



ACSA School District Presentation

to Senate Finance Committee

March 5, 2024

Fund Balance Overview

Purpose

- Smooth Cash Flow Management
- Offset Revenue Shortfalls
- Offset Unexpected Expenditures
- Maintain Services
- Improve Long-Term Planning
- Enhance Credit Ratings

Types

- Non-Spendable
- Restricted
- Committed
- Assigned
- Unassigned
- Deferred

Fund Balance Considerations

- Appropriation timelines – receipt of federal, state, and local contributions at one time increases unassigned fund balance when reported on interim basis.
- Payroll – lag on cash basis
- Teacher salaries – defer to summer months.
- Planned purchases – may not be encumbered
- Student activities – held for use later in school year

GFOA Fund Balance Guidelines

gfoa.org/materials/fund-balance-guidelines-for-the-general-fund

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. **Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.⁵** The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.⁶ Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

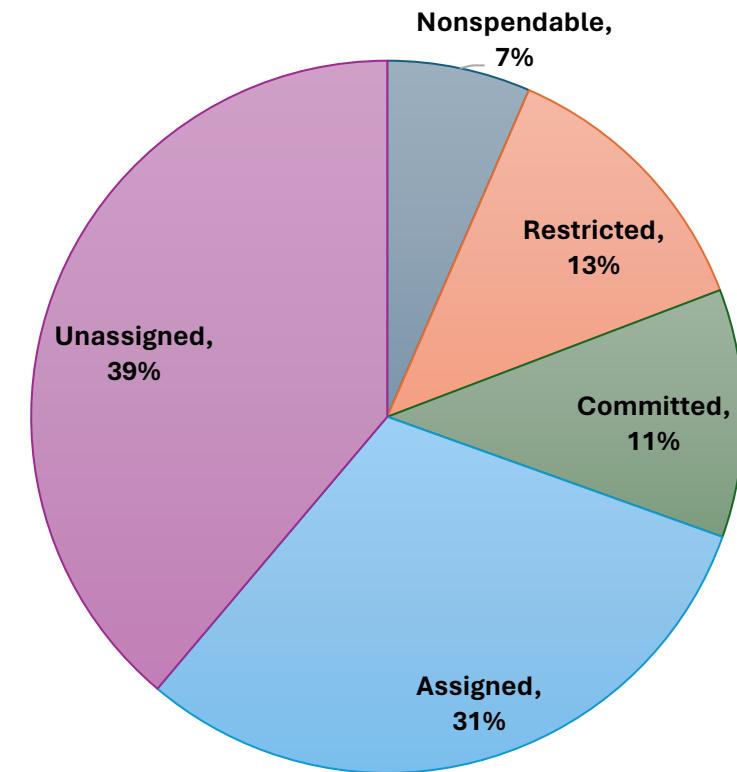
Fund Balance Allocations – Feb 1, 2024

61% percent of school districts' fund balance is either non-spendable (like inventory) or set aside for a specific purpose.

The remaining 39% must cover cash flow, future bills and payroll, and any emergency needs.

Districts with higher unassigned fund balances may experience timing issue discussed previously.

Operating Fund Balance Allocation - Statewide Total

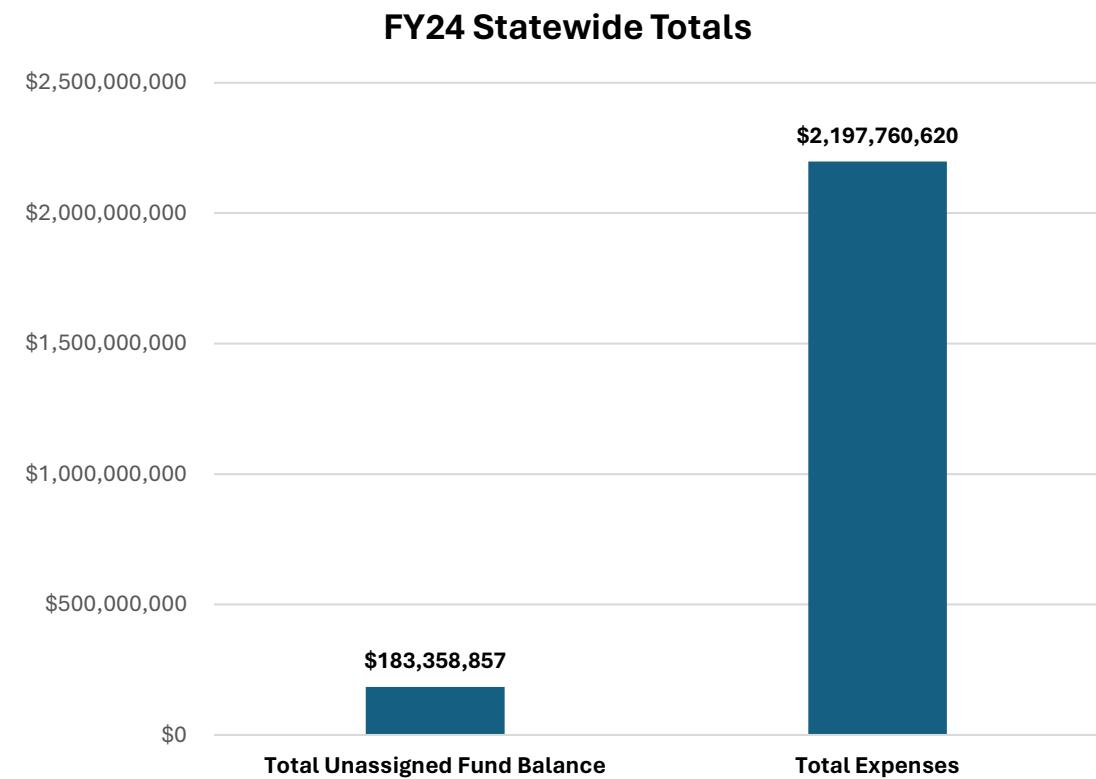


Fund Balance vs. Expenses

The statewide total unassigned fund balance amount is equivalent to just 8% of school districts' total expenses.

22 districts with \$0 as unassigned fund balance.

Only five districts fall above the GFOA guidelines of 2 months.



Takeaways – FY24 Budgets

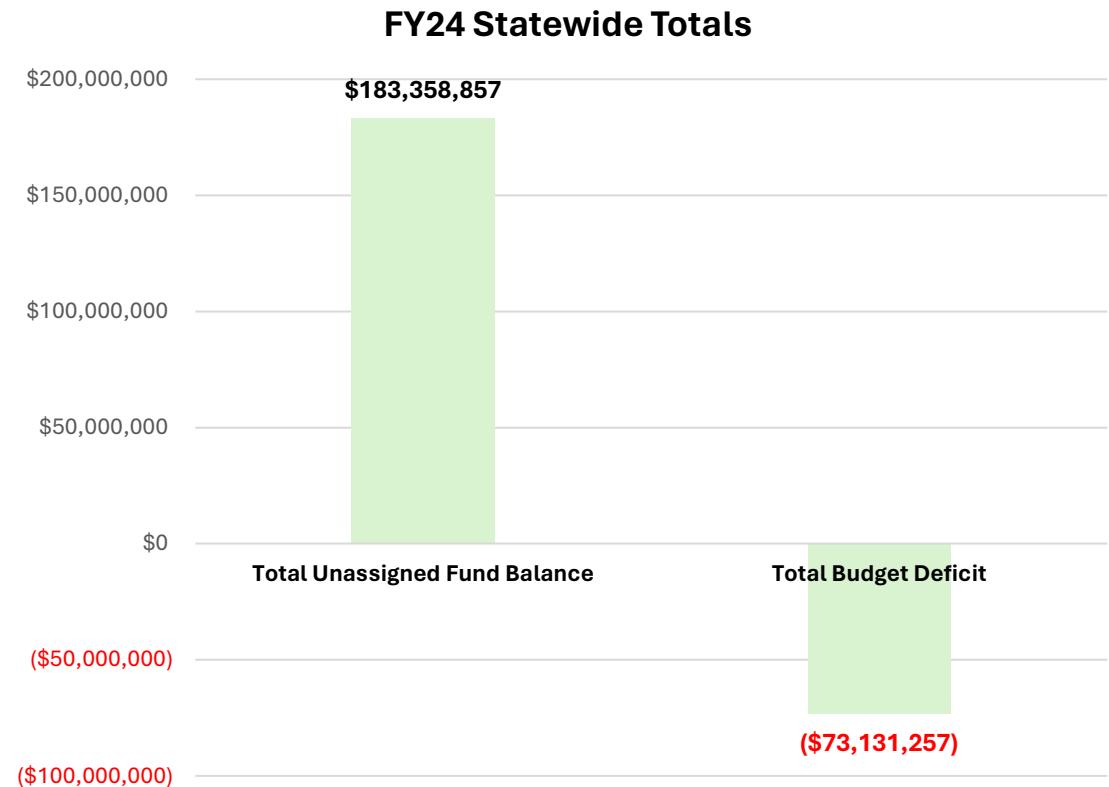
16 of 53 school districts have balanced budgets or small surpluses in their FY24 Operating Fund budgets.

Use of unassigned fund balance only pulls 15 out of deficits.

School District	Surplus/Deficit	School District	Surplus/Deficit	School District	Surplus/Deficit
Alaska Gateway	\$0	Hoonah	(\$558,955)	Northwest Arctic	(\$1,353,705)
Aleutian Region	(\$81,949)	Hydaburg	\$24,172	Pelican	\$0
Aleutians East	\$0	Iditarod	(\$241,126)	Petersburg	(\$611,315)
Anchorage	(\$44,792,112)	Juneau	\$489,300	Pribilof	(\$137,188)
Annette Island	(\$649,594)	Kake	(\$42,000)	Saint Mary's	(\$147,100)
Bering Strait	(\$7,186)	Kashunamiut	\$78,000	Sitka	(\$1,916,561)
Bristol Bay	(\$249,685)	Kenai Peninsula	(\$61,817)	Skagway	(\$375,423)
Chatham	(\$269,893)	Ketchikan	\$18,587	Southeast Island	\$0
Chugach	\$60,864	Klawock	(\$540,298)	Southwest Region	(\$593,614)
Copper River	(\$141,182)	Kodiak	(\$2,536,808)	Tanana	\$0
Cordova	(\$145,680)	Kuspuk	(\$529,259)	Unalaska	(\$323,429)
Craig	(\$840,680)	Lake and Pen.	(\$90,502)	Valdez	(\$692,964)
Delta/Greely	(\$645,078)	Lower Kuskokwim	\$0	Wrangell	(\$121,718)
Denali	(\$367,427)	Lower Yukon	(\$4,979,999)	Yakutat	(\$136,920)
Dillingham	\$0	Mat-Su	\$0	Yukon Flats	(\$984,299)
Fairbanks	\$2,864,445	Nenana	(\$185,193)	Yukon Koyukuk	\$0
Galena	(\$8,611,833)	Nome	(\$1,288,232)	Yupiit	\$626,501
Haines	(\$167,900)	North Slope	(\$1,874,500)	Average	(\$1,379,835)

Use of Fund Balance for Deficits

If the total unassigned fund balance were used to cover the total budget deficit, it would leave \$110m for the 2024-2025 school year – or just **9 school days** of expenses.



Thank you.

Data sources:

- February 2024 update to the fund balance report
- FY14 - FY24 Operating Fund Revenues
- FY14 - FY24 Operating Fund Expenses

<https://education.alaska.gov/schoolfinance/budgetsactual>