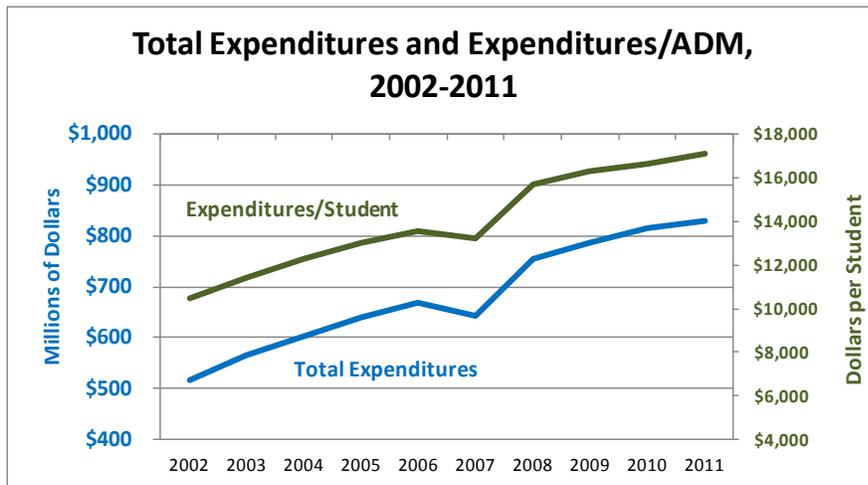


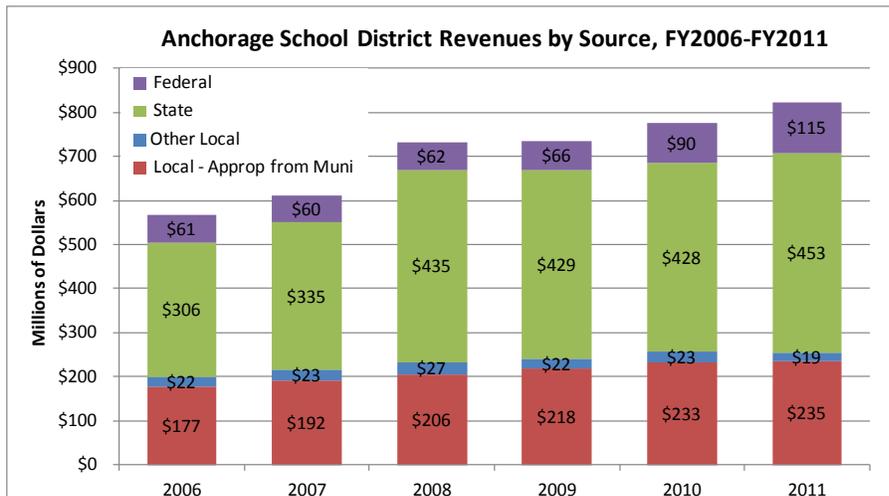


Fiscal Profile of the Anchorage School District, November 2011

Across the nation, school districts are facing rapidly increasing health care costs; in addition, Alaska's districts are confronted with rising PERS and TRS (Public Employees Retirement System and Teachers Retirement System) contribution rates in response to unfunded liabilities in those systems. Moreover, energy costs, state and federal mandates for special programs, testing, and reporting have all contributed to steadily increasing expenditures for the district even as enrollments have been flat. Between 2002 and 2011, ASD total expenditures rose 60 percent while student enrollment declined by about 1 percent. Expenditures per student (including both operating and capital costs) rose from \$10,500 in 2002 to just over \$17,000 in 2011.



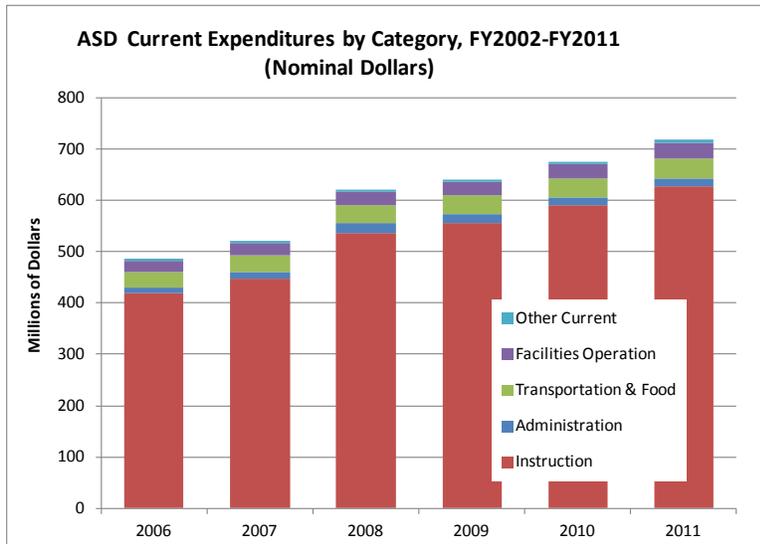
Inflation accounts for some of this growth. Inflation was not high in the last decade—about 2.7 percent per year— but in the nine years from 2002 to 2011 it totaled to a 27 percent increase in costs. Still after accounting for inflation, district expenditures increased by about 26 percent.



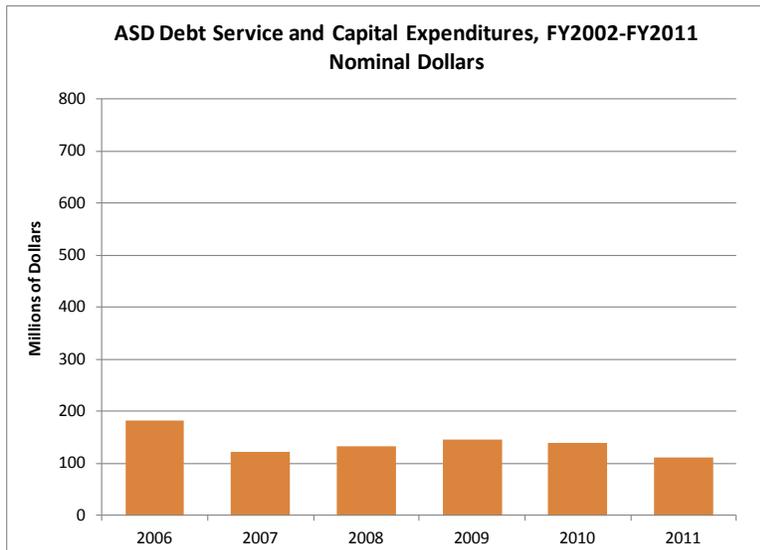
Most of this brief examines the increases in district revenues and expenditures from 2006 to 2011. Total revenues increased by about 45 percent between 2006 and 2011. The state provides just over half of district revenues, the Municipality of Anchorage, about one-

third, and the remainder comes from the federal government. Federal government revenues grew much faster than local or state revenues in the last five years, as the district secured increased federal grant dollars as well as ARRA funds. In 2011, about 86 percent of the district's federal funds were restricted funds, and 15 percent were general fund revenues.

Total expenditures increased about 24 percent between 2006 and 2011. (Total revenues and expenditures vary slightly from each other when the district sells property, issues bonds, or

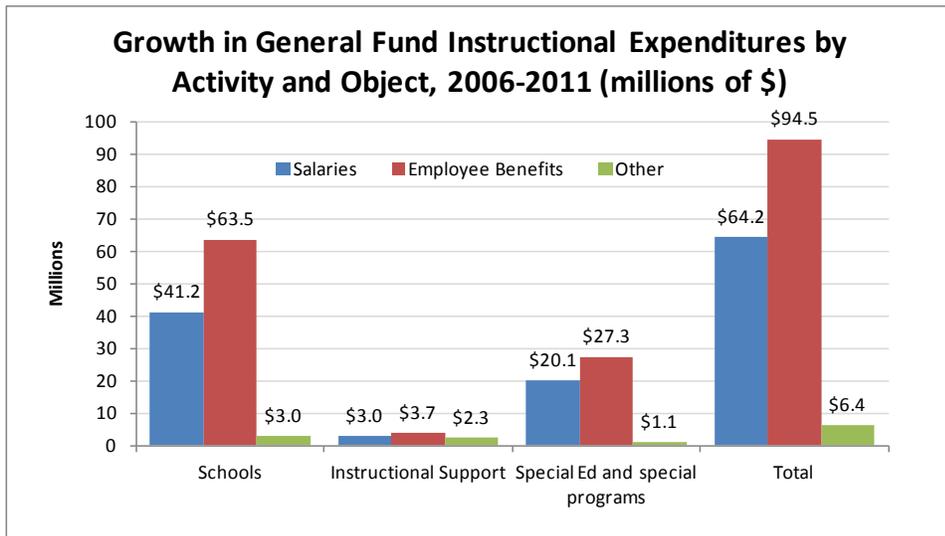
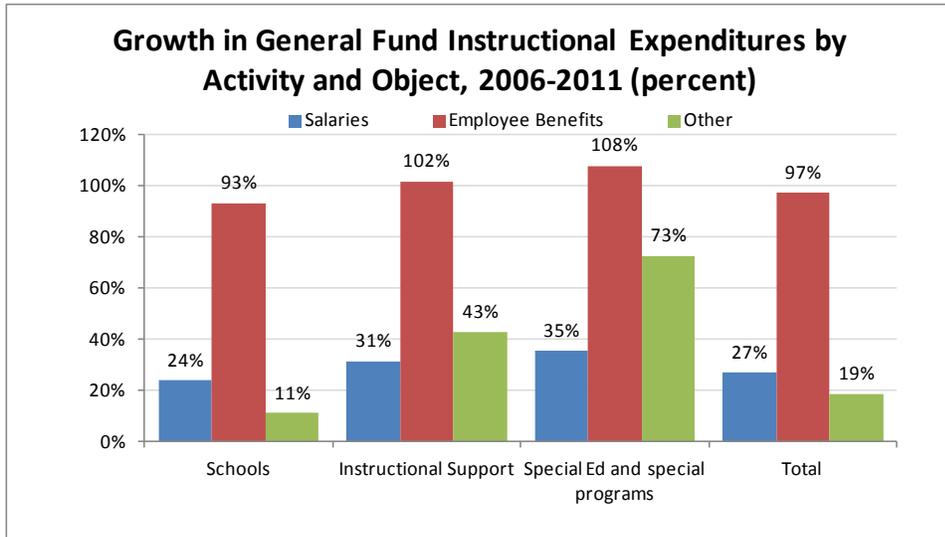


transfers money in or out of its balances.) Inflation over that five-year period was just over 13 percent. Current expenditures (mostly Instruction, but also Administration, Pupil Transportation & Food, Facilities Operation and Maintenance, and Other) increased by about 50 percent, while Debt Service and Capital spending declined by about 40 percent (as the district finished several major renovations and new schools).



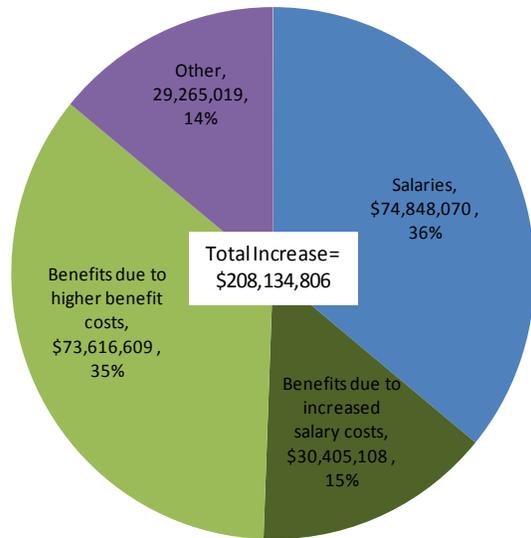
Instruction is the largest expenditure category and the largest part of increased expenditures as well. Almost all instructional expenditures are in the general fund, for which the district reports expenditures by activity and object. The charts below show the dollar amount of growth and the percent growth of general fund instructional spending for salaries, benefits, and other expenditures. General fund

expenditures for benefits almost doubled, while salary expenditures rose only about 27 percent, and other types of expenditures, 19 percent. And while the schools activity is the largest dollar share of increased expenditures, special education expenditures increased by the largest percentage in all three categories.



Employee benefits grew much faster than the budget overall. In the chart below, we tried to estimate how much of the growth in benefit expenditures was due to rising health and retirement costs. These data include instructional expenditures from both the general fund and from local, state and federal grants – 99.9 percent of total instructional expenditures. We took the 2006 benefits expenditures and calculated how much they would have increased if they had increased at the same rate as salary costs between 2006 and 2011. We then subtracted this amount from the actual benefit expenditure increase to estimate the dollar amount due to increased benefit costs.

Components of Growth in Instructional Expenditures*, 2006-2011



*Excludes \$370,516 of increased instructional expenditures in student activities fund

Finally, the table below shows numbers compiled by the school district that show how health care and retirement costs and utilities and fuel costs contributed to increases in the district’s budget. While most of the numbers in this paper are actual revenues and expenditures reported in the District’s Annual Financial Report, the numbers below reflect budgeted (rather than actual) expenditures, so the numbers don’t match exactly those presented above. The overall general fund budget grew 40 percent in the five years from 2006 to 2011, health care and retirement expenses more than doubled. Utilities and fuel increased at the same rate as the overall budget, and all other costs - consisting mostly of salaries, purchased services, supplies and materials– increased by 22 percent.

| General Fund Budget Growth, 2005-06 to 2010-11 | | | |
|---|--------------------|--------------------|-------------------|
| | 2005-2006 | 2010-2011 | % increase |
| Utilities & Fuel | 15,202,467 | 21,301,774 | 40% |
| Group Medical | 39,680,686 | 80,725,885 | 103% |
| Retirement | 50,360,422 | 114,235,036 | 127% |
| All other | 327,760,101 | 400,747,305 | 22% |
| Total General Fund | 433,003,676 | 617,010,000 | 42% |