



MEMORANDUM

TO: City and Borough of Juneau Assembly
FROM: City and Borough of Juneau School District
DATE: January 29, 2024
SUBJECT: Juneau School District Budget Deficit Update

The Juneau School District is currently facing a combined projected deficit of \$7,895,073.

The district's recent independent audit, presented in November 2023, of FY 2023 (the 2022-23 school year), identified a \$1,947,423 carryover deficit fund balance in the operating fund. A negative fund balance was also noted in the FY 2022 audit.

After the November 2023 audit, the district engaged an outside school finance specialist in December 2023, who completed a line-by-line analysis of the district's approved FY 2024 budget. That approved FY 2024 budget was constructed between January-March of 2023 and was required to be presented to the City and Borough of Juneau Assembly by April 5, 2023.

The analysis revealed an overstatement of district revenue by nearly \$6 million and an understatement of district expenses by \$2.1 million in the adopted budget. The district's projected deficit, when combined with the FY 2023 audit findings, was \$9.5 million.

The findings on the projected budget deficit were immediately disclosed in an advertised, public work session and meeting on January 9, 2024. Recordings of those and all other budget meetings are available to the public on the district website.

The district took immediate action to address the current and ongoing budget crisis, with a series of cost-saving measures and recommendations for structural changes to educational delivery, including school consolidation, building closure(s), and staff reductions.

Continued efforts and programmatic reductions have positioned the FY 2024 operating fund budget currently with a pending revised budget deficit in the amount of \$5,947,650. The FY 2023 ending fund balance is an additional deficit of \$1,947,423, for a total deficit of \$7,895,073.

To further address the projected FY 2024 and anticipated FY 2025 budget deficits, the district is interested in a conversation with the Assembly around non-instructional, shared services in the areas of maintenance, utilities, property insurance, and operational/custodial costs. There is a shared interest in safeguarding and maintaining the asset value of the facilities owned by the City and Borough of Juneau and operated by the Juneau School District, and there is a commitment by the district to manage and provide community services and programs that offer critical and valued service to the community.

The following are key areas identified in the recent budget revision.

BACKGROUND

Operating Fund: The Board adopted the operating fund budget in June 2023. Since that adoption, the District's FY 2023 audit has been finalized and reflects a decrease of \$2,915,440 in fund balance compared to the projected amount in the adopted budget (\$968,017 original estimated fund balance, minus \$1,947,423 actual/audited fund balance). That issue, combined with the need to true-up actual operating revenue and expenses, was the basis for the budget revision.

Revenues:

Foundation

The district submitted its FY 2024 OASIS report to the Alaska Department of Education & Early Development on November 3. The district reported a decrease of 83 students from the spring 2023 adopted enrollment projection.

State Aid to Districts (One-Time Supplemental Funding)

These funds were appropriated from the FY 2023 legislature during the budgeting process. This number is preliminary because the State of Alaska is still finalizing the OASIS count for all school districts.

The \$2.7 million is the district's portion of the one-time supplemental state funding appropriation by the legislature and was not included in the original budget adoption due to the timing of the appropriation by the legislature.

PERS/TRS On-Behalf

This revision aligns the flow-through funding to be closer to actual. The initial adopted budget overstated the PERS and TRS on-behalf revenue by \$4.3M.

Medicaid

Medicaid reimbursement is being decreased by \$175,000, as this is for services from FY 2023, reimbursed in FY 2024.

Tuition and Other Local Revenue

Immaterial adjustments were made to align with actual YTD and remaining projected receipts.

Expenditures:

PERS/TRS On-Behalf

The draft revision presented on January 9, 2024, aligns the flow-through activity to be closer to actual. The initial adopted budget overstated the on-behalf expense by \$4.3 million. The

overstated on-behalf expense were miscategorized as on-behalf payments. The expense should have been allocated to other salary and benefit lines to cover the costs of existing staff.

Reconciled Staffing Expense

As noted above, staffing and associated costs were miscategorized as an on-behalf expense (\$4.3 million). Additionally, the reconciliation process identified a budget shortfall of \$663,841 for current staffing levels.

PERS & TRS Employer Contributions

The calculation of employer contributions for PERS (22.0%) and TRS (12.56%) were under budgeted in the originally adopted budget. Increases in the amount of \$1.1 million for PERS and \$369,650 for TRS are needed to cover the employer-obligated contributions for current staff levels as of 12/19/2023.

Fund Balance

The FY 2023 ending fund balance is a deficit of \$1,947,423, along with an FY 2024 operating fund deficit of \$7,597,650.

Identified Reductions:

Since January 9, 2024, district administration have actively been identifying areas in which to realize savings. To date, \$1.65 million in savings have been identified through operations costs, carryover allotment categorization, and health insurance expenses. These identified savings have reduced the FY 2024 projected deficit to \$5,947,650, exclusive of the audited FY 2023 deficit fund balance. Those two figures together total \$7,895,073, down from \$9.5 million.

JSD FY 2024 Operating Fund Budget

January 29, 2024

Proposed adjustments to Board Adopted Budget from spring 2023

Revenue:

State Foundation	-\$4,181,553	Enrollment Driven
One Time Supplemental	\$2,764,319	Legislative
PERS/TRS Onbehalf	-\$4,348,686	Overstated originally
Medicaid Billing	-\$175,000	Adjust to YTD expected
Misc	<u>-\$32,519</u>	Adjust to YTD actual
Board Approved	\$75,221,700	\$69,248,261 REVISED
	-\$5,973,439	Board Approved Revenue

Expense:

PERS/TRS Onbehalf	-\$4,348,686	Miscategorized in original FY24 Budget
Reconcile Staffing Expense	\$4,348,686	Miscategorized in original FY24 Budget as OBH expense
Reconciled Staffing Expense	\$663,841	Understated originally in Object Codes
PERS ER Contribution	\$1,156,120	Understated originally
TRS ER Contribution	<u>\$369,650</u>	Understated originally
Board Approved	\$74,656,300	\$76,845,911 REVISED
	\$2,189,611	Board Approved Expense

as of 1/9/24 Projection **Operating Budget FY24 Deficit** **-\$7,597,650 REVISED ***

* Does not include FB FY23 deficit of \$1.94M

Additional identified reductions since 1/9/24 Projection

Operations Savings	-\$350,000	Superintendent's reductions
HomeBRIDGE allocations	-\$300,000	Carryover allotments
Health Insurance Line Item	<u>-\$1,000,000</u>	Excess budget based on actual enrollments
	-\$1,650,000	

Operating Budget FY24 Deficit **-\$5,947,650 REVISED**

-\$1,947,423 FY23 Audited Deficit

Total Operating Budget Deficit **-\$7,895,073 REVISED**