assumes that the 1989 Capital Improvement Budget (CIB) will be approved and funded, and that the bond propositions on the October 1988 ballot will be approved by local voters. It is further assumed in Case 1 scenarios that there will be no operating budget impact from capital expenditures beyond those associated with projects included in the 1989 CIB.

"Case 2" relaxes this capital assumption, allowing for a moderate capital program in 1990-1994, with \$10 million in bonds approved each year; and, approximately \$18 million in State and federal grants per year. These capital assumptions affect the total level of expenditures only for alternatives C (Tax Limit) and D (Temporary Sales Tax). This is because these two alternatives provide for property taxes to adjust to the maximum level allowable under the Charter Tax Limitation. Thus, when debt service and operations and maintenance costs on voter approved projects impact the operating budget, property taxes in alternatives C and D are increased to cover these increased costs. In alternatives A (Constant Mill Rate) and B (1989 Proposed Budget) these costs must be absorbed within the revenue levels as originally defined. In all alternatives the distribution of expenditures is altered.

Table 2-2 summarizes 1988 revenues and alternative revenues in 1989 for each of the scenarios described above.

Table 2-2

Alternative Revenue Scenarios -- 1989 Impact
(Millions of Dollars)

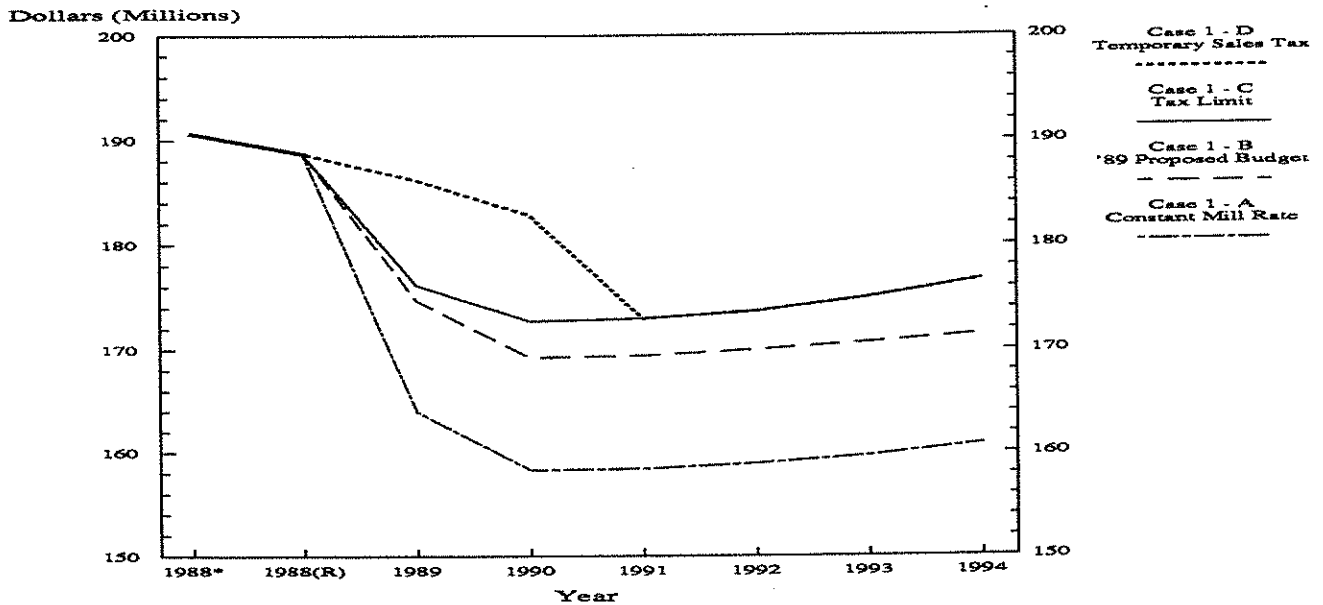
Revenues	1988	Case 1-A 1989	Case 1-B 1989	Case 1-C 1989	Case 1-D 1989
Federal	\$ 1.0	1.1	1.1	1.1	1.1
State	44.7	39.5	39.5	39.5	39.5
Local	28.0	26.9	26.9	26.9	26.9
Utility Rev.	5.0	0	0	0	0
Property Tax	88.3	78.1	88.9	90.3	90.3
Sales Tax	0	0	0	0	10.0
Fund Balance	7.3	6.4	6.4	6.4	6.4
IGCs	14.4	11.9	11.9	11.9	1.9
TOTAL	\$ 188.7	164.0	174.8	176.2	\$186.2
Change in Revenues from 1988 Revised	\$	-24.7	-13.9	-12.5	-2.5
		-13.1%	-7.4%	-6.6%	-1.3%

All revenue scenarios show a decline between 1988 and 1989. The smallest reduction occurs in Case 1-D, where property taxes and a short term sales tax offset losses in State and utility revenues.

Figure 2-2 uses the data shown in Table 2-2 as a starting point, and shows the implications for total revenues through 1994.

Figure 2-2

Total Revenues -- Case 1 Projections



For detailed projections, see Appendices.

The lowest line (Case 1-A) results from falling property tax revenues combined with State and utility revenue losses. In Case 1-B, the dollar value of property taxes holds steady, increasing slightly with new construction. Cases 1-C and 1-D allow property taxes to increase with debt service, population and inflation. Additionally, Case 1-D includes a two-year "emergency" sales tax which temporarily offsets the lost revenues providing more time for expenditure adjustments. In 1991, this case converges with Case 1-C, and is identical throughout the remainder of the projection period.

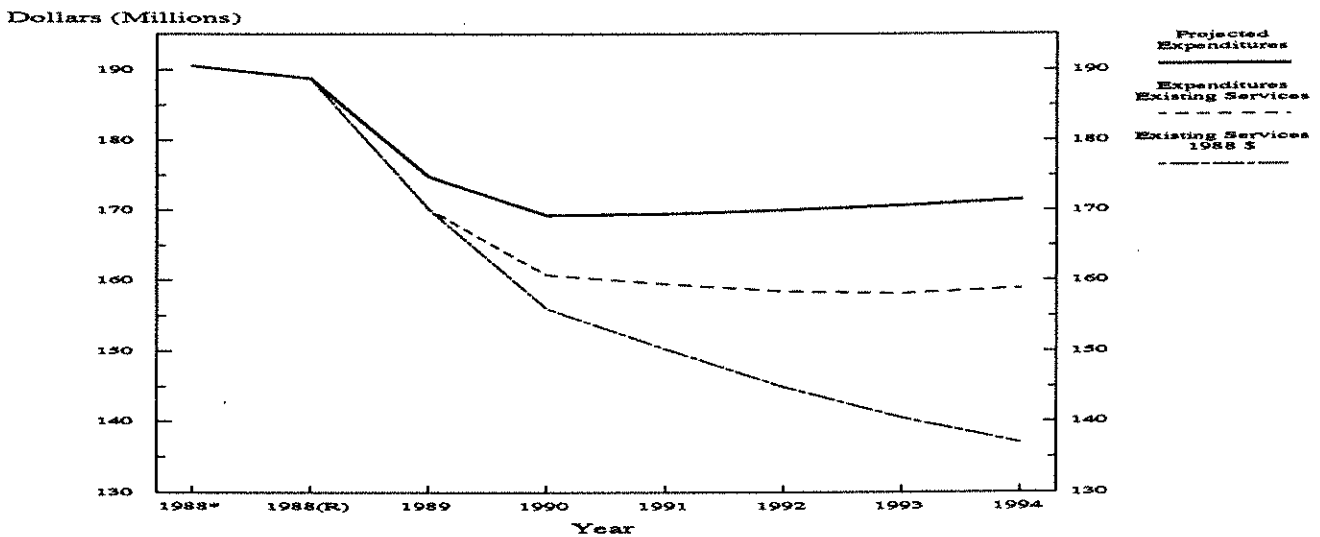
leaving a net \$2.7 million. Many of these costs are expected to continue in future years. An assumption of an additional \$2 million dollars in unanticipated new requirements per year is included in the outyears.

Other adjustments used to derive expenditures on programs available in 1988 include net changes in debt service, and operation and maintenance costs in the outyears. The lowest line, expenditures for existing services in 1988 dollars, reflects the impact of price increases which reduce what can be purchased with a given dollar amount of spending. Three percent inflation is assumed for this purpose, consistent with the assumption used in projecting local revenues.

This approach is intended to give a rough idea of service level impacts over time, using expenditures contained in the 1988 General Government Operating Budget as a point of comparison. Possible offsets to service declines include technological improvements, increases in efficiency and/or declining factor costs.

Figure 2-5

Projected Expenditures - Case 1-B
Total Expenditures and
Expenditures on Existing Services



* 1988 Budget as Approved; 1988(R) Budget as Revised; 1989 Proposed Budget; 1990-1994 Fiscal Model Projections, Case 1-B: No Capital Growth, Property Taxes Maintain 1988 dollar level plus allowance for new construction.

When spending is adjusted for inflation, the level declines throughout the period. In 1988 dollars, total expenditures in 1994 for this scenario would be 22% lower than in 1988. Expenditures on existing services would be 27% less than the current level. Case 2 (moderate capital expansion--not shown) results reflect larger declines (31%), since existing services are assumed to be reduced to absorb the operating costs and debt service associated with the new projects. In alternative B property taxes are not increased to cover these costs.

All alternatives examined (including alternative D - Temporary Sales Tax) result in declining expenditures over the period. Table 2-2 summarizes these results.

Table 2-3

Projected Changes in Expenditure
Cases 1-A through 1-D
(millions of dollars)

	CASES			
	1-A	1-B	1-C	1-D
1988 Approved Budget	190.7	190.7	190.7	190.7
1988 Revised Budget	188.7	188.7	188.7	188.7
1989 Budget	164.0	174.8	176.2	186.2
1994 Budget				
Total Expenditures	160.8	171.5	176.7	176.7
\$ change*	-27.9	-17.2	-12.0	-12.0
% change	-15%	-9%	-6%	-6%
Expenditures 1988 Svcs	148.0	158.8	163.9	163.9
\$ change*	-40.6	-29.9	-24.7	-24.7
% change	-22%	-16%	-13%	-13%
1988 Svcs. Infl Adjusted	127.7	137.0	141.4	141.4
\$ change*	-61.0	-51.7	-47.3	-47.3
% change	-32%	-27%	-25%	-25%

* Changes shown are from 1988 Budget (and service levels) as revised as of June 30, 1988.

Table 2-4 shows property taxes and range of mill rates implied by in Alternatives B and C. (Mill rate for Alternative A is held at the 1987 level of 8.65 mills or less, and the mill rate for Alternative D is the same as C, shown below.) These results are uncertain in that the crucial determining factor -- assessed valuations -- is highly uncertain. For this reason a range is shown. More important than the absolute numbers are the relative trends.

Table 2-4

Projections of Property Taxes and Mill Rates
Under Alternative Assumptions

Case 1 - B: No Capital Growth After 1989; Proposed Budget-Property Taxes maintain 1988 level plus new construction.

	1988	1989	1990	1991	1992	1993	1994
Property Taxes (millions \$)	88.3	88.9	89.6	89.9	90.6	91.3	92.0
Implied Mill Rates	8.65	9.85	9.73- 9.85	9.58- 9.81	9.28- 9.53	8.99- 9.25	8.71- 8.99

Case 1 - C: No Capital Growth After 1989; Taxes set at level allowable under the Charter Tax Limitation.

	1988	1989	1990	1991	1992	1993	1994
Property Taxes (millions \$)	88.3	90.3	93.1	93.4	94.3	95.6	97.2
Implied Mill Rates	8.65	10.00	10.11- 10.24	9.94- 10.20	9.66- 9.91	9.41- 9.69	9.20- 9.49

Case 2 - C: Moderate Capital Growth; Taxes set at level allowable under the Charter Tax Limitation.

	1988	1989	1990	1991	1992	1993	1994
Property Taxes (millions \$)	88.3	90.3	93.2	95.1	97.1	99.5	102.1
Implied Mill Rates	8.65	10.00	10.12- 10.26	10.13- 10.38	9.94- 10.21	9.80- 10.08	9.67- 9.98

1988 Approved Operating Budget; 1989 - 1994 Fiscal Model projections under alternatives shown.

Mill rate projections 1990 - 1994 are shown as a range based on alternative assessed valuation projections. Assessed values are assumed to fall about 11.6% between January 1, 1988, and January 1, 1989. The low end mill rate projections are based on property values increasing at 2% in 1990 and 1991 and 4% thereafter. The more conservative projection has values bottoming out in 1989, increasing very slightly (about \$70 million for new construction) in 1990 and 1991; and increasing approximately 3.8% per year thereafter. (See Appendix A-2 for values.) Table 2-4 shows mill rates falling in outyears as property values begin their recovery.

Sensitivity Analyses

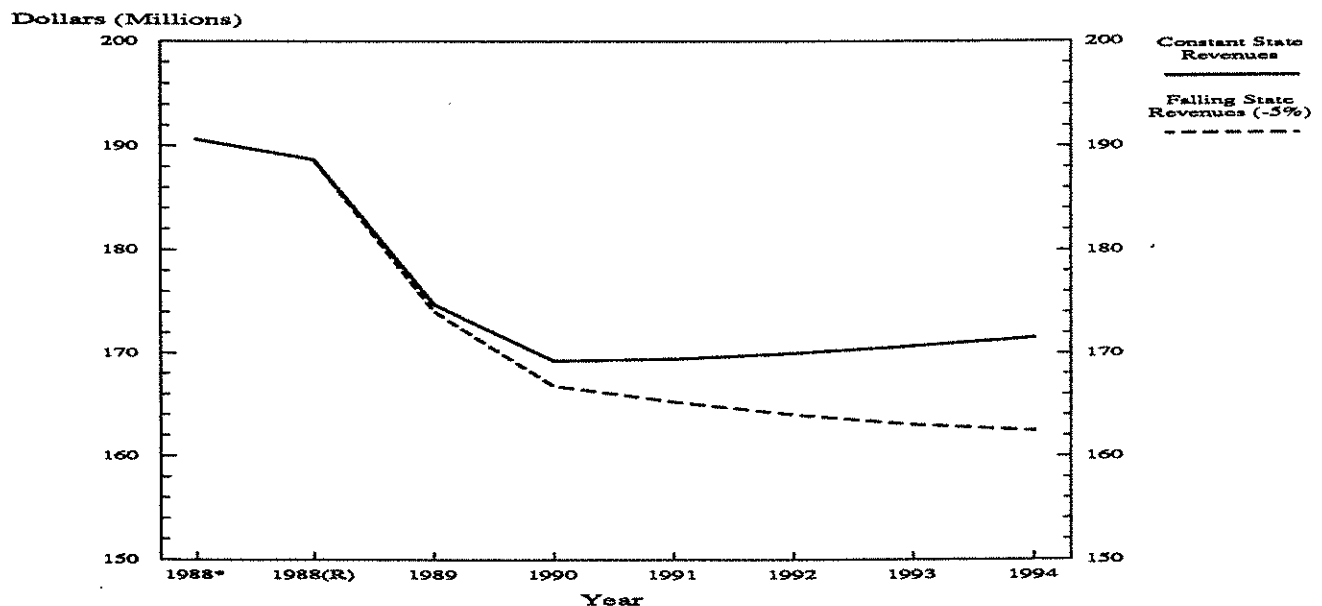
The projections generated reflect the assumptions on which they are based. These assumptions are, by their very nature, uncertain. It is therefore useful to examine the sensitivity of the results to changes in these assumptions. One particularly crucial assumption regards the amount of State revenue which will be provided to the Municipality through the State-funded Municipal Assistance and State Revenue Sharing Programs. State revenues, though they have fallen in relative importance, comprised 24% of revenue in 1988. For purposes of our standard projections, we have assumed no further cutbacks in State funding.

Long-range revenue projections by the Alaska Department of Revenue show state unrestricted general fund revenues declining at an average rate near 5% per year between 1989 and 1995. (Alaska Department of Revenue, Mid Case, March 1988 Projections).

Figure 2-6 shows the impact were State Revenue Sharing and Municipal Assistance to decline at 5% beginning with State fiscal year 1990 appropriations. Using this assumption, revenues in 1994 would be \$9.1 million lower than the projections presented elsewhere in this report.

Figure 2-6

Projected Total Revenues -- Case 1-B Impact of State Revenue Reductions



* 1988 Approved Budget; 1988 Revised Budget; 1989 Proposed Budget; 1990-1994 Fiscal Model Projections, Case 1 - B: No Capital Expansion After 1989; Proposed Budget level of Property Taxes. Detailed projections in Appendix.

The projections are also influenced by changes in assumptions regarding inflation and population. These assumptions influence local revenues (primarily fees and charges) and allowable property taxes under the tax limitation. Tables 2-5 and 2-6 show the impact on total revenues of alternative population and inflation assumptions.

Table 2-5

Projected Total Revenues Case 1-C
Alternative Inflation Assumptions
(Millions of Dollars)

<u>Inflation Rate 1990-1994</u>		<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
2%	\$	176.2	172.0	171.5	171.4	171.8	172.7
3% *		176.2	172.8	173.0	173.7	175.0	176.7
4%		176.2	173.5	174.5	176.0	178.2	180.9

* Standard assumption used in projections.

Although a change in the inflation rate for any one year has a relatively minor impact, the compound effect of changing the assumption throughout the period is significant.

Table 2-6

Projected Total Revenues Case 1-C
Alternative Population Assumption
(Millions of Dollars)

<u>Population Growth Rate</u>		<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
0% 1990-1994	\$	176.2	172.7	172.6	172.9	173.5	174.3
1% 1990-1993, 2.7% - 1994*		176.2	172.8	173.0	173.7	175.0	176.7
2% 1990-1994		176.2	172.9	173.4	174.5	176.4	178.8

* Standard assumption used in projections.

Projections of total revenues appear fairly insensitive to changes in the population growth assumptions. Per capita expenditure, revenue and tax calculations also vary with this assumption.

This limited discussion of the impact of various assumption highlights the importance of reviewing alternatives and updating information as circumstances change. The Municipality of Anchorage Fiscal Model can be used to produce updated projections as new information becomes available, or when decision makers wish to evaluate the impact of alternative assumptions.

Summary

The projections are also influenced by changes in assumptions regarding inflation and population. These assumptions influence local revenues. This section of the Fiscal Trends Report has presented several alternative revenue and spending scenarios for the Municipality of Anchorage. Total revenues, when adjusted for inflation, fall over the next six years, and in some cases the decline is dramatic. However, there are factors which could alter these results. For example, were the State of Alaska revenue picture to improve, that source could well increase rather than hold constant as assumed. Alternatively, if the community were to decide that pending reductions in services were too great, voters could approve new taxes, or (as provided in the Charter) approve expenditures for services or facilities as exemptions to the limit, and thus allow for a higher level of taxes under the limit. Conversely, voters could decide that they can no longer afford the current level of services (and taxes) and reduce expenditures below the proposed level. The options shown seek to highlight some of the downstream impacts of those current decisions.

1980	1981	1982	1983	1984	1985	1986
178.0	173.7	170.0	167.0	164.0	161.0	158.0

* Standard assumption used in projections.

Although a change in the inflation rate for any one year has a relatively minor impact, the compound effect of changing the assumption throughout the period is significant.

Table 3-6

Projected Total Revenue Case 1-C
Alternative Model on Assumption
(Millions of Dollars)

Year	1980	1981	1982	1983	1984	1985	1986
Standard Assumption	178.0	173.7	170.0	167.0	164.0	161.0	158.0
Alternative Model	178.0	173.7	170.0	167.0	164.0	161.0	158.0

* Standard assumption used in projections.

Projections of total revenues appear fairly insensitive to changes in the population growth assumptions. Per capita expenditures, revenue and tax calculations also vary with the assumption.

This limited discussion of the impact of various assumptions highlights the importance of reviewing alternatives and updating information as circumstances change. The Municipality of Anchorage Fiscal Model can be used to produce updated projections as new information becomes available, or when decision makers wish to evaluate the impact of alternative assumptions.

This Section Prepared by the
Anchorage School District

ANCHORAGE SCHOOL DISTRICT

Introduction

By District policy, the Superintendent presents a recommended revenue and expenditure pro-forma budget to the School Board for consideration and approval prior to directing the development of the School District's financial plan. The School Board then establishes a planned budget cost ceiling and sets the outside spending limits for the annual budget preparation process.

The initial financial planning for the next school year is done in the last half of September after the school enrollment trend becomes more clear, and is then presented for School Board consideration prior to October 1 each year. Therefore the projections included in this Fiscal Trends are based on preliminary estimates and they will be changed during the course of budget development and financial planning later in the school year.

Several key factors are major determinants of the pro-forma budget. These factors include student population projections, debt service levels, the tax limitation, State revenue entitlements, and the prevailing and expected inflation rates. There is a substantial degree of uncertainty in these factors. Therefore the the annual budget planning process includes the development for School Board consideration of appropriate options to facilitate matching the projected revenues and expenditures.

From October 1988 through January 1989 the FY 1989-90 budget will be developed by the school and administrative staff with the input and involvement of teachers, principals, staff members, community members, and community organizations. The School Board will then hold public budget development hearings and consider the FY 1989-90 Preliminary Financial Plan in February 1989. The revisions made pursuant to School Board decisions will be incorporated into the next version of the budget which is the Proposed Financial Plan. The Municipal Assembly will hold public hearings and consider the Proposed Financial Plan in April 1989. At that time, they will approve and appropriate the total budget and the property taxes included in the approved budget. Any revisions which may then be necessary will be made and incorporated into the final version of the budget, the Adopted Financial Plan, for next fiscal year which begins July 1, 1989.

ANCHORAGE SCHOOL DISTRICT - EXPENDITURES

The student enrollment for FY 1988-89 was projected to be 39,800 at September 30, 1988, which is the baseline date. This year's enrollment has exceeded the original estimate and is now projected to be more than 40,100. For FY 1989-90 the incoming kindergarten class is presently expected to be approximately 500 more than this year's unusually small class. The kindergarten entry birthday eligibility date was changed from November 2 to August 15 effective for the first time this year, FY 1988-89. Incoming classes in the future will not be impacted by this change. The return to a normal kindergarten size for next year is expected to offset enrollment decreases in the elementary grades. Therefore, the enrollment is projected to remain at approximately 40,100 students in FY 1989-90. It is then projected to increase gradually from 40,400 in FY 1990-91 to 41,400 in FY 1993-94. The full time equivalent enrollment (FTE) counts kindergarten students at one-half which is consistent with their half day

program. The FTE enrollment is approximately 4% lower than the full count enrollment. It is projected that the kindergarten classes will continue to be somewhat larger than the outgoing senior classes. These large incoming classes offset much of the net out-migration in the projections.

The continuation of approximately the present service level of program expenditures is projected. Existing educational programs are presumed to continue if funds are available. Cost increases due to enrollment changes are estimated by providing for an acceptable level of teaching and direct instructional support staff and services as well as the necessary student supplies and equipment.

Cost increases are estimated using rates which vary depending on the expenditure object category group. These projected rates are intended to approximate the estimate of the School District's cost increases for employee salaries and benefits, supplies, equipment, contracted services, utilities, maintenance, etc. Annual rates of increase used are as follows: Salaries and Benefits 2.5% after FY 1989-90, Purchased Services 3-5%, Supplies and Materials 4-5%, Capital Outlay, and Other 3%. Overall inflation, based on the Anchorage area Urban Consumers' Price Index (CPI), is assumed to be approximately 3% per year from FY 1989-90 through FY 1993-94.

The General Fund equivalent program and service level projections indicate that expenditures would approximate revenues for FY 1989-90 and FY 1990-91 and exceed available revenues thereafter. Therefore the General Fund projected expenditures for FY 1991-92 through FY 1993-94 have been reduced to match the revenue projected to be available. If the additional revenues which are needed do not become available it would be necessary to implement further cost reduction measures. Every effort would be made so that such cost reduction measures would impact the classroom educational programs as little as possible. However most of the direct expenditures of the School District are for student instruction and services and very significant reductions and eliminations have already been made. Therefore any further substantial cost reductions would probably have an adverse effect on the educational programs.

Debt service expenditure projections are prepared using the existing indebtedness and the estimated debt service on the remaining bonds expected to be issued. Under the existing State reimbursement program 80% of new debt service is established as the entitlement for reimbursement in the same year that the debt service is paid. All State debt service is projected to be reimbursed on a pro-rata reduced basis at 90% of entitlement.

Food Service expenditures are projected on a per student basis using per student yearly increases of 3% per year. State Projects expenditures for special State contract programs are projected using per student yearly increases of 2% per year. Federal Projects expenditures for special Federal programs are projected using per student yearly increases of 3% per year.

The following graph and table summarize the budgeted and projected expenditures for the ten fiscal years through FY 1993-94.

FIGURE 2-7

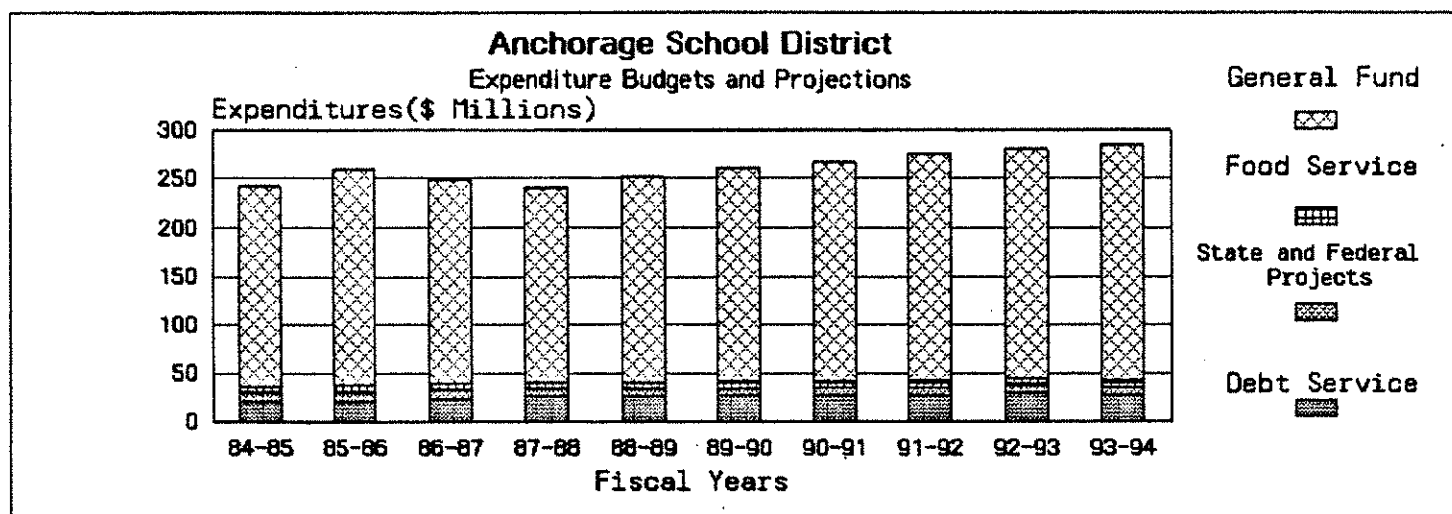


TABLE 2-7
ANCHORAGE SCHOOL DISTRICT
EXPENDITURES
(\$ MILLIONS)

Budgeted/Projected Expenditures	FY 84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94
Operating Funds:										
General Fund	206.2	222.6	209.0	200.6	211.8	220.0	226.0	233.0	236.5	242.5
Food Service Fund	7.0	7.2	6.8	6.2	6.2	6.5	6.7	6.9	7.2	7.4
State & Federal Projects	9.5	9.6	9.6	7.7	7.1	7.0	7.2	7.6	7.8	8.1
Total - Operating	222.7	239.4	225.4	214.5	225.1	233.5	239.9	247.5	251.5	258.0
Debt Service Fund	20.1	20.1	23.5	26.4	27.2	27.7	27.8	28.1	29.7	27.5
Total Expenditures	242.8	259.5	248.9	240.9	252.3	261.2	267.7	275.6	281.2	285.5
Projected (\$ Millions)										
Total Expenditures Adjusted to FY 1988-89 Base Year Dollars	254.5	265.5	249.9	240.9	252.3	253.6	252.4	252.2	249.7	246.1
Student Enrollment (Thousands)	42.1	42.4	42.0	40.9	40.1	40.1	40.4	40.8	41.0	41.4

Budgeted expenditures through FY 1987-88 are from the Financial Plans, including any budget revisions, for those years. FY 1988-89 expenditures have been presented in accordance with the budget revision, made in August 1988, for Community Schools and the revision to be requested in October 1988 for increased enrollment.

The expenditure projections presented in this section assume 3% annual increases in the Anchorage CPI after FY 1988-89. The total expenditures projected by year are presented in the accompanying schedule.

ANCHORAGE SCHOOL DISTRICT - REVENUES

Revenues for next year, FY 1989-90, are projected using as a base the current year's adopted budget as well as the most recent available information as to student enrollment and availability of funding. The remainder of the years are projected using the projected FY 1989-90 revenue as the base year revenue.

State Revenue - The State Public School Foundation Program is the largest single revenue source. For FY 1989-90 this program is expected to provide 63% of the General Fund revenues and 53% of total revenues. The revenue for FY 1989-90 may be substantially increased because the State makes up the difference between the "basic need" and the amount computed by multiplying 4 mills times the Municipality's assessed valuation. As these property values declined by more than \$3 billion during calendar 1987, the amount of the potential State funding has increased by up to \$12.7 million. However, it remains very uncertain if this additional revenue would be fully funded by the State. For projection purposes the revenue was estimated using the projected amount in FY 1989-90, which averages \$3,619 per student, on a full time equivalent student (FTE) basis. Per student increases of 2% per year in Foundation funding are projected for the fiscal years 1990-91 through 1993-94.

Continuation of State reimbursement for Debt Service at least at 90% of entitlement is projected. The State reimbursement entitlement rates are 100%, 90%, or 80% of related debt service depending on the year in which the debt was issued. The bonds issued since 1985 have an 80% debt service reimbursement entitlement. Given a 90%, overall funding level the effective reimbursement to be received would be 90%, 81%, or 72%.

State Projects revenue for special State contracted programs is projected assuming increases per student of 2% per year.

The remaining State revenue is computed using the following bases.

- Tuitions - 2% increase per year
- Pupil Transportation - 2% increase per year
- Indirect Costs - no increase

Local Revenue

Using the projected FY 1989-90 revenue as the base year revenue, the following rates of increase are assumed in the projections:

- Sale of Property, and Miscellaneous - 2% increase per year
- Interest - No annual increase
- Sales and Rentals - Career Center revenues and facilities rentals are projected to increase by 2% per year. Food Service revenue is projected assuming yearly 3% increases in per student sales to account for price increases as well as student participation increases.

Local Taxes - local tax revenue increases necessary to provide for an acceptable level of services while staying within the projected property tax limitation are projected.

Federal Revenue

Increases of 3% per year in the ROTC program are projected. Federal Projects revenue is projected using increases of 3% per student per year. Food Service federal reimbursement revenue is projected assuming yearly increases of 3% per student in the amount of reimbursement.

The following graph and table summarize the budgeted and projected revenues for the ten fiscal years through FY 1993-94.

FIGURE 2-8

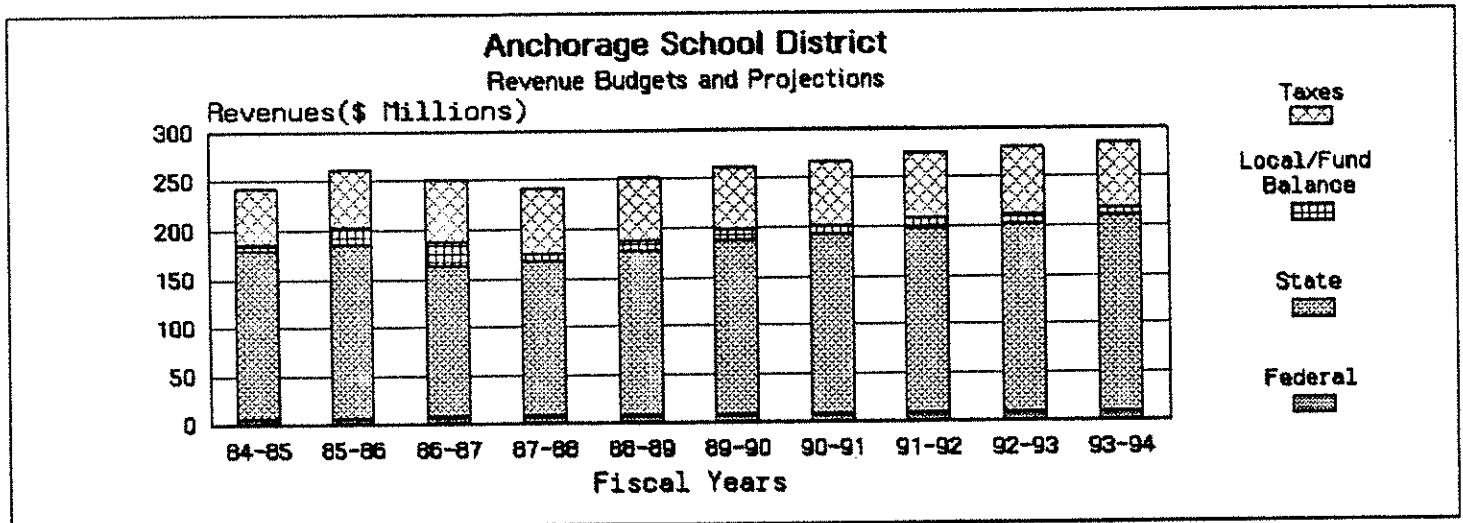


TABLE 2-8
ANCHORAGE SCHOOL DISTRICT
REVENUES
(\$ Millions)

Budgeted/Projected Revenues	FY 84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94
Federal	6.7	6.3	7.3	8.1	7.3	8.0	8.2	8.6	8.9	9.2
State	172.7	179.7	156.4	159.4	170.1	180.1	185.0	189.9	193.5	201.6
Sales, Interest, Other local and Fund Balance	6.7	17.1	24.4	7.7	10.8	10.1	8.4	10.1	9.7	7.9
Property Taxes	<u>56.8</u>	<u>59.4</u>	<u>63.8</u>	<u>66.9</u>	<u>64.8</u>	<u>63.5</u>	<u>66.1</u>	<u>67.0</u>	<u>69.1</u>	<u>66.8</u>
Total Revenues Projected	<u>242.9</u>	<u>262.5</u>	<u>251.9</u>	<u>242.1</u>	<u>253.0</u>	<u>261.7</u>	<u>267.7</u>	<u>275.6</u>	<u>281.2</u>	<u>285.5</u>
Calendar Year	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Mill Rate	4.27	4.00	4.04	5.41	6.46	7.11	7.13	7.26	7.16	6.64

Budgeted revenues through FY 1987-88 are from the Adopted Financial Plans, including any budget revisions, for those years. FY 1988-89 revenues have been increased in accordance with the budget revision made in August, 1988 for Community Schools and the revision to be requested in October 1988 for increased enrollment.