

## **Report of the Alaska Council of School Administrators (ACSA) FY13 Funding Review Committee - October 2011**

### **Background**

At the August meeting of the Alaska Association of School Administrators (AASA), Education Commissioner Mike Hanley asked district superintendents how much funding would be needed in FY13 to maintain current programs.

AASA/ACSA Executive Director Bruce Johnson suggested a joint project with the Alaska Association of School Business Officials (ALASBO) to study this question. The ALASBO Executive Board appointed the following ALASBO members to work with Bruce Johnson on this committee: Luke Fulp, Kodiak; Chad Stiteler, Anchorage; David Arp, Sitka; Yodean Armour, Klawock; and Amy Lujan, ALASBO Executive Director.

### **Process**

With the help of Education and Early Development staff, budget templates pre-loaded with FY12 information were sent out to each school district, with a request for early estimates of FY13 budget needs. A commitment was made to the confidentiality of district data, due to the preliminary nature of the budget estimates. Using the ALASBO network, data was received directly from 48 of the 54 school districts. Estimates were created for the remaining districts.

### **Findings**

Districts are expecting serious shortfalls in FY13, due to declining federal revenues as well as increased costs.

- health plan costs are expected to increase 7-15%, which is in line with industry estimates
- wage make up 47% of district budgets; many districts have negotiated agreements in place already for FY13; those entering negotiations anticipate modest increases
- energy costs have continued to increase; these higher costs also impact travel and shipping on all goods, from instructional supplies to food for school lunches
- overall expenses are forecast to increase due to inflation, which for the Anchorage CPI has averaged 2.7% since 1990
- the federal program for timber compensation to rural schools and communities (SRSCA) may not be reauthorized; this would reduce funding to schools and municipalities by \$18.5 million, hitting 24 district budgets directly in some cases, and/or the ability of municipalities to provide local funding to school districts
- federal ARRA and Education Jobs Bill funding, which provided \$35 million in unrestricted funding to be spent in FY12 and FY13, will be exhausted by the first quarter of FY13, resulting in program cuts in FY13 and FY14

### **State Funding Implications**

While it is not expected that state funding can make up for all the reductions in federal funding, it is reasonable to expect that state funding can help districts deal with cost increases and ensure a continued quality educational program. The following estimates of funding needs are provided by this committee for guidance to achieve this goal.

- extending the FY12 grant provided by HB108 (\$20 million) is critical to enabling districts to keep up with energy costs, in addition to the BSA increases suggested below
- a \$320 BSA increase would enable districts to keep pace with expected cost increases, though it is possible that program cuts would be necessary, due to flat or declining local and federal revenues NOT funded by this BSA calculation
  - a \$225 BSA increase would maintain the state's proportionate share of district funding, in relation to local and federal funding; however, program cuts would occur if local and federal revenues are flat or reduced