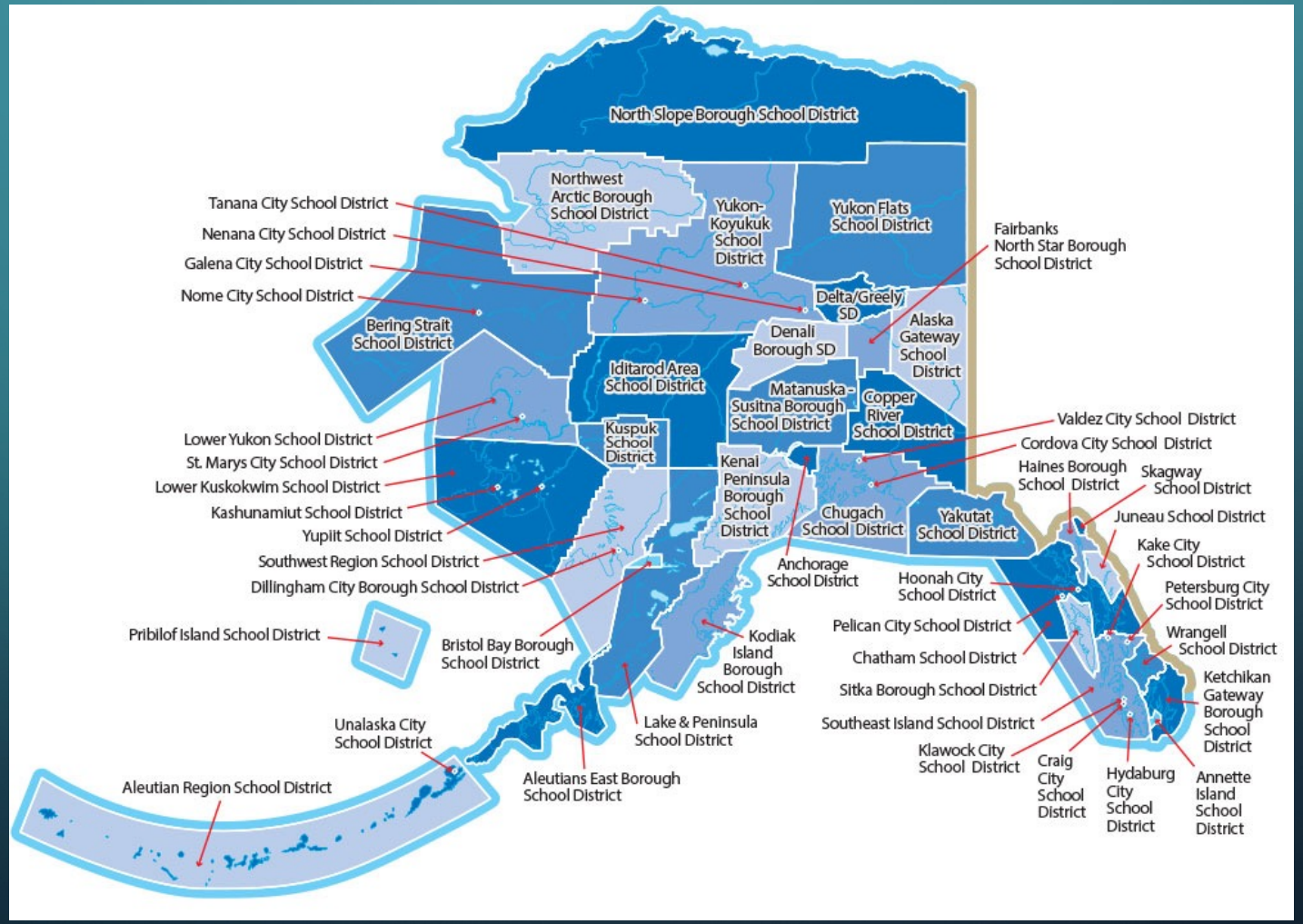
Work Session

Tuesday, March 5, 2024 5:30 PM
NES Library, 1057 E 5th Ave, Nome, Alaska 99762

A. **Call to Order**
B. **Items for Discussion**
1. FY25 Budget Discussion
C. **Upcoming Events:**
1. March 19, 2024 Board of Education Regular Meeting, 5:30pm, NES Library
2. April 8, 2024, Joint Work Session with City Council, 6pm, City Hall
3. April 9, 2024 Board of Education Regular Meeting, 5:30pm, NES Library
D. **Adjournment**

ALASKA PUBLIC SCHOOL

FUNDING FORMULA OVERVIEW
NOME PUBLIC SCHOOLS



THIS PRESENTATION PROVIDES AN OVERVIEW OF:

1. NPS Revenue Sources
2. Definitions of Formula Terms
3. Calculations of State Aid
4. Components of Basic Need
5. Federal Impact Aid – Title VIII

REVENUE SOURCES

- State Foundation
- Federal Impact Aid
- City Support

AVERAGE DAILY MEMBERSHIP (ADM)

- **ADM Reporting Requirements**
  - Average Daily Membership - (ADM) is the number of **enrolled** students during the 20-school-day count period ending on the fourth Friday of October. (A.S. Sec. 14.17.600)
  - Reports are due within two weeks after the end of the 20-school-day count period.
  - Projected student count reports for the following year are due two weeks after the end of the 20 school day count period. (A.S. Sec. 14.17.500)

WHO QUALIFIES AS A STUDENT?

Eligibility for State Foundation Funding

- A child who is 6 years of age before September 1, and under the age of 20, and has not completed the 12th grade. (AS 14.03.070)
- A child who is 5 years of age before September 1, may enter Kindergarten. (AS 14.03.080 (d))
- A child with a disability and an active Individualized Education Program (IEP) may attend school at the age of 3 or if under the age of 22. (AS 14.30.180 (1))

CALCULATION OF BASIC NEED

Adjusted Student Formula

District Adjustment ADM (AADM) x $5,960

- Adjusted ADM is calculated using the ADM of each school in the District

DISTRICT ADJUSTED ADM (AADM)

Step 1. Adjust:	Step 2. Apply:	Step 3. Apply:	Step 4. Apply:	Step 5. Add:	Step 6. Add:
▪ ADM for School Size (AS 14.17.450)	▪ District Cost Factor (AS 14.17.460)	▪ Special Needs Factor (AS 14.17.420)	▪ CTE Factor (AS 14.17.420(a)(3))	▪ Intensive Services Counts	▪ Correspondence Student Counts (AS 14.17.430)

= District Adjusted ADM

STEP 1. ADJUST THE ADM FOR SCHOOL SIZE

Use the School Size Table

Reference:	School Size:	Formula:
1.	10-19.99	39.60
2.	20-29.99	39.60 + (1.62 * (ADM - 20))
3.	30-74.99	55.80 + (1.49 * (ADM - 30))
4.	75-149.99	122.85 + (1.27 * (ADM - 75))
5.	150-249.99	218.10 + (1.08 * (ADM - 150))
6.	250-399.99	326.10 + (.97 * (ADM - 250))
7.	400-749.99	471.60 + (.92 * (ADM - 400))
8.	Over 750	793.60 + (.84 * (ADM - 750))

Charter Schools multiplier for ADM < 75 is 1.18.
Intensive services and correspondence student counts are not adjusted for size.

STEP 1. ADJUST THE ADM FOR SCHOOL SIZE

ADM under 10:

Added to the smallest school with an ADM greater than 10

A Community with an ADM of 10 through 100:

Grades K-12 ADM is combined and adjusted once; adjusted as one school.

A Community with an ADM of 101 through 425:

ADM for grades K-6 and 7-12 are adjusted separately; adjusted as two schools.

A Community with an ADM greater than 425:

- The ADM of each facility administered separately as one school is adjusted.

- Alternative schools with an ADM of less than 200 shall be counted as a part of the school in the district with the highest ADM.

- If the ADM is greater than 200 and administered as a separate facility the ADM will be adjusted separately.

STEP 1. Example: Nome Public Schools FY2025 Projected ADM by School

Nome Elementary (K-5)	**330.00 adj to 403.70**
ACSA (Charter)	**60.00 adj to 70.80**
Nome-Beltz Middle/High School (6-12)	**285.00 adj to 360.05**

School Size Adjusted ADM = 834.55

STEP 1A. Hold Harmless Provision

The Hold Harmless (HH) provision was enacted in 2008 for those districts experiencing a reduction in enrollment affecting their school size. Eligibility is determined after the district's adjusted for school size ADM are calculated and totaled up for all schools. The sum-total of the district's adjusted for school size ADM is compared against the prior fiscal year's total adjusted for school size ADM to determine if a decrease of 5% or greater has occurred.

If yes, then the prior fiscal year is locked in as the "base year" for three years. The new school size adjustment with HH continues through the rest of the formula adjustments.

The HH is available to districts over a three-year step-down provided the adjusted for school size ADM stays below the established "base year".

- 75% of school size adjusted ADM difference between current FY to base FY.
- 50% of school size adjusted ADM difference between second FY to the base FY.
- 25% of school size adjusted ADM difference between third FY to the base FY.

STEP 2. DISTRICT COST FACTORS

- The Department of Education monitors district cost factors and submits a report to the legislature on January 15 every other fiscal year, beginning January 2001. (A.S. 14.17.460)
- Cost factors are specific to each school district.
- Lowest district cost factor is 1.000 and the highest is 2.116. Nome Public School District cost factor is 1.450
- Total the adjusted ADMs for each school in the district and multiply the district adjusted ADM by the district cost factor.

STEP 2. DISTRICT COST FACTORS Example: Nome Public Schools

Multiply the district adjusted ADM (834.55) by the district cost factor (1.45)

834.55 x 1.45 = 1210.10

STEP 3. SPECIAL NEEDS FUNDING

- All categorical programs; special education (except intensive), vocational education, gifted/talented and bilingual/bicultural are block funded at 20%.
- To qualify for funding under this section school districts must file a plan with the department indicating special needs services that will be provided.

Section 14.17.420 (2)(b)

STEP 3. Example: Nome Public Schools

Multiply the district adjusted ADM (1210.10) by the special needs factor (1.2)

1210.10 x 1.2 = 1452.12

STEP 4. CTE NEEDS FACTOR Example: Nome Public Schools

Multiply the district adjusted ADM (1452.12) by the CTE needs factor (1.015)

1452.12 x 1.015 = 1473.90

STEP 5. INTENSIVE SERVICES FUNDING

A school district will receive funding for intensive services students that:

- ✓ Are receiving intensive services and are
- ✓ Enrolled on the **last day of the 20** school-day count period and who have an
- ✓ Established Individual Education Plan (IEP) for each intensive services student.

An intensive services student generates $77,480 ($5,960 X 13).

STEP 5. Example: Nome Public Schools

Multiply the Intensive Student Count by 13 and add to the district adjusted ADM

13 x 18 = 234

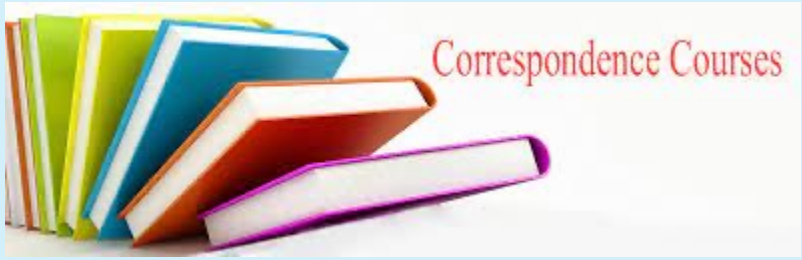
1473.90 + 234 = 1707.90

STEP 6. CORRESPONDENCE PROGRAMS

Districts offering correspondence programs receive funding based on 90% of correspondence ADM.

Each correspondence student generates $5,364 ($5,960 X 0.9).

Correspondence ADM x .90 = Level of correspondence funding



STEP 6. Example: Nome Public Schools

Multiply the Correspondence Student ADM by 90% and add to the district adjusted ADM

22 x 0.90 = 19.80

1707.90 + 19.8 = 1727.70

Total District Adjusted ADM = 1727.70

Basic Need

Multiply the district adjusted ADM by the base student allocation = Basic Need

1727.70 x $5,960 = $10,297,092

Basic Need = $10,297,092

District Adjusted ADM & Basic Need

FY 2025 Projected ADM:	697.00	
Step 1. Apply the School Size Factor:	834.55	
Step 2. Apply the District Cost Factor:	x 1.450	
	1210.10	
Step 3. Apply the Special Needs Factor:	x 1.200	
	1452.12	
Step 4. Apply the CTE Factor:	x 1.015	
	1473.90	
Step 5. Add Intensive Services Counts:	+ 234.00	
(18 x 13 = 234)	1707.90	
Step 6. Add Corresp. Student Counts:	+ 19.80	
(22 x .90 = 19.80)	1727.70	=District Adjusted ADM
Multiply by the Base Student Allocation	x $5,960	
Basic Need:	**$10,297,092**	

Components of Basic Need

- Local Contribution (City)
- Federal Impact Aid
- State Aid

Required Local Contribution Example: Nome Public Schools

The **Lesser** of 2.65 mills of tax base not to exceed 45% of the district's prior year Basic Need.

45% of prior year Basic Need:

.45 x $10,354,546 = $4,659,545

.00265 of tax base:

.00265 x $540,125,938 = **$1,431,333**

Additional Local Contribution Example: Nome Public Schools

The **greater** of 2 mills of current year tax base OR 23% of the district's current year Basic Need.

.002 of Tax Base:

.002 x $540,125,938 = $1,080,251

23% of Current Year Basic Need + HB 278:

.23 x $10,297,092 = **$2,368,331**

Maximum Local Contribution Example: Nome Public Schools

Required Local Contribution plus Additional Local Contribution = Maximum Local Contribution

Required Local Contribution:	$1,431,333
Additional Local Contribution:	$2,368,331
Maximum Local Contribution:	**$3,799,664**

TITLE VIII FEDERAL IMPACT AID

- Title VIII, Impact Aid is a public (federal) law designed to establish a means for educational agencies to receive federal monies as compensation for lost revenue due to non-taxable status of land.

- Impact Aid payments received from March 1 through the last day of February are used for calculations of state aid.

- The dates on the payment vouchers are used to indicate that a school district received Impact Aid payments.

Federal Impact Aid Payments Example: Nome Public Schools

Payments received by the district from March 1 through end of February (projected)

$110,633

Impact Aid Percentage
Example: Nome Public Schools

Required Local Contribution divided by Budgeted Local Contribution

Budgeted Local Contribution, for the purposes of calculating the Impact Aid percentage may consist of:

- Appropriations
- Investment Earnings (Interest)
- In-Kind Services
- Other Local Revenue

Required Local:	$1,431,333	=	40.66%
Budgeted Local:	$3,520,000		

Impact Aid Percentage
Example: Nome Public Schools

90% of Impact Aid received by the district is multiplied by the Impact Aid Percentage

Nome Public Schools' Deductible Impact Aid is:

$110,633 x 40.66% x 90% = $40,485

Nome Public Schools

Nome Public Schools' FY2025 Projected State Aid:

Basic Need:	$10,297,092
LESS Required Local Contribution:	$ 1,431,333
LESS Impact Aid:	$ 40,485
State Aid:	**$ 8,825,273**

Quality Schools Grant

Quality Schools grant funding equals the District adjusted ADM multiplied by $16

1727.70 x $16 = **$ 27,643**

Nome Public Schools
•Budgeting 101•

BOARD OF DIRECTOR'S WORK SESSION – MARCH 5, 2024

Nome Public Schools' Budget

- FORECAST revenues and expenditures.
- Enable financial operation of the district to be MEASURED against the forecast.
- Establish COST CONSTRAINT for operations, projects, programs.

Board's Role that Relates to Finances

- VISION – shared vision to enhance student achievement
  - Student needs, community priorities, focused on educating students, guides decision making
- STRUCTURE – creates structure that supports the vision
  - Effective decision-making processes, enables all to help district achieve vision, best use of resources
  - Long- and short-term plans, developed & revised annually
  - High instructional standards, comply with legal requirement

Board's Role that Relates to Finances continued

- ACCOUNTABILITY – measure district performance & report results to public
  - Receives regular reports on student progress & needs, evaluates
  - Ensures plans are revised w/needs of students in mind
- ADVOCACY– champions the vision
  - Celebrates achievements, advocates for children/families
  - Partners to promote educational opportunities for all students
  - Proactive identifying & addressing issues affecting education of students

Board's Role that Relates to Finances continued

- CONDUCT & ETHICS – conduct business in fair, respectful & responsible manner
  - Act in service to community
  - Commitment to improving teamwork, problem solving, decision making

Board's Role in Business Operations

- Solicits public input
- Approves and adopts the annual budget
- Is accountable for all district funds
- Adopts written policies
- Monitors expenses
- Provides for an independent annual audit
- Adopts insurance program
- Advocates & secures addt'l financing

Board's Role in the Budget Process

1. Ensure a balanced budget is established & maintained.
2. Adopt an annual budget that is compatible with goals and objectives.
3. Accept and/or revise budgets at publicly noticed open meetings.

Budget Timeline

BP 3100 – Budget – The district budget shall be prepared annually from the best possible estimates of revenues & expenditures. The Superintendent or designee shall determine the manner in which the budget shall be prepared & shall schedule the budget adoption process in accordance with legal time requirements. A public hearing shall be held prior to the adoption of the budget or a revised budget.

May 1st –District budget due to City of Nome AS (14.14.060 (c))

Must be approved by Board of Education prior to submission to the City

30 days following receipt of budget - City must respond with the sum to be made available.

July 15th – District budget due to DEED

Revenues

- Balanced Budget → Revenues = Expenditures

- Assumptions:
  - Base Student Allocation Funding at $5,960 per student
  - 675 students, 18 IN, 22 corresp enrolled
  - $3.4M from City of Nome; 89% of Max
  - Using ~$700k fund balance from General Operating Fund
  - Pulling $200k from Apartment fund

NOME PUBLIC SCHOOLS

Revenue Budget

	FY2023 Actual	FY2024 Budget Revision #1	FY2025 Budget	Change
Enrollment Projection	*693.6+16IN*	*671.41+19IN*	*675+18IN*	*-3.59+1-1IN*
	27.7 corresp	*25.1 corresp*	*22 corresp*	*-3.1 corresp*
FUND 100: General Operating Fund				
City Appropriation	$ 3,150,000	$ 3,200,000	$ 3,400,000	$ 200,000
State of Alaska Foundation	9,089,100	9,011,812	8,852,916	(158,896)
Other State Revenue	386,812	548,221		(548,221)
Other State Revenue (TRS)	522,307	640,162	798,595	158,433
Other State Revenue (PERS)	34,025	32,582	58,051	25,469
Impact Aid (Federal)	101,716	110,633	100,000	(10,633)
E-rate Revenue (Federal)	1,367,000	1,338,461	1,338,461	-
Other Revenue (Fees/Gate/Rental)	307,299	320,000	320,000	-
Earnings on Investments	-	-	100,000	100,000
Transfer from Apartment Fund	-	-	200,000	200,000
Use of (Addition to) Fund Balance	(538,940)	1,228,839	718,177	(510,662)
FUND TOTAL	**$ 14,419,319**	**$ 16,430,710**	**$ 15,886,201**	**$ (544,509)**
TOTAL GENERAL FUND REVENUE	**$ 14,419,319**	**$ 16,430,710**	**$ 15,886,201**	**$ (544,509)**

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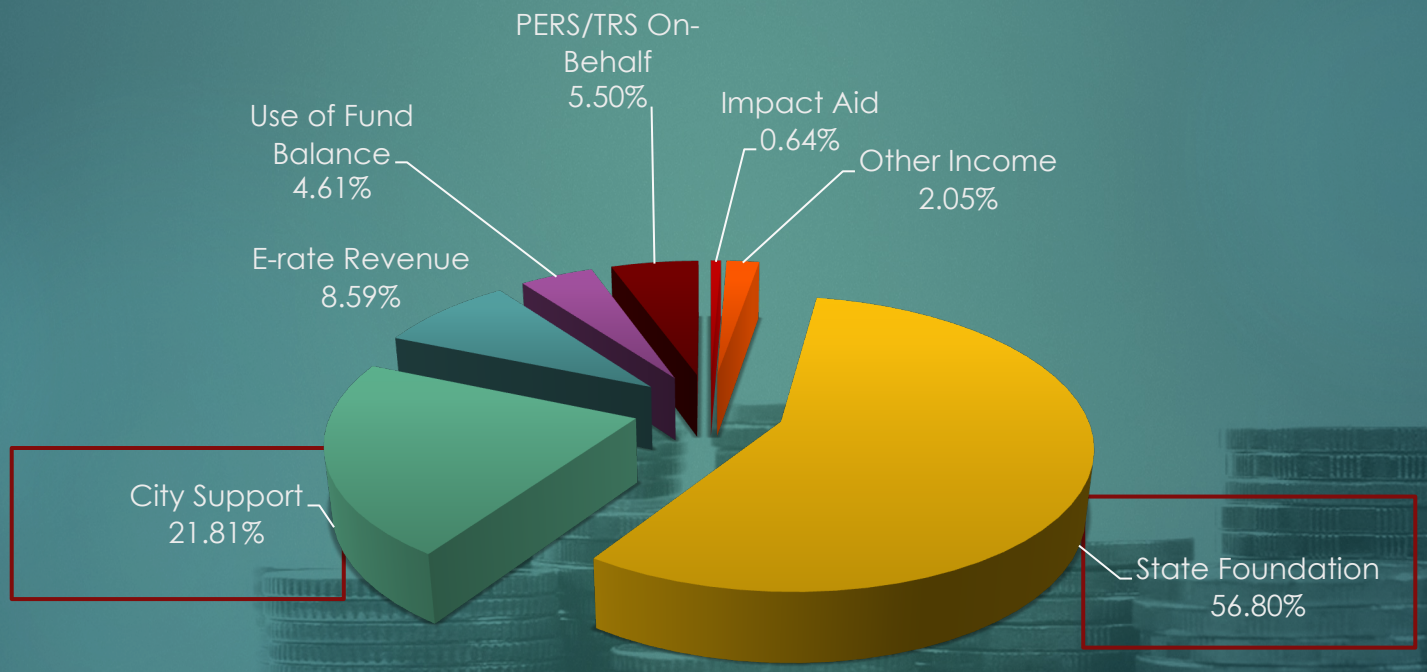
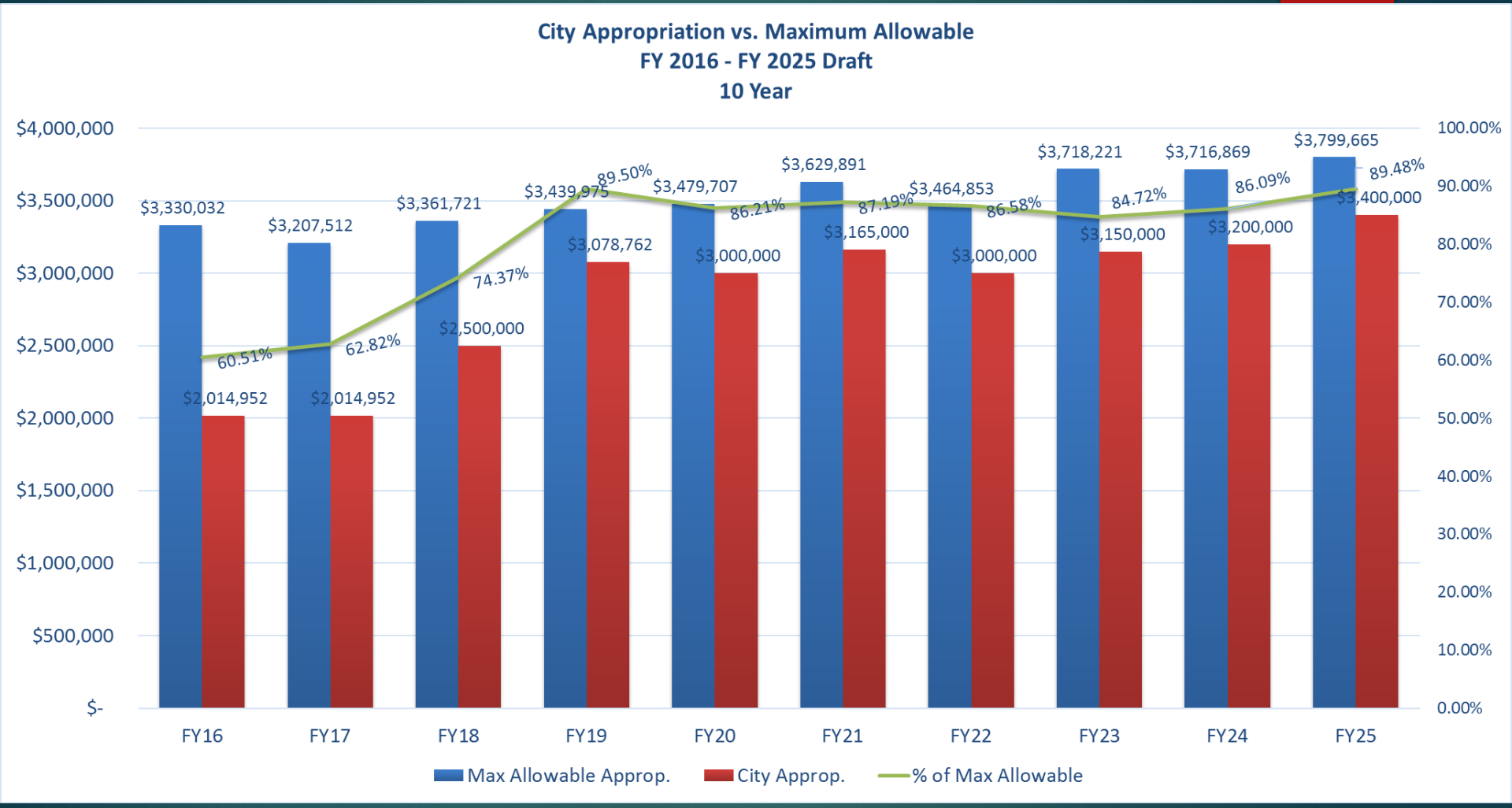
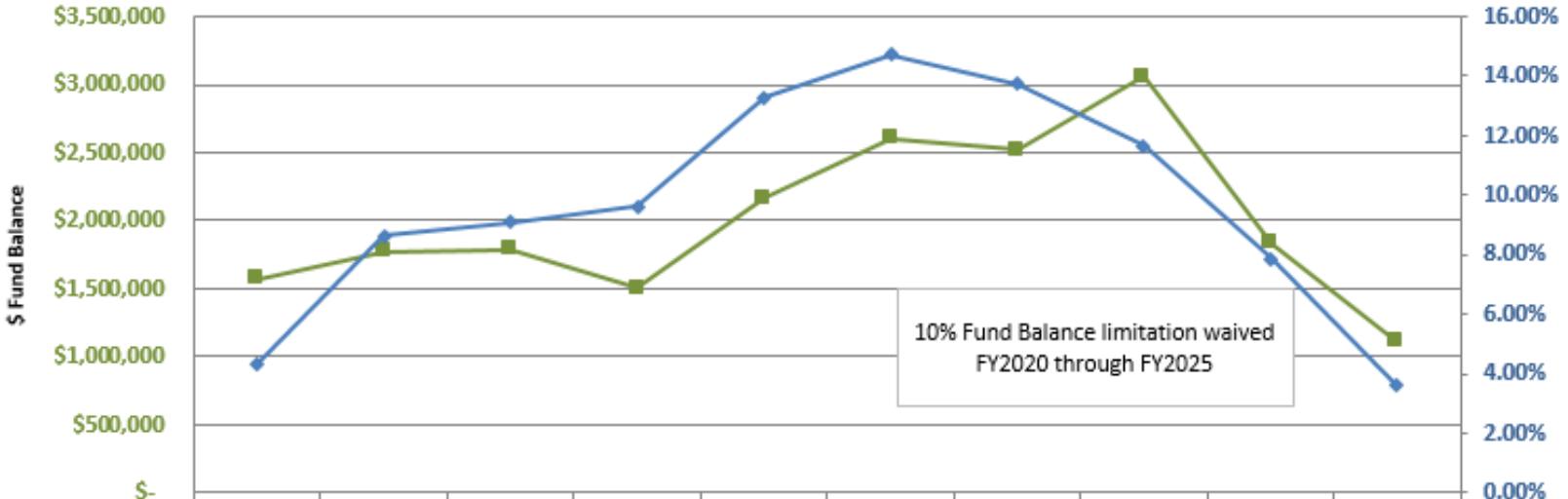
Sources of Revenue




City Appropriation vs. Maximum Allowable
FY 2016 - FY 2025 Draft
10 Year
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
$3,330,032
$3,207,512
$3,361,721
$3,439,975
$3,479,707
$3,629,891
$3,464,853
$3,718,221
$3,716,869
$3,799,665
$2,014,952
$2,014,952
$2,500,000
$3,078,762
$3,000,000
$3,165,000
$3,000,000
$3,150,000
$3,200,000
$3,400,000
60.51%
62.82%
74.37%
89.50%
86.21%
87.19%
86.58%
84.72%
86.09%
89.48%
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
FY24
FY25
Max Allowable Approp.
City Approp.
% of Max Allowable

Fund Balance 10 Year History
FY2016 - FY2025 Budgeted



	2016	2017	2018	2019	2020	2021	2022	2023	2024 Budgeted	2025 Budgeted
Fund Balance	$1,569,398	$1,770,257	$1,787,652	$1,502,197	$2,168,224	$2,605,928	$2,520,867	$3,059,807	$1,830,968	$1,112,791
Limitation %	4.34%	8.64%	9.08%	9.61%	13.29%	14.72%	13.72%	11.66%	7.87%	3.60%

Projected Total Fund Balance - School Operating Fund (General Fund 100) at June 30, 2025:			$ 1,112,791
Less Exemptions per 4 AAC 09.160(a)			
Inventory (Fuel)			$ 50,000
Prepaid Items (Liab Insurance, other)			$ 400,000
Federal Impact Aid Received			$ 100,000
Fund Balance Subject to 10% Limitation			$ 562,791
Nonexempt fund balance as a percentage of current year expenditures:			
Fund Balance Subject to Limitation	$ 562,791	=	3.60%
Current Year Expenditures (Fxs 100-700	$ 15,621,201		

Board Policy 3470 allows calculation of fund balance percentage based on Grand Total Fund Balance / Grand Total Expenses (including transfers). Board approval is required to go below 5 percent.

Grand Total Fund Balance	$ 1,112,791	=	7.00%
Grand Total Current Year Expenditures	$ 15,886,201		

Fund Balance Explained

- A measure of **equity** between revenues and expenditures; a government's total assets less total liabilities.
- Important Tool to:
  - **Smooth cash flow related to revenue cycles**
    - Cyclical and/or period timing of receipts
    - Timing of payroll and accounts payable
    - Money set aside for cash flow is included as part of the unassigned fund balance
  - **Offset revenue shortfalls & unexpected expenditures**
  - **Maintain services without budget cutbacks**
    - Sufficient amount of fund balance allows usage to balance budget without large budget cuts
  - **Improve Long-Term Planning Initiatives**
  - **Enhance credit ratings**

Fund Balance Reporting
GASB 54 vs AS 14.17.505, 4 AAC 09.160

- Alaska's regulations have not been updated to conform w/GASB 54

GASB 54 Classifications

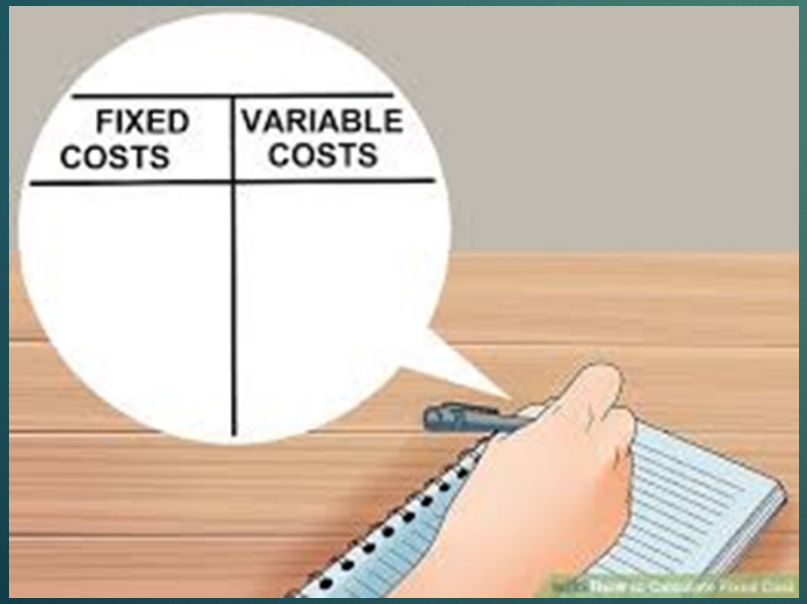
1. Non-spendable
2. Restricted
3. Committed
4. Assigned
5. Unassigned

State Classifications

1. Encumbrances
2. Inventory
3. Prepaid Items
4. Self-Insurance
5. Federal Impact Aid
6. Home School Allotments
7. Unreserved Fund Balance

Expenses

- Fixed Costs
  - Salaries
  - Benefits
  - Contracts already set
  - Liability Insurance
- Variable Costs
  - Utilities
  - Travel – staff and student
  - Professional Development
  - Supplies
  - Equipment



Expenses continued

- Other Considerations
  - SPED Maintenance of Effort (MOE)

    34 CFR 300.203
    - Compare aggregate SPED expenditures or
    - Compare per SPED student expenditures
    - Both compared against prior year audited financials

FY2025 MOE Calculations:

FY2024 Projected amount spent per SPED student: $14,013

# of Projected SPED Students: 128 (same as FY2024)

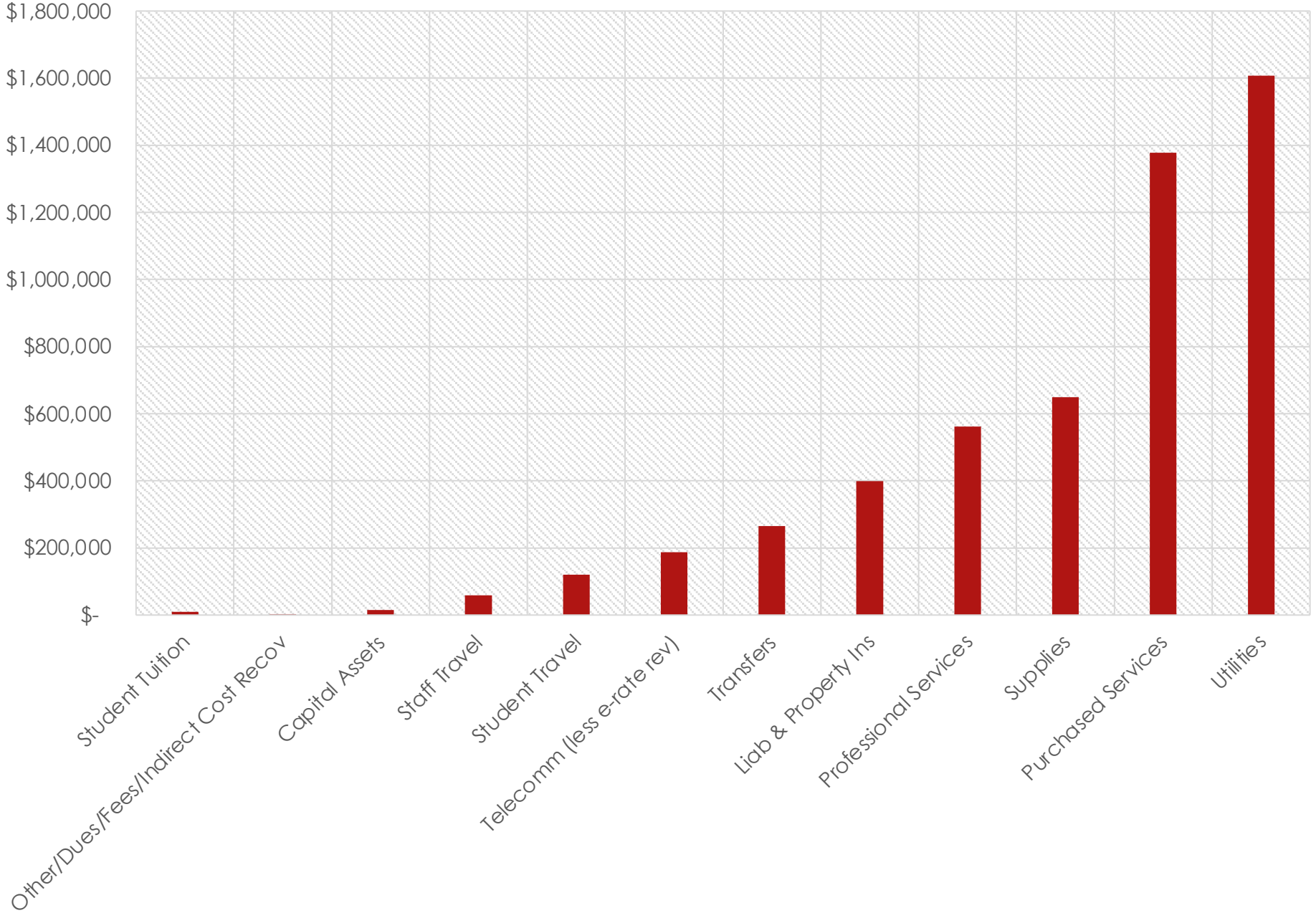
Total SPED Budget (excluding on-behalf): $1,795,307

$1,795,307 ÷ 128 = $14,026 per SPED student ✓

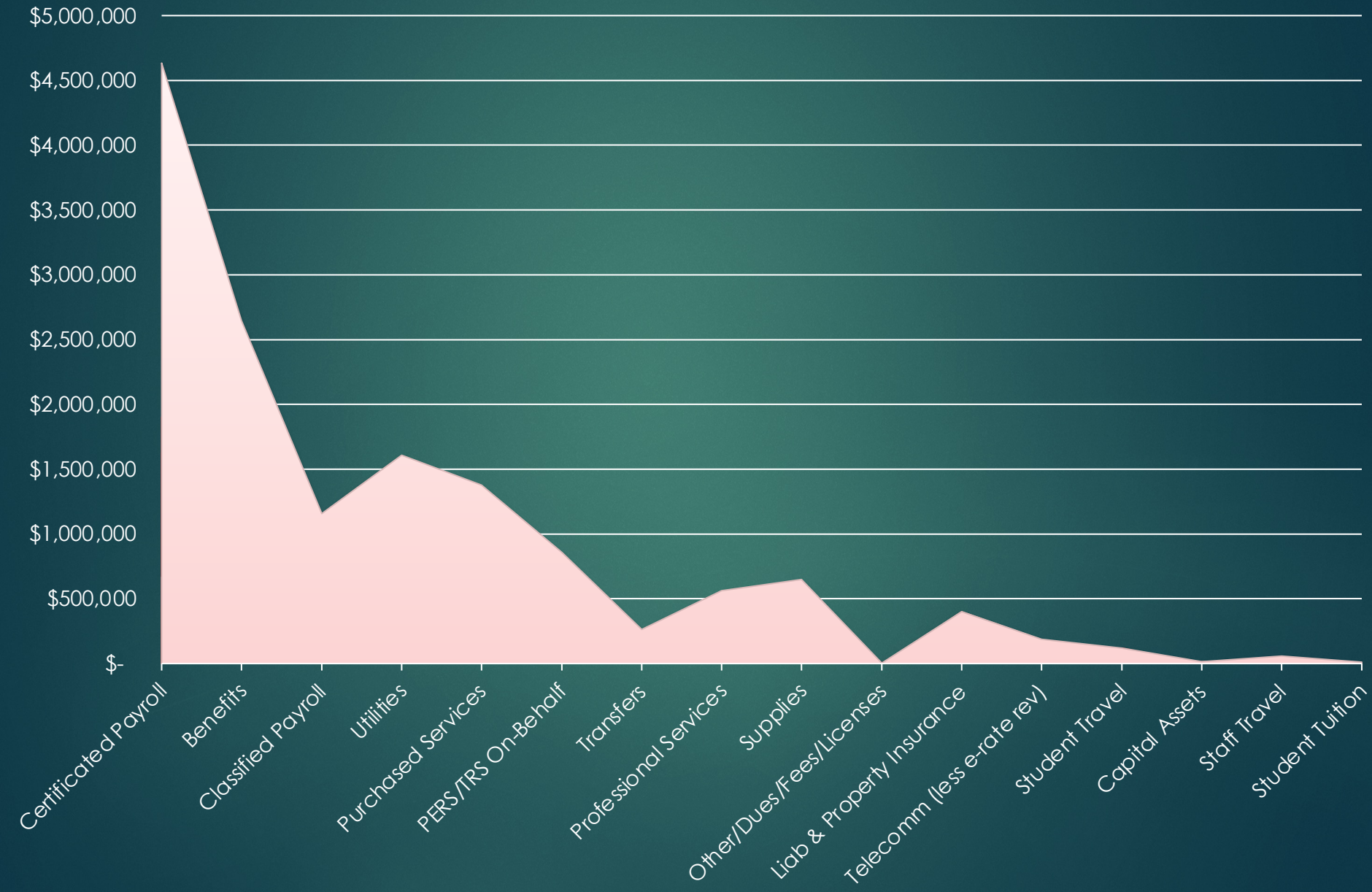
This must be spent in the Special Education budget.

**Exceptions are listed under 34 CFR 300.204*

NOME PUBLIC SCHOOLS
Non-Payroll Expenses



NOME PUBLIC SCHOOLS
Expenses by Type



NOME PUBLIC SCHOOLS

Expenditure Summary by Function

FY 2025 Budget

Function		FY2023 Actual	FY2024 Budget Revision #1	FY2025 Budget	Increase (Decrease)	Percent Change	Percent of FY2025 Total
100	Instruction	$ 4,544,490	$ 5,578,375	$ 4,943,092	$ (635,284)	-12.85%	31.12%
200	Special Education Instruction	1,033,849	1,575,601	1,598,554	22,953	1.44%	10.06%
220	Special Education Support	262,667	311,988	316,143	4,154	1.31%	1.99%
300	Support Services - Student	168,338	214,563	242,246	27,683	11.43%	1.52%
35X	Support Services - Instruction	2,348,794	2,348,914	2,298,119	(50,795)	-2.21%	14.47%
400	School Administration	684,032	781,264	811,071	29,806	3.67%	5.11%
	Sub Total Instruction	$ 9,042,170	$ 10,810,706	$ 10,209,224	$ (601,482)	-5.89%	64.26%
450	School Administration Support	$ 286,295	$ 368,376	$ 380,570	$ 12,194	3.20%	2.40%
510	District Administration	329,740	389,776	402,959	13,183	3.27%	2.54%
511	School Board	50,912	47,312	31,849	(15,463)	-48.55%	0.20%
55X	District Administration Support	693,313	808,538	842,207	33,670	4.00%	5.30%
600	Maintenance & Operations	3,391,151	3,344,384	3,451,048	106,664	3.09%	21.72%
700	Student Activities	310,738	306,619	303,344	(3,275)	-1.08%	1.91%
	Sub Total Admin/O&M	$ 5,062,149	$ 5,265,005	$ 5,411,977	$ 146,973	2.72%	34.07%
	Sub Total Inst/Admin/O&M	**$ 14,104,319**	**$ 16,075,710**	**$ 15,621,201**	**$ (454,510)**	-2.91%	98.33%
900	Transfers						
900..552	Transfers to Food Service	$ 75,000	$ 215,000	$ 215,000	$ -	0.00%	1.35%
900..553	Transfers to Pupil Transportatior	40,000	40,000	50,000	10,000	20.00%	0.31%
900..554	Transfers to CIP	200,000	100,000	-	(100,000)	0.00%	0.00%
900...555	Transfers to Apartment Fund	-	-	-	-	0.00%	0.00%
	Sub Total Transfers	**$ 315,000**	**$ 355,000**	**$ 265,000**	**$ (90,000)**	-33.96%	1.67%
	Total General Fund	**$ 14,419,319**	**$ 16,430,710**	**$ 15,886,201**	**$ (544,510)**	-3.43%	100.00%

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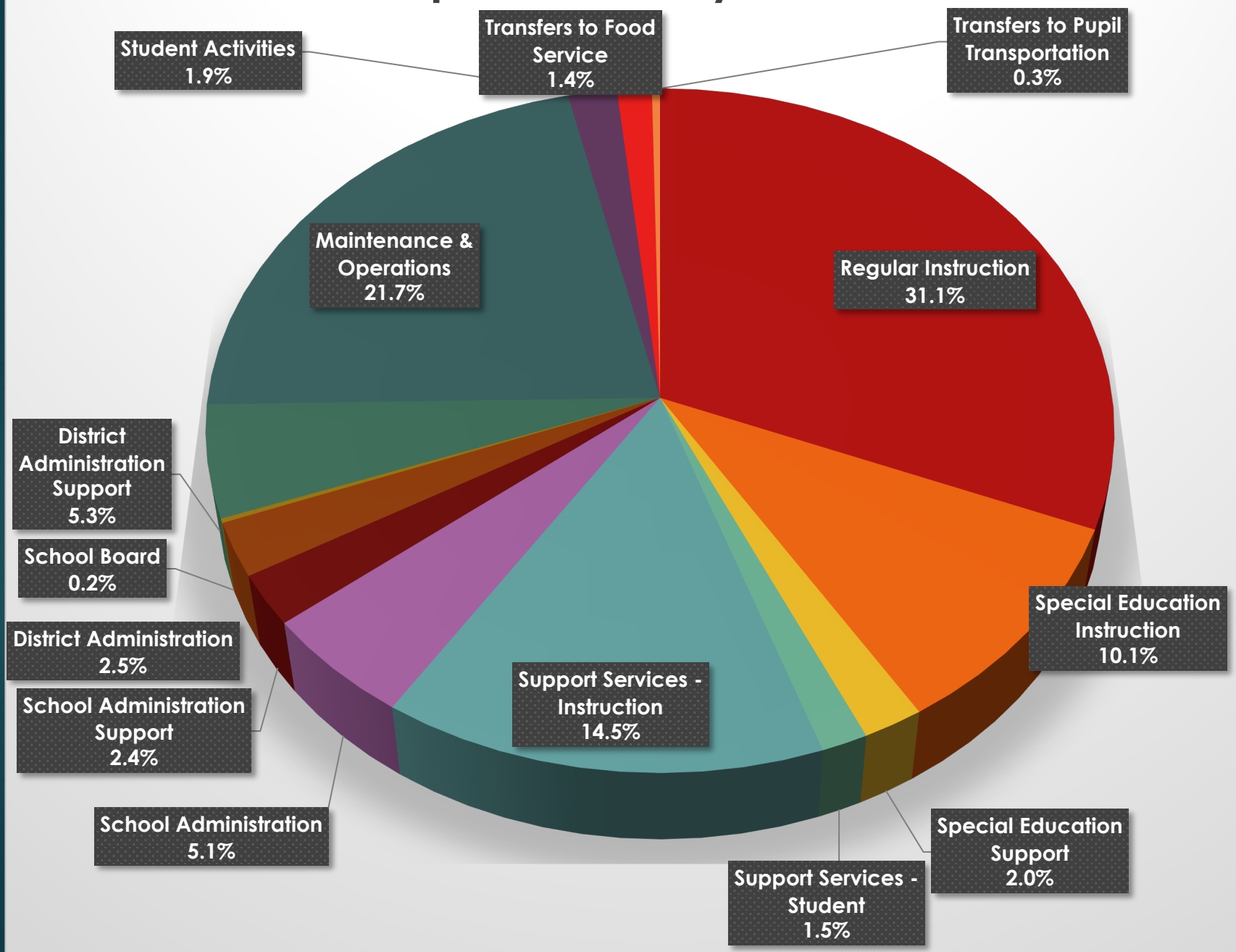
Expenditures by Function



Revenues Budget Increases

- City Appropriation $200,000
- Interest $100,000
- Transfer from Apt Fund $200,000
- Use of Fund Balance $718,177

Total
$1,218,177

Expenditure Budget Cuts

- Supplies/Software $150,000
- Staff & Board Travel $27,700
- Personnel $1,022,990

Total
$1,200,690

What should I review in a budget?

REVENUES = EXPENSES

CORRECT CALCULATIONS

AMOUNTS ARE REASONABLE

DOES ANYTHING APPEAR DIFFERENT?

ASK QUESTIONS

Fund Balance Explainer

What is Fund Balance

"Fund balance" is an accounting term that means the total accumulation of operating surpluses and deficits since the beginning of a local government's existence. "Fund balance" is not synonymous with unrestricted cash. A common misconception is that fund balance is a cash account, associated with or correlated to a government's bank account balance. But unlike a personal bank account, a general fund balance is not a "cash-account;" it is a measure of equity between revenues and expenditures. Government fund accounting is unique to the public sector and requires separate self-balancing accounting entries to track each fund's revenues and expenditures. Fund balance is a government's total assets less total liabilities.

Fund Balance is an Important Tool

The Government Finance Officers Association (GFOA) recommends that all local governments maintain a fund balance in order to mitigate current and future risks and to ensure stable tax rates.[1] Fund balances are used to:

Smooth Cash Flow Related to Revenue Cycles

A fund balance assists in maintaining enough cash to operate a local government or school district effectively and efficiently so that employees and vendors may be paid timely. Cash balance ebbs and flows throughout a fiscal year. Local governments receive tax revenue cyclically. School districts receive state funding monthly, while federal revenues are received more sporadically. Many grants are given on a reimbursement basis, with reimbursement coming many months after expenses have been paid. Many school districts have a larger than normal payroll on the last school day because of the structure of their employee contracts, and this payment occurs before they receive their final foundation payment for the year.

Local governments and school districts plan and manage their cash flow by establishing a large enough fund balance to tide them through the fiscal year. Money set aside for cash flow is usually included as part of the unassigned fund balance in an operating fund. That is, it is frequently shown as available for general spending when, in fact, availability of these funds must be reviewed against cash flow requirements.

Offset Revenue Shortfalls and Unexpected Expenditures

Establishing and maintaining fund balance is an important financial tool that allows local governments to weather economic downturns and face unforeseen circumstances without requiring immediate major impacts to the budget. Before the introduction of the CARES Act and ARPA, many local governments planned to use fund balance to help offset the immediate and drastic reduction of revenue caused by the Covid-19 pandemic. For school districts, fund balance is frequently a source of funding for unexpected major maintenance, allowing schools to maintain operations without major disruption to classroom instruction. As inflation has caused construction costs to escalate, local governments have relied on fund balance to complete capital projects.

[1] https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund

Stabilize Taxes and Maintain Services Without Budget Cutbacks

In the event of permanent changes to a local government's revenue sources, fund balance allows the governing body to create a "glide path" to a smaller budget, meaning constituents would not face immediate cuts to important municipal services or large increases in tax rates. For short-term revenue setbacks, fund balance can be used as temporary revenue replacement to stabilize tax rates.

Improve Long-Term Planning Initiatives

Fund balance is one tool used to develop and amend multi-year capital plans. Funds can be set aside over multiple fiscal years to be used for expenditures not suitable for debt financing or to lower the cost of debt.

Enhance Credit Ratings

Fund balance is a focal point of credit rating agencies and investors; when governments maintain a higher fund balance, they are viewed more favorably and can achieve lower borrowing costs.

Types of Fund Balance

Under the Governmental Accounting Standards Board (GASB) Statement No. 54[2], fund balances are classified as non-spendable, restricted, committed, assigned or unassigned amounts.

1. ***Non-Spendable*** – Amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (e.g., inventories, prepaid amounts, long-term portion of loans and notes receivable and property acquired for resale), or (b) legally or contractually required to be maintained intact.
2. ***Restricted*** – Amounts constrained to be used for a specific purpose as per external parties (e.g., grant agreements or federal restrictions), constitutional provision, or enabling legislation.
3. ***Committed*** – Amounts constrained to be used for a specific purpose as per action by assembly, council, or school board. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the governing body removes or changes the commitment by taking the same action it employed to impose the commitment.
4. ***Assigned*** – Amounts that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. The intent shall be expressed by the governing body for a specific purpose. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.
5. ***Unassigned*** – Amounts available for any purpose (amounts that are not Non-Spendable, Restricted, Committed or Assigned).

School District Fund Balance Reporting

For school districts, fund balance is also regulated by AS 14.17.505 and 4 AAC 09.160. Alaska's regulations have not been updated to conform with GASB 54. This places a significant burden on school administrators, who must comply with current GASB regulations and produce a second set of accounting to meet state requirements. Importantly, the "unreserved fund balance" in state reporting is not the same as the "unassigned fund balance" under GASB 54. State requirements on school district fund balance reporting use the following categories:

[2] https://gasb.org/page/PageContent?pageId=/standards-guidance/pronouncements/summary--statement-no-54.html

1. ***Encumbrances*** – These funds are for commitments the district has made, for items such as contracts and supplies purchases. This may include funds designated for charter schools. Since these funds have already been committed, they are not available to spend on other items.
2. ***Inventory*** – This category of fund balance is an accounting entry for the value of non-cash items, typically fuel, gas and other supplies that will be used in the near term to support operations. Since the inventory is not cash, it is not available to spend on other items.
3. ***Prepaid Items*** – These funds have already been paid for a service or item that will be used in a future fiscal year. For these items, the cash has already been expended, so the funds are not available for other use.
4. ***Self-Insurance*** – These funds are set aside to pay for self-insurance, which may include health insurance, workers compensation and other types of insurance. The amount set aside in this category is typically determined by a combination of actuarial formula and a review of actual insurance claims. These funds must be reserved to ensure the district can meet its self-insurance commitments under employee agreements and under law.
5. ***Federal Impact Aid*** – The federal government provides these funds for use in the instructional program or in specific construction programs. Due to the timing of funding, they are set aside for use in the following fiscal year.
6. ***Home School Allotments*** – This category of reserved balance was added to statute several years ago, to ensure that home school families would have full access to needed resources.
7. ***Unreserved Fund Balance*** – Total fund balance less the amounts reported in the above categories.

There are other important things to keep in mind when reading DEED's fund balance reports. The timing of reporting requirements, and the non-standard accounting methods mentioned above, necessitate certain assumptions and simplifications. School districts are required to report fund balance as of October 31, just three months into the fiscal year. The timing of the academic school year significantly impacts the timing of school district expenses.

1. ***Municipal Appropriations*** – Some school districts receive their entire annual appropriation at the beginning of the fiscal year in July, while other districts receive monthly installments. If the entire appropriation is received in July, this will increase the district's operating fund balance when reported on an interim basis.
2. ***Federal Impact Aid*** – Many school districts will receive the bulk of their federal Impact Aid in January or February.
3. ***Payroll*** – There is a timing lag between the time that an employee works and when they get paid. This increases a district's interim fund balance until payment (including all related health and retirement benefits) have been paid.
4. ***Teacher Salaries*** – Many teachers elect to defer a portion of their annual pay so that it is paid during summer months or on the last day of their contract year. This practice results in an increase of fund balance reported on an interim basis.
5. ***Paying Bills*** – Many times a school district's business office has to wait for a bill even though the expense has been incurred. For example, fuel oil is delivered to a school, but the bill comes on the 5th of the following month. Some districts may encumber this (perhaps for the amount budgeted) while others do not.
6. ***Planned Purchases*** – A district may plan to make a significant purchase later in the year, especially if the purchase involves considerable public input. They have budgeted for this but have not yet encumbered the money or incurred the expense.

7. ***Student Activities Travel*** – Many student activities involve events away from their local campus that will happen during the winter and spring months. Funds are budgeted for this, but schools have not yet paid for travel.

Fund Balance Policies

GFOA recommends that all local governments adopt formal policies governing the amount of unrestricted fund balance to be maintained, how it can be used, and how it must be paid back. At a minimum, GFOA recommends maintaining the equivalent of two months of either operating expenditures or operating revenues. Local governments vulnerable to risks such as natural disasters, loss of state and/or federal aid, or volatile revenue sources may wish to maintain higher unrestricted fund balances. Policies should also outline the conditions in which unrestricted fund balance should be used, how future budgets will be adjusted to accommodate those conditions, and how and when the fund balance will be replenished.

School district fund balances are strictly regulated by Alaska statute[3] and administrative code[4], and these classifications are carefully audited. School districts are limited to a fund balance no greater than 10% of expenditures for that fiscal year. Several municipalities cap school district fund balances even lower. Significant portions of the fund balances are non-cash, and much of the remaining amount has been designated for important operational purposes. The smaller remaining unreserved balance is critical for districts to maintain, to deal with unexpected events that arise during any operating year.

In some cases, local governments may find that they have accumulated a fund balance larger than their policy calls for. Amounts over the formal policy may reflect a structural trend, in which case the governing body should consider a policy as to how this would be addressed, such as lowering taxes. In no case should these funds be used as a funding source for ongoing recurring expenditures. They may be considered for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing, or other recurring expenditures.

Best practice dictates that when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, best practice is to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, best practice is to use the committed amounts first, followed by the assigned amounts and then unassigned amounts. Using unassigned amounts last leaves a local government with more options should it face unforeseen expenditures or revenue shortfalls.

Specific Purpose Funds

GASB 54 also outlines other types of funds, besides the general fund, that local governments may have. Local governments use specific purpose funds in different ways, depending on factors like size and services provided. These funds can also accumulate fund balances, subject to the same classifications as above.

1. ***Enterprise Funds*** – An enterprise fund is a separate accounting and financial reporting mechanism for which revenues and expenditures are segregated into a fund with financial statements separate from all other governmental activities. An enterprise fund identifies the total direct and indirect

[3] AS 14.17.505
[4] 4 AAC 09.160

costs to provide a service and the sources and amounts of revenues that support the service for which a fee is charged in exchange for service.

2. ***Capital Projects Funds*** – These are financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
3. ***Debt Service Funds*** – Debt service funds account for payments towards principal or interest, either in the current fiscal year, or resources held for principal and interest maturing in future years.
4. ***Permanent Funds*** – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

School District Specific Purpose Funds

School districts in Alaska are required to have certain types of funds under DEED's Uniform Chart of Accounts and Account Code Descriptions[5]. Besides the general fund, called the School Operating Fund, Alaska school districts must have the following types of governmental funds:

1. ***Special Revenue Funds*** – Funds, such as grants, used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. More than one special revenue fund may need to be established.
2. ***Student Transportation Fund*** – This fund accounts for revenues and expenditures for student transportation to and from school and other state-approved student transportation. Revenues include state student transportation revenue and any necessary transfers from the school operating fund.
3. ***Community School Fund*** – The fund used to account for revenues and expenditures for community schools. Revenues include state grants for community education, and local revenue and matching funds from the School Operating Fund.
4. ***Food Service Fund*** – The fund used to account for non-instructional food service operations including the National School Lunch and Breakfast programs.
5. ***Debt Service Fund*** – A fund used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Debt service funds should be used if legally mandated, as well as for the accumulation of resources for, and the payment of, general long-term debt obligations maturing in future years.

[5] https://education.alaska.gov/publications/chart_of_accounts.pdf

Nome Public Schools

The below table, which is in no particular order, is a list of suggestions, questions, and ideas that have been posed to either help with spending, bring in more revenues, or make strategic changes. We have included our estimates, after 'crunching the numbers' of how those ideas would affect the district's budget, as well as our rationale behind how each idea is analyzed for feasibility.

Budget Ideas	**Monetary Outcome**	**Comments**
Close ACSA	$693,000 savings	Does not include hiring or transferring any ACSA Personnel costs elsewhere. ACSA's current foundation brings in $132,966 than if those students were counted at NES/NBMHS.
Expand ACSA to 75 students	$247,000 more generated in foundation because charter school multiplier for 75-150 is 1.45 versus 1.18. Increase wouldn't occur until FY2026 if FY2025 enrollment was at least 75.	Assuming this would be moving 15 students out of NBMHS over to ACSA to accomplish this. Teacher would either follow, or additional savings could be earned by eliminating 1 teaching position and integrating the 15 students into existing classes.
Obtain different health insurance	Less cost to employees = MORE cost to the district;	Some have noted their dislike for the current health insurance benefits and plan and believe that better insurance exists. Better benefits would equal more cost. If employees would like a lower premium, they would need to pay a high deductible. Note: The City is on the same plan in which the district was previously. The district's #1 reason for leaving the State plan was not being able to waive coverage if you either had coverage elsewhere or didn't want to pay for health coverage. The district's deductible is half the cost of the City's. The district's out-of-pocket is more than the City's. The district's premiums are lower than the City's. The district's plan is considered self-funded so the district does have risk in regard to claims experience, whereas the State plan absorbs that into a larger pool.
Change Health Brokers		Our current health/life insurance brokers are Acrisure (formerly RISQ, and Alaska USA Insurance Brokers). They go out to bid for the district every single year and Administration receives comparison charts.

		Administration believes they are providing quality bids in comparison to what is out there. Other group plan that school districts use (they are not brokers, these are group plans): Public Education Health Trust (PEHT) Other health broker(s) that work with school districts include: Alaska Employee Benefits https://www.alaskaemployeebenefits.com/
Discontinue AASB's School Climate & Connectedness Survey & instead Generate Survey In-House	$7,921 savings	If the district desires to have these questions answered, the district could generate its own survey for free, save the template, and use it year-after-year.
Hire a Grant Writer	$35,000 cost for additional ½ time Purchasing/AP Clerk needed if receiving large $1M grant. Cost depends upon size of grant; could be anywhere from $6k-$30k.	In FY21 there was $559,374 in unspent grant funds out of $2.29M. In FY22 there was $1,277,739 in unspent grant funds out of $3.57M. In FY23 there was $967,079 in unspent grant funds out of $3.79M. Historically the district has been unable to spend the grants that they have. Grant writer cannot have their grant writing services paid for by the grant prior to receiving the *initial* grant. Cost would have to come from General Fund initially and could be written into future years of the grant once received. This will not meet immediate budget needs as grant writing is a long process from locating a grant for which we are eligible to final application submission.
Adopt Medicaid Billing	Solid figures not available. $500-$3,000 annual increase to audit costs if receive >$50k in Medicaid revenues	Economies of scale limit this from being a feasible option. The time and effort it would take away from the current staff, and the cost for Medicaid billing module/subscription, versus the amount of eligible students and eligible billing would not bring in sufficient funds. We have already gone down this road before with predecessors. If it was a viable and monetarily worthwhile option then all districts would be doing it and not just the Big 5. The State is trying to make School Based Medicaid services more available and trying to institute a flexible billing system. This remains to be seen and is only in its infancy. Amount of revenue received from Medicaid billing would be based on students who qualify

		and have completed Medicaid applications and also receive Medicaid eligible services from the school. Another medium-sized district with same analysis: https://www.sitkaschools.org/en-US/business-office-02ac68f2/budget-faqs-30d72491 DCSD also began this, and within 3 years, discontinued because they also found it was not worth the time/effort in comparison to monies received.
Tech Decreases	$50,000 cut	Tech Director reviewed budget and cuts to several areas including tech supplies, subscriptions, no travel for professional development, and equipment will be shown in the FY2025 2nd Draft Budget.
Student Activity Fees	$25,000 increase to revenues	Reinstitute and increase student activity fees.
Ask the City to Fund to the Cap	$399,000 increase to revenues if funded to the maximum	Our 1st Draft FY25 Budget already includes a $200,000 increased request from FY24. This would be in addition to that.
Use the Apartment fund balance for Gen Fund		Move Apartment fund balance or a portion thereof to Gen Fund. The Apartment fund needs fund balance for repairs, appliances, utilities, emergency needs. Additionally, we would not have the funds for a down payment on a loan for the new apartment unit and would have to put that off indefinitely until Apartment fund replenished. The 1st Draft FY25 Budget already includes a $200,000 transfer from Apartment fund to General Fund. Estimating that the Apartment Fund balance will be $1.9M as of June 30, 2025. District was planning on using at least $750,000 toward the costs of the new apartment project. In addition, up to $100,000 per year of original apartment fund to be used toward the loan repayments on new apartment project.
Fund Tuition for Up & Coming Administrators	$8,000 per year, approx.. cost	Process for evaluating applications for tuition assistance needs to occur first to maintain a uniform and structured process in determining who will receive this funding each year. This does not help cut costs at the current time.
Work on Energy Savings	Unknown possible savings	Turn out lights, unplug electrical units, turn down/regulate heat.
Bring M&O In House	Net zero monetary effect.	Bring M&O (maintenance and custodial) in house and cancel contract with NMS. Staff have stated that even if it costs more in dollars it will

		cost less in the long run in terms of recurring hiring, training, headache, and even teacher retention and student connectedness. Note: The District has to pay 22% toward PERS and has a much larger health insurance cost than NMS pays for their employees' health insurance. There is also a non-compete clause in the contract with NMS.

Sources:

https://education.alaska.gov/SchoolFinance/docs/ADA%20Funding%20Program%20Overview%202024_eff1-2023.pdf

Nome Public Schools
Apartment Funds 600 & 601

6/30/2023 Fund Balance:	$ 1,731,982	$50,000 from AHFC grant withheld from reimbursements until Apartments built; $161,133 additional spent on new Apartment project.
FY2024 Projected Revenues:	$ 240,000	Rent
FY2024 Projected Expenses:	$ 62,871	Utilities plus new apartment professional services (updates to cost)
Ending Fund Balance:	$ 1,909,111	

Needs	Cost	Fiscal Yr	Notes
Apartment Electrical Rewiring	$ 500,000	FY26	District's teacher housing building's aging electrical system needs replacing, including rewiring, fuse panels, etc.
Downpayment toward new apartment building			Need to save more funds for a downpayment and/or loan repayment for new apartment fund. Due to cost it would not be feasible to take on loan without sufficient funds to pay it down significantly in order to obtain a monthly loan repayment amount that can fit within projected rental revenues. Total estimated Construction Cost for new building as of 2/6/2024 estimates $14,749,282. This does not include appliances (washers, dryers, refrigerators, ovens, microwaves, etc.)
Balance After Above:	**$ 1,409,111**		

= In District's Board approved 6-year CIP Plan.

NOME PUBLIC SCHOOLS

General Capital Project Funds				
Fund Balance - Committed for Capital Projects 6/30/2023:	$	3,334,071		
PLUS: Transfers in from General Fund during FY24:	$	100,000		
Open FY24 POs:				
Replacement of Fire Water Pump	$	95,096	Approved by Board at September 19, 2023 Meeting; This pump is responsible for providing water into the fire sprinkler system, and maintaining needed pressure in the system at all times. It was also discovered that this pump was not connected to the emergency generator system.	FY24
Snow Pusher for Loader	$	22,000		
Expended in FY24:				
EMI Alaska & State of Alaska NBMHS & NES Spills/Pit	$	19,951		
2021 Volkswagen Tiguan	$	3,030	Net cost outlay after auto insurance payment on totaled vehicle	
NBMHS Kitchen Heat Exchanger	$	9,545		
Annual Fire Inspections	$	17,798	recurring cost	
HVAC DDC Controls (non-grant funded portion)	$	11,633		
Various locksmith expenses	$	4,613		
Fire Pump Parts	$	18,459		
Estimated Ending Fund Balance - Committed for Capital Projects:	**$**	**3,231,946**		

Assigned Future Costs:	District's Share	70% Potential State Share	Notes:	FY Needed
NBMHS Roof Replacement Project	$ 1,701,742	$ 3,970,730	Was #9 on State Major Maint List - 30% Participating Share required of estimated $5,672,472 cost	ASAP
NBMHS Roof Replacement Project - Condition Survey	$ 30,000			FY24-FY25
NES Fire Alarm System Replacement	$ 158,905	$ 370,778	Was #41 on State Major Maint List - 30% Participating Share required of estimated $529,683 cost. This project will replace the outdated 1987 fire panel and field devices. Includes a completely new design and installation of panel and devices which may require new wiring. New system to ensure compliance and safety to most current NFPA and state codes. Currently the system is obsolete, and we are sourcing used parts via eBay.	FY24
Fire Alarm Monitoring and/or Repairs	$ 17,798		Yukon Fire	Recurring Annual
Fuel Spill and Pit Work (DEC)	$ 10,000		Unknown cost for remediation of prior spills - NES remaining	Ongoing
Carpet Replacement	$ 45,000		Gym Lobby, Nanook Room, Front Office/Teacher Workroom, East/West Hallway in HS and North Classrooms	FY24
NES Stage Curtains	$ 10,000			FY24
Additional Fleet Repairs (ongoing annual estimate)	$ 35,000			Ongoing
ADA/Security Project for NES/NBMHS	$ -		IN PROCESS: City agreed to fund this expense at their 3/13/2023 City Council Mtg; This was #66 on State Major Maint List	FY24
John Deere Loader Replacement	$ 360,000		20 years old and constant problems	FY24 summ
NBMHS Generator and Electrical Service Replacement	$ 284,681	$ 664,256	Was #17 on State Major Maint List - 30% participating share required of estimated $948,937 cost. This project will replace an old and undersized backup generator, with a new larger generator with enclosure, which will also increase capacity to allow the high school to operate as an emergency shelter for the entire community. Installation of new transformers and required modification of power lines will also be included.	FY25
Hot Water Heater & Plumbing Upgrades	$ 150,000	$ 350,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $500,000 cost. Repair and replace aging plumbing for charter school building and high school kitchen, and hot water heaters for all school buildings.	FY25
NES Exterior Upgrades, Structure & Parking	$ 750,000	$ 1,750,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $2,500,000 cost. This project will replace needed exterior doors and hardware and include needed repairs to stairs and approaches. It will replace all exterior windows with arctic grade windows with opening lowers and address building envelope concerns. This project will make roof modifications to extend the roof over the edges of the structure and correct the roof panels that don't extend to the full edges of the structure. Project will make repairs to parking and grounds to include repairs and recoating of paved lot and replacement of concrete sidewalks.	FY25
NBMHS School Exterior Renovations	$ 127,500	$ 297,500	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $425,000 cost. This project will replace the siding along the RC portion to the building from the front entrance to the MS bus doors, and will require the removal of approximately 70 asbestos panels with soffit. Install two inches of foam board and wind blocking fabric. Repaint exterior of entire building.	FY25

Assigned Future Costs:	District's Share	70% Potential State Share	Notes:	FY Needed
HVAC DDC Controls Phase 2	$ 75,000	$ 175,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $250,000 cost. Complete upgrades to DDC control system that were not funded through ARP funds, including system control of charter school building, and various other upgrades throughout school buildings	FY26
NBMHS Interior Renovations	$ 135,000	$ 315,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $450,000 cost. Replace doors and hardware as needed. Interior painting of classrooms, offices and common areas. Replacement of carpet in classrooms, offices and hallways.	
Plumbing Repairs/Upgrades to Charter School Building	$ 45,000	$ 105,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $150,000 cost. Repair and replace aging plumbing for the charter school building	FY27
NES Interior Renovations	$ 105,000	$ 245,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $350,000 cost. Replacement of carpet in hallways, offices and common areas, replacement of interior doors and door hardware, painting of classrooms, offices and common areas	FY27
Building D Exterior Upgrades	$ 60,000	$ 140,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $200,000 cost. Renovate/repaint remaining wood siding on Building D, upgrade/replace porch entry/stairs	FY28
Upgrade to Snow Removal/Control Program	$ 105,000	$ 245,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $350,000 cost. Project will entail installation of a bunker and cover for sand pile to prevent moisture/ice in sand pile	FY29
Quonset Hut Upgrades	$ 150,000	$ 350,000	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $500,000 cost. Installation of tool cages, lofts for storage, flooring, framing and overhead door	FY29
Maintenance Building Siding & Roof Replacement	$ 67,500	$ 157,500	Submitted to State for Major Maint. Will require 30% Participating Share of estimated $225,000 cost. Structural upgrades to Maintenance Facility	FY29
TOTAL CIP Needs:	**$ 4,423,126**	**$ 9,135,764**		

= All blue highlighted items are listed on the Board-approved Six-Year Capital Improvement Plan