

2016-2017

PRELIMINARY BUDGET HANDBOOK



**MATANUSKA
SUSITNA**
BOROUGH SCHOOL
DISTRICT

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FY2016-2017 PRELIMINARY BUDGET

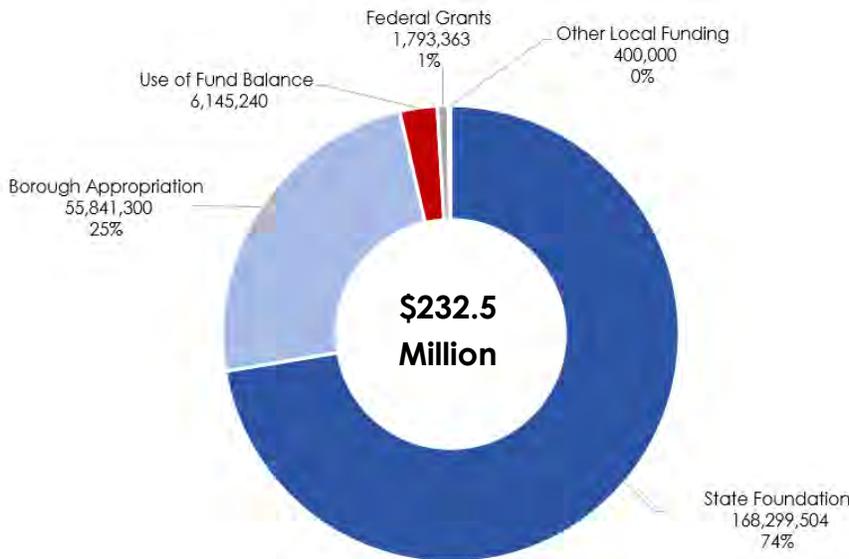


FY2016-2017 PRELIMINARY BUDGET HIGHLIGHTS

Revenue

In FY2017 the preliminary revenue for the District, excluding State on-behalf retirement contributions, totaled \$226.4 million. This represents an increase of \$6.7 million in General Fund revenue over FY2016. The additional revenue includes a 6% increase (\$3.2 million) in the Borough's local contribution; a \$50 increase (\$1.6 million) to the State's Base Student Allocation (BSA), and all other State increases due to projected enrollment growth of 353 students. In order to present a balanced budget, the District plans on utilizing approximately \$6.1 million in fund balance.

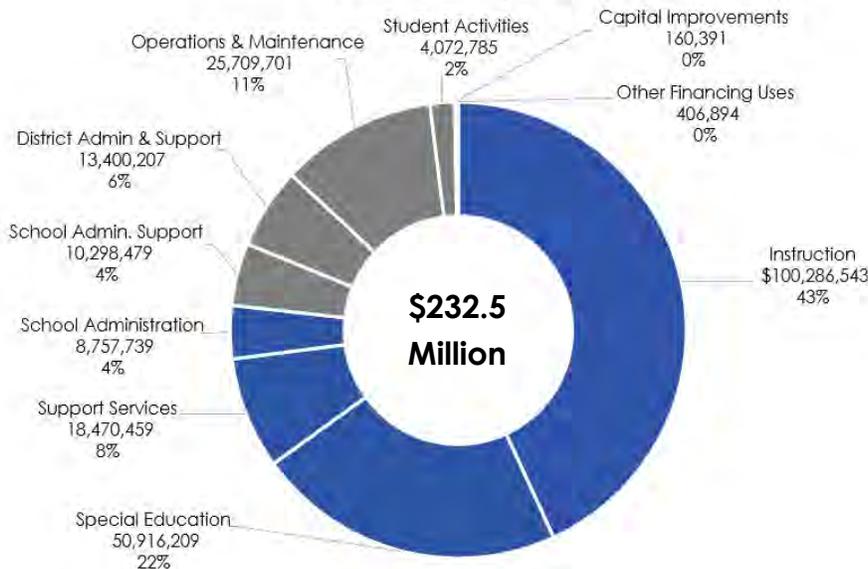
FY2017 Revenue



Expense

Funding for instructional purposes is the District's first priority. FY2017's expenses are projected to increase from the prior fiscal year by \$7 million. The largest increase in expense is an increase in the certificated (teacher) personnel costs.

FY2017 Expense



MSBSD is primarily dependent on funding from the State of Alaska & the Matanuska-Susitna Borough. For FY2017's Preliminary Budget:

- The State contributes 74%
- The Borough contributes 25%

The State of Alaska requires that 70% of all expenditures be spent on instruction.

MSBSD easily surpasses this goal annually.

In both FY2016 & FY2017:

- 77% of MSBSD's operating budget is dedicated to instruction (represented in the chart to the left in blue)



FY2016-2017 PRELIMINARY BUDGET

MSBSD's budget is:

- A spending plan reflective of the District's priorities.
- A communication device used to share these priorities with the community.
- Fluid—It can be changed or updated as new information becomes available.

FY2016-2017 PRELIMINARY BUDGET HIGHLIGHTS

The Deficit and Use of Fund Balance

	FY2016 Current Budget	FY2017 Preliminary Budget	% Change
Revenue			
Borough Appropriation	52,680,472	55,841,300	6%
Other Local Funding	475,002	400,000	-16%
State Foundation	163,320,072	168,299,504	3%
Federal Grants	1,742,384	1,793,363	3%
Transfers from Other Funds	1,395,243	-	-100%
Total Revenue	219,613,173	226,334,167	3%

	FY2016 Current Budget	FY2017 Preliminary Budget	% Change
Expense			
Salaries & Benefits	183,444,078	194,281,659	6%
Non-Personnel (Discretionary)	32,419,591	29,241,688	-10%
Utilities	7,887,323	7,155,752	-9%
Restricted (District Managed)	1,757,143	1,800,308	2%
Total Expense	225,508,135	232,479,407	3%

Total Shortfall (Deficit)	(5,894,962)	(6,145,240)
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Expected revenues for both the current year and FY2017 fall short of the total expected expenditures, resulting in deficits. To balance the District's Operating Budget, the School Board plans on using \$6.1 million from unassigned fund balance. Fund balance, comparable to a savings account, is the year end difference between a fund's assets and its liabilities. As of FY2015, the District has a total unassigned fund balance of \$14.3 million. If the budgeted fund balance is used in FY2016 & 2017, the total balance remaining in the District's unassigned fund balance will be approximately \$2.3 million. The State of Alaska limits school district fund balances. Fund balance are not permitted to exceed 10% of their total expenditures for the prior year. The District's remaining \$2.3 million fund balance would be 1% of the total FY2017 Budget, which is well below the State limit.

	Fund Balance (FB) Lapse to Borough		
	Total FB Prior to Lapse	Lapse to Borough	Total Ending FB After Lapse
FY2006	\$ 818,387	-	818,387
FY2007	\$ 3,905,294	1,558,454	2,346,840
FY2008	\$ 6,300,400	1,874,379	4,426,021
FY2009	\$ 2,437,484	699,745	1,737,739
FY2010	\$ 3,616,103	1,132,481	2,483,622
FY2011	\$ 3,132,208	268,459	2,863,749
FY2012	\$ 4,623,913	298,946	4,324,967
FY2013	\$ 9,179,109	752,526	8,426,583
FY2014	\$ 12,812,789	-	12,812,789
FY2015	\$ 17,305,995	-	17,305,995

Up until FY2013, the District was required to return 50% of the annual increase unassigned fund balance to the Borough in the form of a lapse payment at year-end. These funds were then placed in a Borough reserve for school site acquisitions. The ordinance also stated that the District could not build its unassigned fund balance to a sum greater than \$5 million.

FY2016-2017 PRELIMINARY BUDGET



These restrictions made it difficult for MSBSD to build a fund balance. In 2013, the Borough Assembly adopted a new ordinance calling for only 25% of any increase in unassigned fund balance to lapse back to the Borough and also removed the \$5 million limitation on the total amount of fund balance held by the District. For FY2014 and 2015 the Borough Assembly did not enforce the lapse payment requirement; and, instead, allowed the District to retain 100% of its fund balance.

BUDGET DEVELOPMENT

Enrollment

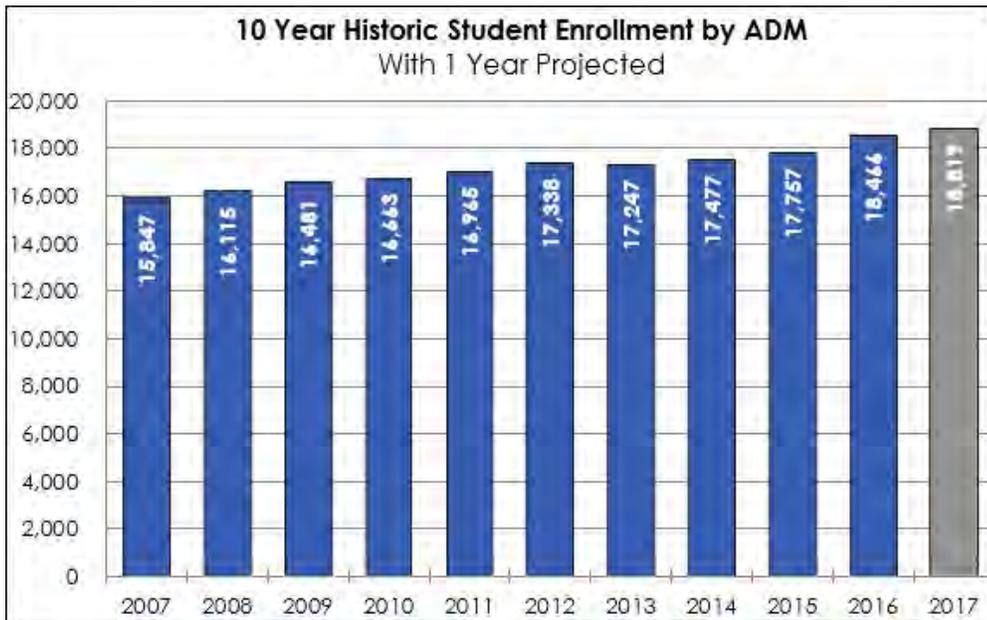
Student enrollment plays a pivotal part in both the District's revenue determination and expense allocations. The State's Foundation Formula Program provides revenue on a per student basis. On the expense side, MSBSD utilizes ratios and metrics based on enrollment numbers for both personnel and non-personnel costs to ensure that money received follows the students. Discretionary budgets are allocated to each school based on the number of students enrolled. For FY2017, the District is projecting growth of 353 students or 2%.

MSBSD is the second largest school district in the State.

MSBSD is the fastest growing school district in the State.

MSBSD has experienced continual growth over the last 40 years with the exception of the following years:

- 1987, 1988, 1989, 1999, 2000, & 2013



With such a large portion of the budget dependent upon enrollment, it is vital that an accurate projection is created for the upcoming year. In order to achieve this, the District applies a modified two-year cohort survival analysis to the current years enrollment numbers. This methodology has allowed MSBSD to project student enrollment for the past 14 years, within an acceptable margin of error of 0.75%.

FY2017 Enrollment by Grade

Pre-School	106
Kindergarten	1,436
1st Grade	1,543
2nd Grade	1,374
3rd Grade	1,433
4th Grade	1,535
5th Grade	1,557
Elementary School	8,984

6th Grade	1,493
7th Grade	1,429
8th Grade	1,363
Middle School	4,285

9th Grade	1,349
10th Grade	1,398
11th Grade	1,429
12th Grade	1,374
High School	5,550
Total Enrollment	18,819



FY2016-2017 PRELIMINARY BUDGET

BUDGET TIMELINE

ONGOING

School Board monitors & adjusts the budget.



FALL

Student Count Period
Next Year Projected Enrollment



WINTER

Schools & Departments submit next year budget requests.
Input is solicited from the community and employees.
Preliminary Budget is presented.



SPRING

Preliminary Budget is adopted & submitted to the Borough.
Revenues are finalized by the Borough & State.



SUMMER

Final budget is approved by the School Board.



JULY 1

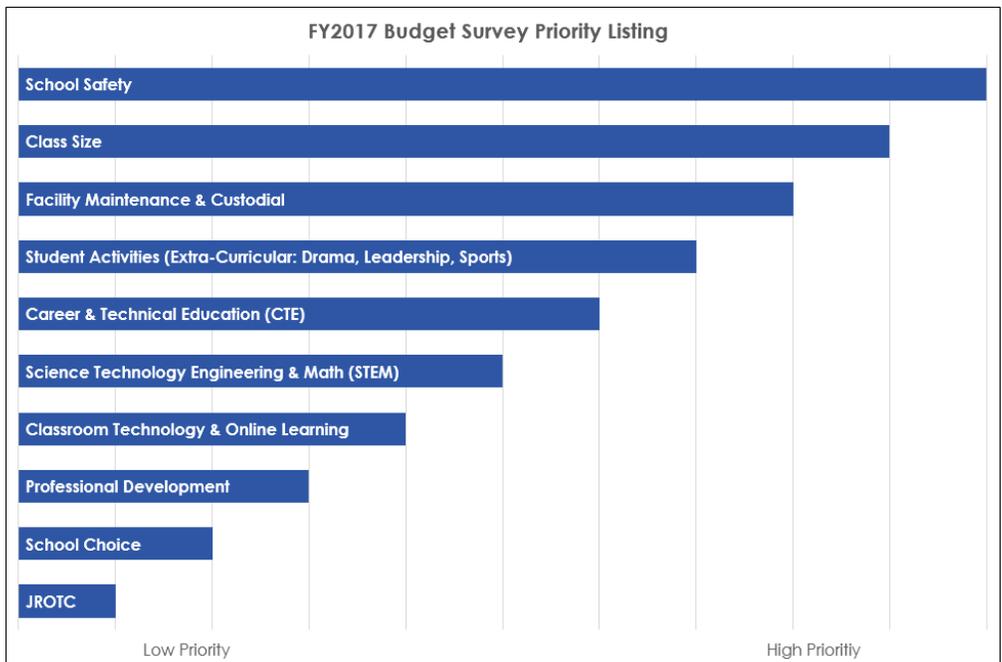
Fiscal year begins.

BUDGET DEVELOPMENT

MSBSD's mission is to *prepare all students for success*. A simple declaration with an ambitious charge, the District utilizes a budgeting model that ensures that funding follows the students.

Using various assumptions the District works through the budget timeline (see left) to adopt a budget for the upcoming fiscal year. Throughout the budget process, public input, resource requests, and current and future contract obligations are used to establish educational and budgetary priorities for the proposed budget.

One of the ways MSBSD establishes budgetary priorities is by soliciting public input through an online budget survey that asks respondents to rate the importance, or priority, of programs and initiatives. The FY2017 survey results included 701 respondents, and, for the second year in a row, school safety was marked as the highest priority. The survey results are reviewed by the School Board and administration to facilitate the development of the budget.



Public input is also sought through four Budget Open Houses. These meetings are held throughout the Mat-Su Borough during the month of February. Board adoption of the budget cannot take place until the public hearing process is concluded. In order to keep the public informed, and to facilitate transparency within the budget, the proposed budget, all budget presentations, and historic budget documents are all posted on MSBSD's [website](#).



STAKEHOLDER INVOLVEMENT

MSBSD's stakeholders include, but are not limited to: parents, students, all District employees, and community members. Stakeholder involvement is crucial to the District's budget development and creation. As such, each stakeholder has a role to play in the budget development process in order to ensure the best use of public funds and the greatest outcome for all students.

School Board

- Holds monthly meetings that include opportunities for the public to provide input through public testimony on the budget.
- Receives monthly updates and reports regarding the state of the current budget and the development of next year's budget.

Business Services

- Monitors and adjusts the current budget in order to align with actual spending needs throughout the year.
- Compares the current budget to prior year actuals, analyzing trends and spending patterns.
- Gathers information on known rate increases, negotiated agreements, purchased services, insurance, utilities, benefit costs, etc.

Parents, Employees, and Community Members are Encouraged to

- Attend one of six (6) public hearings held for input. These public hearings are a part of the bi-monthly School Board meetings.
- Attend one of four (4) budget open houses held throughout the District. School Board and District Administrators are available to answer questions and gather stakeholder input.
- Complete the online survey, available through the month of February to gather stakeholder educational priorities and concerns.

Check out [MSBSD's website](#) for:

- **A short video that explains the budget development process.**
- **Monthly updates on both the current and next year's budgets.**
- **Award winning financial reports.**

VISION

The Mat-Su School District will be a model of excellence in teaching, learning, and engaging all students.

MISSION

The Mat-Su School District prepares all students for success.

BELIEFS

We believe that the needs and best interest of students drive all decisions. All students can and want to learn. Participation of stakeholders is crucial to student success.



FY2016-2017 PRELIMINARY BUDGET

In FY2017 the State revenue is estimated to be 74% of the District's General Fund.

MSBSD receives the majority of its funding through the State Foundation Formula Program.

The Formula was enacted in FY1999, and has seen many changes.

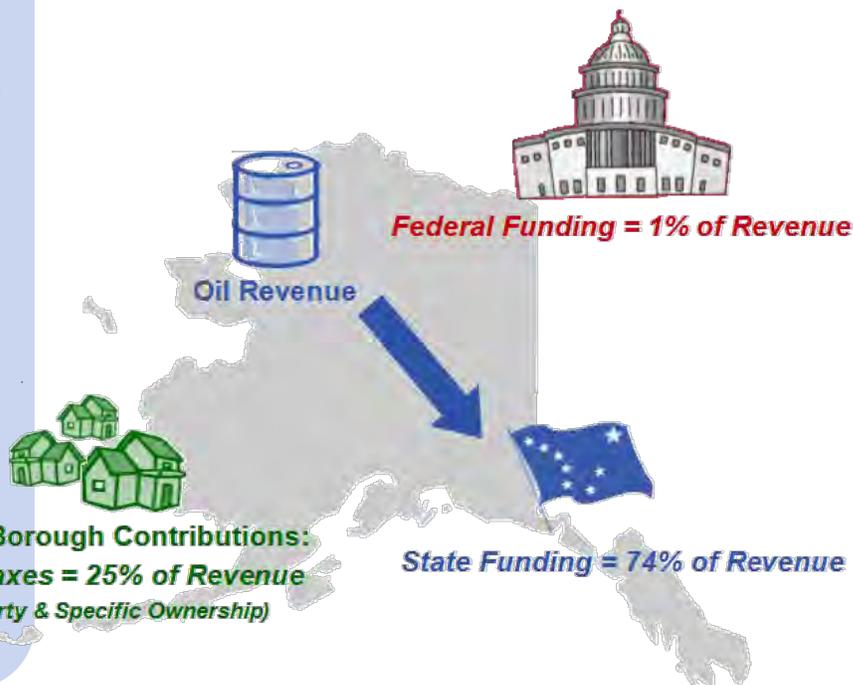
Any changes to the Formula are written into law.

The Formula can be found in AS 14.17.410-490

WHERE DOES MSBSD RECEIVE ITS FUNDING?

MSBSD is primarily dependent upon funding from the State of Alaska and the Matanuska-Susitna Borough. Approximately 99% of the District's funding is generated from these two governmental sources. Revenues are classified based on the following major categories:

- **State Foundation Formula**
Funding received from the State on a per student basis. The formula provides for an adjusted membership that is then multiplied by the base student allocation (BSA) to arrive at Basic Need. Minimum required Borough funding pays a portion of Basic Need.
- **State On-Behalf Retirement Contributions**
State funding allocated to offset the unfunded pension obligations for employees. The State requires districts to book the revenue as well as the expense for these payments. The accounting adjustment is cost neutral, and, as such, the category has been excluded from this document.
- **Other State Funds**
Includes one-time funding given in addition to the State Foundation Formula that the Governor or Legislature has appropriated for educational use. This includes State Student Transportation and State Grants.
- **Borough Appropriation**
Local funding appropriated by the Borough for the District's use. Minimum Required and Maximum Allowable amounts are set forth by the State Foundation Formula.
- **Other Local Funding**
Generally includes school fees and other school generated funds.
- **Federal Funding**
Funding received from the Federal government for federally mandated programs such as e-Rate and Medicaid eligible services.





A CLOSER LOOK AT FUNDING EDUCATION LOCALLY

Borough Appropriations & Local Contributions

The District is a component unit of the Matanuska-Susitna Borough. The Borough is dependent upon area wide revenue such as property tax revenue to finance its operations and current debt obligations. The Borough levies property tax on real and personal property and, with these funds, supports approximately 23-25% of the District's General Fund revenues.

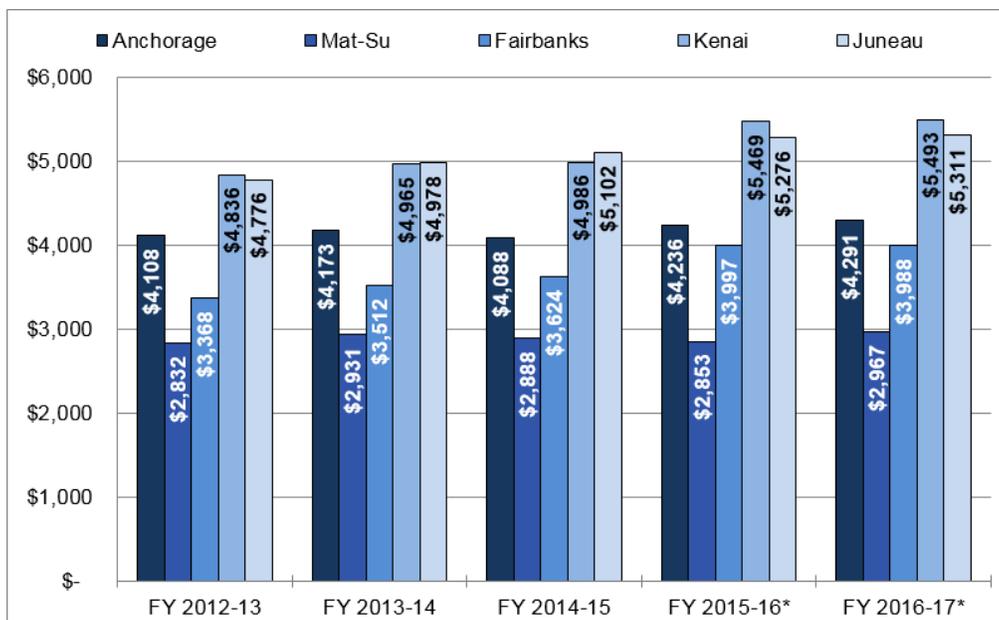
The District is working with the Borough to raise the local contribution to more closely align with the per pupil amounts of the other large school districts in the State. The goal is to increase the local contribution by 3% annually, eventually reaching an amount that is equal to the median between Anchorage and Fairbanks local per pupil contributions without causing undue hardship to the Borough or tax payers. Currently, the District's per pupil local contribution is the lowest of the "Big Five" districts in the State, which when ranked by size are: Anchorage, Matanuska-Susitna, Fairbanks Northstar, Kenai Peninsula, and Juneau.

While the Borough did not grant a 3% increase for FY2015, the Borough did pass Ordinance Serial No. 14-014 granting the District one-time permission to retain 100% of any increase to unassigned fund balance. For FY2016 the Borough extended MSBSD's ability to retain 100% of any increase to unassigned fund balance and granted the request for the 3%, less \$150,000 needed to fund the Borough's youth court programs. In FY2017, the District has requested 6% over the prior year's total due to the unanticipated enrollment increase that the District experienced in FY2016. The Borough Assembly will be considering this request at upcoming budget hearings. See page 12 for a schedule of hearings.

MSBSD covers the same geographic area as the Matanuska-Susitna Borough.

The Borough is home to over 100,000 people.

The Borough encompasses 24,502 miles, making it about the same size as West Virginia.



The graph above shows a per pupil comparison of local contributions for the State's "Big Five" districts. FY2016 numbers are based on the adopted budgets of the districts as the State has not yet finished auditing the enrollment numbers.



FY2016-2017 PRELIMINARY BUDGET

2015 PRINCIPAL BOROUGH:

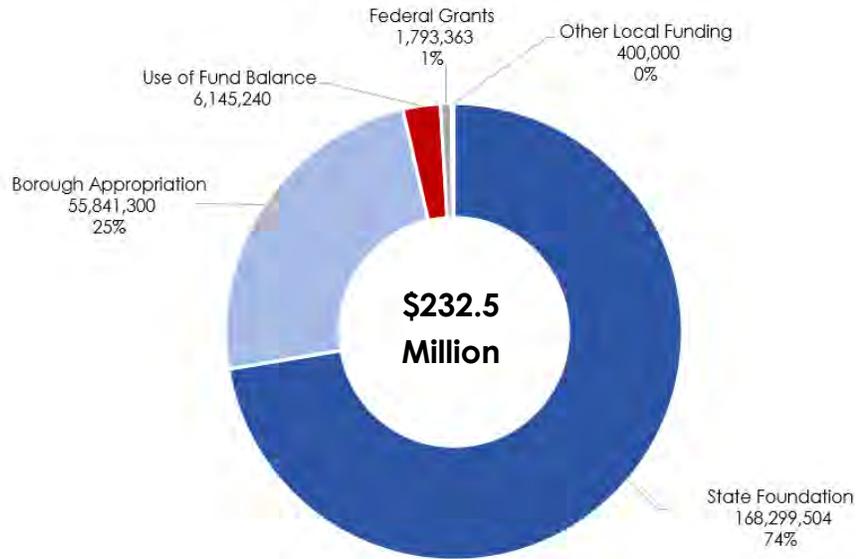
EMPLOYERS

- 1 Trade, Transportation, & Utilities
- 2 Education & Health Services
- 3 Local Government
- 4 Leisure & Hospitality
- 5 Construction
- 6 State Government
- 7 Professional & Business Services
- 8 Financial Activities
- 9 Other Services
- 10 Information

TAXABLE PROPERTIES

- 1 Mat-Su Regional Medical Center
- 2 Enstar Natural Gas
- 3 Alaska Hotel Properties, Inc.
- 4 Fred Meyer Stores, Inc.
- 5 Walmart Stores, Inc.
- 6 GCI/GCI Cable/Alaska Digital
- 7 Cook Inlet Region, Inc.
- 8 Global Finance & Investments, SA
- 9 DBS, LLC/BDC, LLC/Target
- 10 Lowes HIW, Inc.

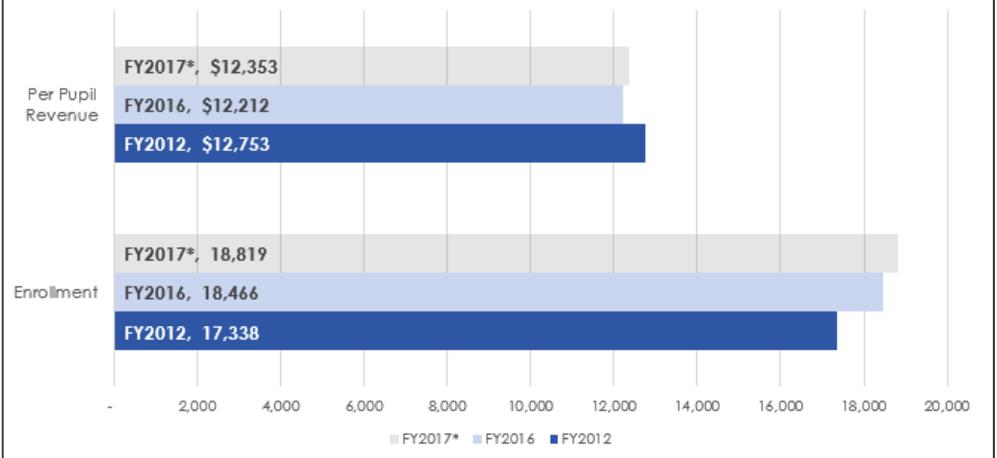
FY2017 Revenue



Actual Revenue for the Operating Fund is determined towards the end of the budget process, as the State Legislature generally adjourns in April and the Borough adopts its budget in May. In order to balance the preliminary budget several assumptions must be made prior to knowing the actual revenue. In order to balance this budget the District is utilizing the following assumptions based on the Governor's budget and direction from the School Board:

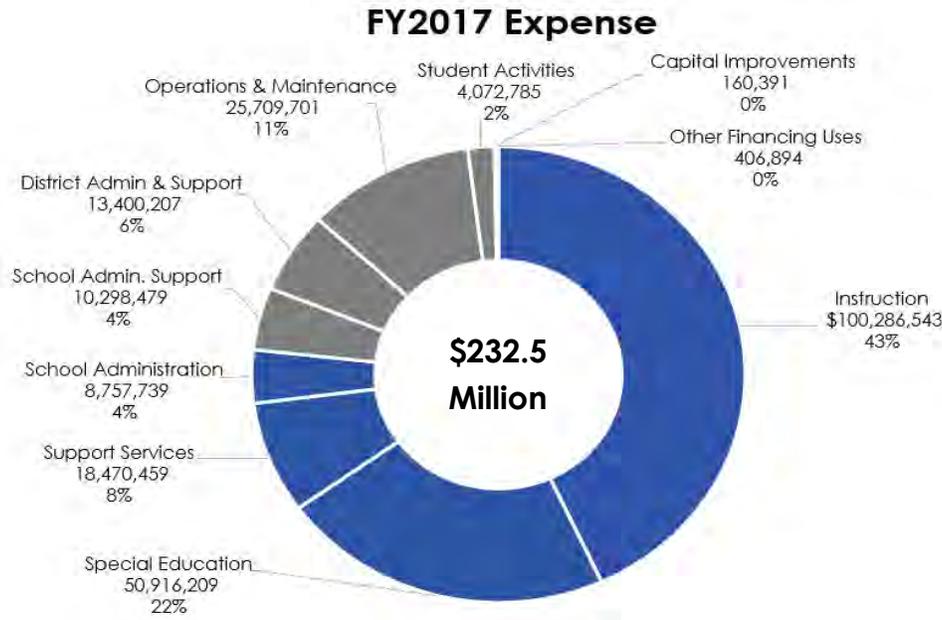
- \$50 dollar increase to the State Base Student Allocation (BSA)
- 6% increase to the Borough Appropriation
- Use of approximately \$6.1 million from the District's unassigned fund balance.

5 Year Comparison: Enrollment & Per Pupil Revenue



* Amounts are projected

FY2016-2017 PRELIMINARY BUDGET



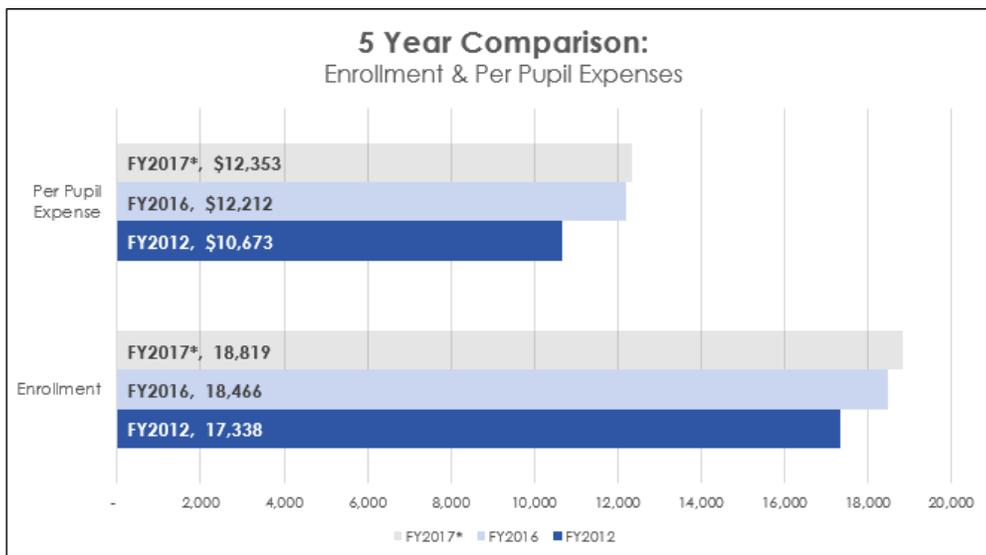
FY2017 Staffing By Function

Function	FTE
Instruction	837.70
SPED Instruction	429.00
SPED Sup. Services	115.38
Student Sup. Services	97.53
Instructional Sup. Services	56.03
School Administration	58.65
Total Instructional	1,594.29
School Admin. Sup.	125.72
District Administration	11.00
District Admin. Sup.	72.56
Operations & Maintenance	163.48
Student Activities	3.75
Total Instructional Support	376.51
TOTAL FTE	1,970.80

The chart above details MSBSD's FY2017 expense budget by State required functions. Functions are the major categories, programs, and services provided by the District. The State uses functions to determine which expenses are used for instructional purposes (shown above in blue) vs. instructional support (shown above in gray).

On average, 80% of the District's employees directly support student instruction at the school level.

Historically, 65% of MSBSD's staff has been certificated.



* Amounts are projected



FY2016-2017 PRELIMINARY BUDGET

MSBSD is comprised of 47 schools:

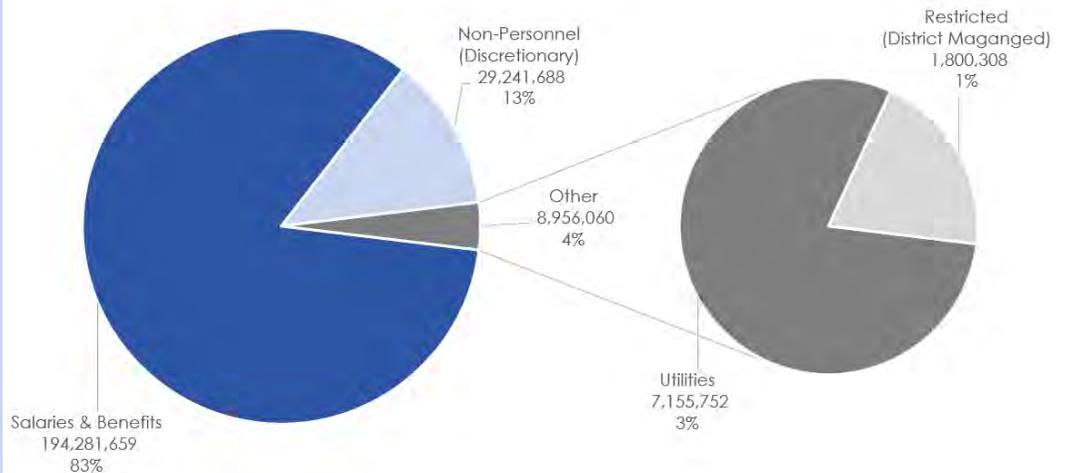
- 17 Elementary (grades K-5)
- 5 Middle (grades 6-8)
- 6 High (grades 9-12)
- 7 Small Attendance Area (grades K-12)
- 5 Alternative (grades K-12)
- 1 Correspondence (grades K-12)
- 6 Charters, including a Spanish Immersion, a Waldorf, and a Correspondence based school, among others

TYPES OF EXPENSE

MSBSD has categorized its expenses into four 'Types':

- **Personnel**
Salaries & benefits (total employee compensations). This type represents the largest operating expense.
- **Discretionary**
Funds utilized for non-personnel expenses such as supplies & materials, paper products, custodial supplies, postage, professional & technical services including service related contracts, staff & student travel, etc. School discretionary funds are allocated on a per pupil metric at each site, and are spent at the site's discretion.
- **Utilities**
Includes expenses for energy, communications, garbage, water & sewer.
- **Restricted (District Managed)**
Utilized for expenses coded to specific school sites that fall outside of the schools control such as snow plowing, septic pumping, lease or rental agreements, and other district-wide contracts.

FY2017 Preliminary Expenses by Type



Personnel Expenses

With the majority of all expenses dedicated to teacher salaries and benefits, MSBSD is very much a human resource rich organization. In FY2017, 83%, or \$194.3 million, of the District's total preliminary operating budget is dedicated to salaries & benefits. This represents a funding increase of 6% over the current year. Salary levels are determined by negotiated agreements with the union groups. This area of the budget continues to increase for several reasons, including:

- Increases in employee FTE to maintain class sizes and accommodate new students.
- Regular movement on the salary schedule.
- Cost of living increases included within the negotiated agreements with the unions.
- Increases to mandatory benefits that are calculated as a percentage of wages earned.
- Increases to health insurance premiums.

FY2016-2017 PRELIMINARY BUDGET



FUNDING FOLLOWS THE STUDENTS

The District strives to allocate funding to meet student needs. To do this, and to keep budgets both equitable and scalable, MSBSD utilizes ratios and metrics for both staffing purposes and discretionary funding at the site level. These ratios and metrics, combined with accurate enrollment projections, allow the District to staff schools appropriately and helps to limit classroom disruptions at the beginning of the school year.

In FY2017, the District is proposing a preliminary budget that funds an overall staffing FTE (Full Time Equivalent) increase of 2.78% over the current year. This includes staffing inline with the projected increase of 353 students and the opening of a new elementary school.

In FY2016, the high school pupil to teacher ratio (grades 9-12) was reduced from 30:1 to 28:1, meaning that class sizes for those grades should average 28 students. The District has been able to maintain class sizes and the majority of the other ratios & metrics at all other grade levels since FY2013, and continues to make class size a priority.

FY2017 RATIOS & METRICS

Pupil to Teacher Ratios:

Grades K - 2	25 to 1
Grades 3 - 5	26 to 1
Grades 6 - 8	27 to 1
Grades 9-12	28 to 1

Total Per Pupil Base Discretionary Metric:

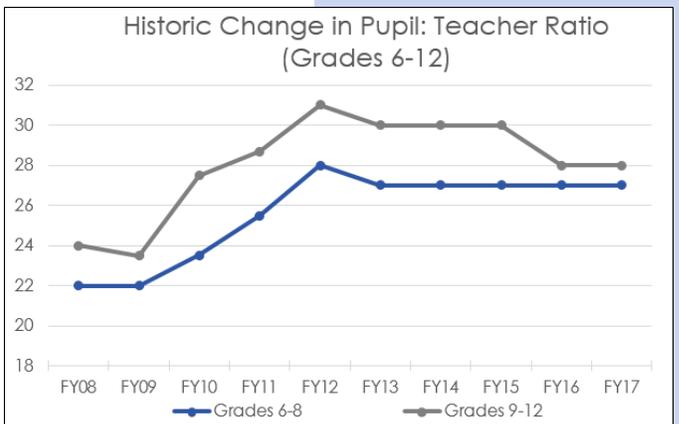
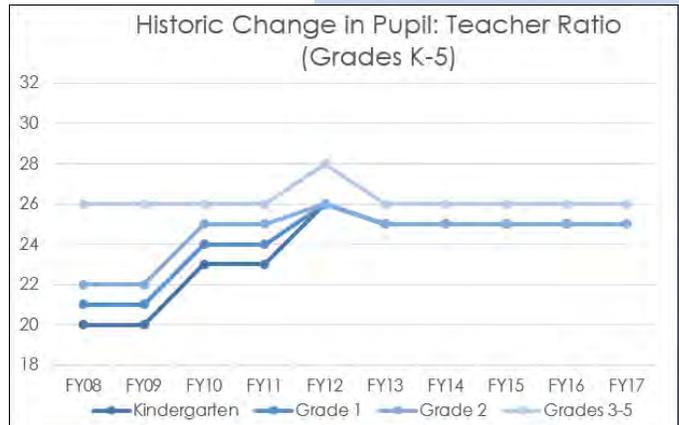
Elementary School	\$ 95
Middle School	\$ 105
High School	\$ 115

STAFFING COMPARISON

Certified	FY2016 REVISED	FY2017 PRELIMINARY
Director	8.35	7.35
Administrator	60.49	61.39
Classroom Teacher	685.88	704.83
SPED Teacher	172.21	180.21
Specialist - Schools	137.53	140.78
Counselor	30.98	31.48
Nurse	29.75	30.75
Specialist - Department	117.48	118.23
	1,242.67	1,275.02

Classified	FY2016 REVISED	FY2017 PRELIMINARY
Director	7.00	7.00
Supervisor	22.50	22.00
Instructional Support	273.78	286.16
Administrative Support	128.75	132.97
Custodial	110.35	113.48
Specialist - Department	132.43	134.18
	674.81	695.78

Total Staffing	1,917.49	1,970.80
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FY2016-2017 PRELIMINARY BUDGET

CITIZEN PARTICIPATION

What Can You Do?

- Listen to live or archived School Board meetings via Radio Free Palmer [here](#).
- Attend [School Board meetings](#).
- [Speak](#) at a School Board meeting live or by calling 1-907-746-9272.
- Submit comments and concerns on the District's budget or budget process to: MSBSDLBUDGET@matsuk12.us.
- Listen to live or archived Borough Assembly meetings via Radio Free Palmer [here](#).
- Attend Borough [Assembly Meetings](#).
- Submit opinions to the Borough Assembly [here](#).
- Review budget updates to the School Board [here](#).
- Attend a budget open house in February.
- Take the online budget priority survey during the month of February [here](#).
- Watch MSBSD's short video on the District's budget process [here](#).

DISTRICT ADMINISTRATION

School Board

- Susan Pougher — President
 Ole Larson — Vice President
 Dr. Sarah Welton — Clerk
 Deborah Retherford — Member
 Ray Michaelson — Member
 Dr. Donna Dearman — Member
 Kelsey Trimmer — Member

District-Wide Administration

- Dr. Deena Paramo — Superintendent

 Gene Stone — Assistant Superintendent of Instruction
 Luke Fulp — Assistant Superintendent of Business & Operations

Phone: 907 746-9200
Fax: 907 761-4076

501 N. Gulkana Street, Palmer AK, 99645

Upcoming Budget Events				
Date	Time	Meetings	Location	
04/28/16	6:00 PM	Borough Public Budget Hearing	Matsu Public Safety Building	Wasilla
05/02/16	6:00 PM	Borough Public Budget Hearing	Glenn Massey Performing Arts Center	Palmer
05/03/16	6:00 PM	Regular Borough Assembly Meeting	Assembly Chambers	Palmer
05/04/16	6:00 PM	School Board Meeting	Redington Jr/Sr High School	Wasilla
05/05/16	6:00 PM	Borough Public Budget Hearing	Willow Community Center	Willow
05/09/16	6:00 PM	Budget Deliberations	Assembly Chambers	Palmer
05/11/16	6:00 PM	Budget Deliberations	Assembly Chambers	Palmer
05/12/16	6:00 PM	Budget Deliberations & Possible Adoption	Assembly Chambers	Palmer
05/13/16	6:00 PM	Budget Deliberations & Possible Adoption	Assembly Chambers	Palmer
05/18/16	6:00 PM	School Board Meeting	District Administration Building	Palmer
06/01/16	6:00 PM	School Board Meeting Possible Adoption	District Administration Building	Palmer
06/15/16	6:00 PM	School Board Meeting Possible Adoption	District Administration Building	Palmer

Additional Resources:

[Budget Presentations](#)

Historical Budget and CAFR Documents can be found [here](#)

[School Board meeting calendar](#)

Information on the District's Bond & Capital Improvement Projects can be found [here](#)

For more information on MSBSD's School Board, including meeting times, agendas, and contact information please visit the [School Board's](#) webpage.

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MATANUSKA-SUSITNA
BOROUGH SCHOOL DISTRICT

We prepare all students for success