

See AO 2004-28(5)

Submitted by: Chairman of the Assembly
at the request of the
School Board
Prepared by: Anchorage School District
For Reading: March 2, 2004

ANCHORAGE, ALASKA
AO NO. 2004-28

AN ORDINANCE DETERMINING AND APPROVING THE TOTAL AMOUNT
OF THE ANNUAL OPERATING BUDGET OF THE ANCHORAGE SCHOOL
DISTRICT FOR ITS FISCAL YEAR 2004-2005 AND DETERMINING AND
APPROPRIATING THE PORTION OF THE ASSEMBLY APPROVED BUDGET
AMOUNT TO BE MADE AVAILABLE FROM LOCAL SOURCES

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. That the FY 2004-2005 Proposed Anchorage School District
Budget in the amount of \$500,461,881 has been approved by the Anchorage
Assembly and that, of said amount, the amount of \$164,393,406 is the amount of
money to be contributed from local property taxes or other local sources and is
hereby appropriated for school purposes to fund the School District for its
2004-2005 fiscal year.

Section 2. That this ordinance is effective upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly, this _____ day of
_____ 2004.

Chair of the Assembly

ATTEST

Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM 80-2004

Meeting Date: March 2, 2004

1 FROM: ANCHORAGE SCHOOL DISTRICT

2
3 SUBJECT: AO 2004-28 ANCHORAGE SCHOOL DISTRICT FINANCIAL
4 PLAN

5
6 **PROPOSED FINANCIAL PLAN**

7
8 The Anchorage School Board has approved Proposed Financial Plan for
9 FY 2004-2005 in the amount of \$500,461,881. This includes individual fund
10 budgets currently projected as follows:

	Proposed FY 2004-2005 <u>Financial Plan</u>
11 General Fund	\$377,417,071
12 Food Service Fund	13,785,312
13 Debt Service Fund	68,259,498
14 Local/State/Federal Projects Fund	<u>41,000,000</u>
15 Total – All Funds	<u>\$500,461,881</u>

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21
22 It is requested that the Anchorage Assembly approve local taxes in the amount
23 of \$164,393,406 and the upper limit spending authorization of \$500,461,881 for
24 FY 2004-2005.

25
26 **THE BUDGETING PHILOSOPHY**

27
28 The budget provides a blueprint for the Anchorage School District's educational
29 goals. When developing the budget, the Anchorage School District has an
30 obligation to its many stakeholders—the students, parents, employees, and
31 community members—to consider each group's priorities and balance them
32 with the District's stated mission of "educating all students for success in life."
33 The FY 2004-2005 budget projections reflect the District's on-going efforts to
34 achieve this balance, maximize performance and contain costs.

35
36 These projections for FY 2004-2005 are prepared using the most current
37 information available. Existing funds and cost savings are directed to District

1 programs to ensure that progress is made in achieving School Board Goals in
2 the areas of academic achievement, supportive and effective learning
3 environment, and public accountability (Attachment A). The budget
4 development process is mindful of the District's responsibility in designating
5 financial and human resources within projected revenues.

6 7 **BUDGET DEVELOPMENT**

8 9 **School Board Directions/Assumptions and Changes**

10
11 The budget development process for the District is an ongoing process that
12 encompasses gathering and analyzing information. The budget continues to
13 realign the District's priorities, as budgeting is a progressive process.
14 Throughout this process, assumptions, enrollment, revenues, and expenditures
15 are constantly being reviewed and assessed in order to provide the most current
16 information. Federal, State or local mandates may necessitate the District to
17 incorporate additional responsibilities and/or initiate new programs within the
18 District. Various demographic and economic factors are evaluated for their
19 impact on the budget. This is especially true this year as a result of the federal
20 No Child Left Behind (NCLB) and Individuals with Disabilities Education Act
21 (IDEA), and the State mandated High School Graduation Qualifying Exam
22 (HSGQE).

23
24 Departments and schools review their programs and responsibilities; assess
25 what is being done during the current fiscal year and what progress is being
26 made; continue updating plans for next year and future years; and then prepare
27 budget requests based on their program requirements and how they support
28 the Goals and Mission of "educating all students for success in life."

29
30 The District continues with its efforts to seek input from the community,
31 employees and students in the development of its proposed budget
32 recommendation. Input relative to economies and efficiencies in delivery of
33 programs and services as well as additions and reductions in programs and
34 services are sought.

35
36 This year the budget development process involved public participation
37 through the formation of Budget Review Teams. Each team reviewed one of
38 four broad areas of the budget—General Administration, Instruction,
39 Instructional Support and Support Services. The four teams were each
40 composed of one community facilitator and approximately forty volunteers
41 representing various advisory committees, business and labor organizations,
42 community members, parents, students and District employees. Each team was
43 responsible for identifying reductions or revenue enhancements equal to 7
44 percent, economies and more effective program alternatives, duplication of
45 efforts/services, and reviewing all funding sources. The teams presented their

1 recommendations at a public meeting on October 30, 2003. In addition to these
2 teams, opportunities for budgetary input were accessible through the District
3 Web site and suggestion forms available from schools and at Assembly and
4 School Board hearings. Input was also solicited from the Minority Education
5 Concerns Committee (MECC), various advisory committees and the Anchorage
6 Council of PTAs. All District employees were sent staff
7 comment/question/suggestion forms asking for their suggestions. Each
8 department supervisor was asked to identify 7 percent reductions from their
9 departments and/or revenue enhancements related to their area. All of the
10 recommendations from these sources were reviewed and considered as the
11 Administration developed the proposed budget being presented. Every
12 program and department was thoroughly scrutinized and many items were
13 eliminated and/or reduced. Programs were reviewed from their base and
14 services reorganized and eliminated to help with closing the fiscal gap. The
15 need to focus on providing core educational services was a primary concern
16 when reviewing and making recommendations in both the instructional and
17 support areas.

18
19 On November 3, 2003, a School Board FY 2004-2005 financial planning work
20 session was held. A pro forma revenue and expenditure budget was presented
21 based on known information. At that time the Administration projected that
22 the District faced a \$26.2 million fiscal gap for FY 2004-2005. Assumptions used
23 for projection purposes were reviewed with the School Board. The
24 Administration gathered suggestions and changes that the School Board
25 members wanted the Administration to further investigate including any of the
26 suggestions submitted by the staff and community members. At that work
27 session the School Board provided guidance to the Administration to include
28 \$4.5 million of fund balance as a revenue source to reduce the fiscal gap and to
29 avoid some reductions in various District activities when bringing the
30 FY 2004-2005 Preliminary Financial Plan forward in January 2004.

31
32 On November 10, 2003, updated estimates were presented to the School Board
33 in ASD Memorandum #106 (2003-2004). At that time the School Board
34 established a total expenditure ceiling of \$499,946,630 for the combined General,
35 Food Service, Debt Service and Local/State/Federal Projects Funds. The
36 Administration then revised the initial budget and prepared a Preliminary
37 Financial Plan for FY 2004-2005 in the amount of \$499,890,875, ASD
38 Memorandum #188 (2003-2004).

39
40 The School Board held two public hearings on the Preliminary Financial Plan,
41 January 13 and 15, 2004. The Superintendent gave a general overview, public
42 testimony was taken, and each administrator presented his/her budget
43 identifying the major changes. First and Second Readings of the District's
44 FY 2004-2005 Financial Plan were held on January 21 and 29, 2004. At the end of
45 the Second Reading on January 29, 2004, with slight revisions, the School Board

1 passed the Proposed FY 2004-2005 Financial Plan of \$500,461,881, by unanimous
2 vote.

3 4 GENERAL FUND

5
6 The General Fund, consisting of each school and department's budget, accounts
7 for the majority of the District's operations and activities. Therefore, this
8 memorandum and most of the subsequent discussion and decisions on balancing
9 the budget for next year will focus primarily on estimated revenues and
10 expenditures of the General Fund.

11 12 Revenues

13
14 **Alaska Public School Funding Program**— The largest single revenue source to
15 the District comes from the Alaska Public School Funding Program. The School
16 Board and the Administration appreciate the past increases in revenue funding
17 to the Alaska Public School Funding Program. Hopefully, the Legislature will
18 continue to advocate for the students in our communities by funding an increase
19 in revenues supporting public education. It is essential that school districts
20 receive adequate funds to meet the required mandates and public expectations.

21
22 This Program is expected to provide approximately 54 percent of the District's
23 General Fund revenues. This is based on continuing the same per pupil amount
24 for the base student allocation (\$4,169), which includes the roll up of the
25 Learning Opportunity Grant and Section 93 of Senate Bill 2006, approved during
26 Spring 2003 the Legislative session, and the Quality School Grant (\$16). Based on
27 current enrollment projections, the amount of funding for FY 2004-2005 is
28 estimated to be \$202.6 million, which is \$3.7 million less than the current FY
29 2003-2004 budget. This is a result of lower anticipated enrollment, (49,900
30 budgeted for FY 2003-2004 and 49,499 projected for FY 2004-2005) and the State
31 assessed property valuation for the Municipality increasing \$2 billion. **This**
32 **increase in assessed valuation results in a larger required local effort causing a**
33 **loss of approximately \$4.0 million in the Alaska Public School Funding**
34 **formula calculation.**

35
36 The Alaska Public School Funding program is based on average daily
37 membership (ADM)—determined by the District's enrollment and special
38 education intensive count—processed through school size factors and special
39 needs formulae to establish the District's "basic need." The required local share
40 and a percentage of the Federal Impact Aid funding that the District receives for
41 federally-connected students is then subtracted from the "basic need" to
42 determine revenue. The Alaska Public School Funding formula defines the
43 required local share as being the lesser of 45 percent of the preceding years "basic
44 need" or 4 mills times one-half of the annual increase in assessed valuation
45 compared to the 1999 base year of the total State assessed full and true valuation

1 of local real estate, inventory and other taxed personal property for the second
2 preceding year, added to the prior year's required local effort. **An increase to**
3 **the assessed valuation reduces the potential amount of Alaska Public School**
4 **Funding revenue.** The Alaska Department of Community and Economic
5 Development notified the District that the assessed valuation for Anchorage has
6 increased from \$19.204 billion to \$21.215 billion.

7
8 **Local Property Taxes—** Local property tax contribution is the District's second
9 largest General Fund revenue source. **Projected local property tax revenue for**
10 **FY 2004-2005 is based on requesting the full amount of taxes available under**
11 **the local property tax limitation.** The local property tax limitation provides for
12 an annual adjustment for inflation, five-year Anchorage population change and
13 new construction.

14
15 The requested local tax amount reflects updated information related to both the
16 five-year average Anchorage municipal population revision and the Consumer
17 Price Index released by the U.S. Department of Labor, Bureau of Labor Statistics.
18 This adjustment does not include any updated information on 2004 new
19 construction and property improvement that may adjust the local tax amount
20 allowed under the tax cap limitation. This amount will not be available until
21 later in March. If the new construction and property improvement adjustment is
22 known before the Assembly takes action on the School District's FY 2004-2005
23 Financial Plan, the District will submit an "S" version to the corresponding
24 Ordinance if further adjustments need to be made.

25
26 Included in the revenue projections are taxes associated with the opening of
27 South Anchorage High School, and the completion of the addition/renovation to
28 Ptarmigan Elementary and Wendler Middle Schools as approved by the
29 qualified voters of Anchorage on the bond proposition for these projects.

30
31 It is requested that the tax adjustment related to the CPI, population change,
32 operations and maintenance on new voter approved facilities, and increased
33 taxes allowed on new construction or property improvement, for an increase to
34 the General Fund of approximately \$12.96 million, be approved. This increase
35 and the \$6.45 million increase in the Debt Service Fund for a total increase of
36 \$19.4 million will still be a reduction of \$8.20 in taxes per \$100,000 of assessed
37 valuation based on the estimated 2004 total assessed valuation verified by the
38 Municipality on February 17, 2004. It is anticipated that the mill levy will be
39 reduced from 7.37 mills to 7.29 mills for calendar year 2004.

40
41 The District has been notified that the Mayor is proposing transferring \$1 million
42 of Municipal taxing authority to the District under the property tax limitation in
43 order to assist the District with our fiscal difficulties. As part of the approval of
44 the 2004 Municipal operating budget, the Assembly approved a change in the
45 calculation method related to the funding that the Municipality receives from the

1 Municipal utilities. Subject to approval of utility rate increases by the Regulatory
2 Commission of Alaska (RCA) in March 2004, the Municipality anticipates
3 receiving more funding from the Municipal utilities using the new calculation
4 method. The Mayor is proposing sharing a portion of the increased funding with
5 the District by transferring funds to the District's tax base under the property tax
6 limitation formula. Since this process has not been completely finalized and the
7 rate increases are still subject to approval by the RCA, the District has not
8 included the additional \$1 million of tax revenue in the FY 2004-2005 Proposed
9 General Fund Financial Plan. **When the process is finalized and the Assembly**
10 **takes action, the District will request the \$1 million of additional taxes and the**
11 **increased upper limit spending authority.**

12
13 **Federal Impact Aid—** The revenue projection for Federal Impact Aid has been
14 budgeted at 100 percent of projected entitlement. Uncertain at this time is the
15 formation of the Stryker Brigade that may have an impact on future funding.

16
17 The amount of Federal Impact Aid revenue each year is uncertain because it is
18 subject to pro-ration based on the annual funding appropriated by Congress. In
19 addition, the percentage of the total number of federally-connected students to
20 the total number of students the State has direct responsibility for—including
21 military students, children educated at Mt. Edgecumbe and State correspondence
22 (Alyeska)—and potential formula changes, could result in fluctuations in Federal
23 Impact Aid funding to the District. This coupled with the fluctuation from year-
24 to-year in the number of students living on military land, which can partially
25 result from on base/post housing renovations, adds to the uncertainty of Federal
26 Impact Aid revenue during the budget process. This Program is subject to
27 annual Congressional appropriation and should be monitored. We also do not
28 know, for example, if the District will receive prior year adjustment payments
29 during FY 2004-2005.

30
31 **Fund Balance—** The District's undesignated fund balance for the General Fund is
32 a potential one-time source of revenue. Determining the appropriate level of
33 fund balance required for a contingency reserve requires an exercise of
34 judgment. Industry standards recommend undesignated fund balances or
35 contingency reserves remain between 3 to 5 percent of the budget. The
36 undesignated fund balance needs to be maintained to protect against shortfalls in
37 revenue collection, to allow for adequate cash flow management, and to provide
38 the financial ability to meet emergencies.

39
40 Based on approval from the School Board, the Administration has included \$4.5
41 million of fund balance as a revenue source to help reduce the fiscal gap. Using
42 \$4.5 million of fund balance will provide an undesignated fund balance of
43 \$22.165 million or 5.9 percent of the FY 2004-2005 projected budget of \$377.4
44 million. The unreserved fund balance as of June 30, 2004 will be equal to or

greater than the 8.25 percent of revenues from local tax appropriations for all funds as agreed to by the District to support strong bond credit ratings.

Pupil Transportation Reimbursement— The proposed FY 2004-2005 revenue projection for Pupil Transportation is based on full funding for the District using the formula for State funding of pupil transportation approved by the Governor and the Legislature during the last Legislative session. There is no provision for an increase in State funding of transportation that is required to meet the individual educational plan (IEP) of a student with disabilities. This will be discussed with the Legislature and the Governor's staff during the legislative session.

User Charges and Fees— Fees will continue to be assessed for musical instrument usage, ASD documents, High School and Middle Level Student Activity fees, High School parking fees, summer school, credit course training fees, and rental fees. Based on input from the Budget Review Teams, rate increases have been approved by the School Board and approximately \$600,000 has been incorporated in these projections to help reduce the budget deficit. The following schedule shows the adjustments:

	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>
Graduation Support Services	\$50 per course	\$75 per course
Summer School	\$50 per course	\$75 per course
Music Instrument Usage Fee	\$10 per instrument	\$15 per instrument
Middle Level Activity Fees	\$50 per activity	\$75 per activity
High School Activity Fees	\$75 per activity	\$125 per activity
High School Parking Fees	\$25 per semester	\$50 per semester
Facility Rental Fees	\$435,000	\$552,500
Family Cap for Activity Fees	\$225	\$300

Revenues generated from Community Schools Fees have been eliminated due to the recommended elimination of the Community School program in FY 2004-2005.

Medicaid— Based on FY 2002-2003 actual revenues and current year projections, it is estimated that the District will receive approximately \$1,100,000 in Medicaid funding based on information from the Alaska Department of Education and Early Development (DEED).

E-Rate— Based on the decline of free and reduced student count, our eligible discount rate was reduced from fifty percent to forty-nine percent. However, for FY 2004-2005 the School and Libraries Division of the Universal Service Administrative Company has revised its eligibility discount criteria that should include more district facilities for FY 2004-2005. The net result of these two factors is anticipated to be slightly lower revenues for FY 2004-2005 than in the current year, but more than the actual revenue for FY 2002-2003. These funds are

1 included in the budget as a revenue source, offset by corresponding
2 communications expenditures.

3
4 Expenditures

5
6 Students and program needs and a commitment to use the funds economically
7 primarily drive expenditure projections. Recommendations submitted from the
8 Budget Review Teams and the suggestions received from interested community
9 members, staff, students, and the administration, were considered and
10 incorporated into the budget where appropriate always keeping in mind the
11 District's core focus of providing educational services. In the Preliminary
12 Financial Plan, both revenue enhancements and expenditure reductions were
13 incorporated to bring the budget into balance. Subsequently, the School Board
14 made reductions to School Board accounts. In order to keep the budget in
15 balance, the reduction amount was placed in an unallocated account for further
16 action in June.

17
18 **Salaries and Benefits**— Employee salaries, wages, and benefits are projected to
19 be approximately 86.2 percent of the operating cost of the District. The
20 projections include consideration for contract negotiations for the Anchorage
21 Principals Association (APA), Public Employees Local 71 Custodians, Totem
22 Association of Education Support Personnel Incorporated, APEA/AFT
23 (AFL-CIO), and a contract re-opener for Anchorage Education Association
24 (AEA). Depending upon the settlement parameters defined by the School Board
25 for collective bargaining for these contracts, the total revenue needed to support
26 the programmatic assumptions discussed herein may be revised. Compensation
27 provisions for completed contracts have been included in the projections.
28 Mandatory retirement contribution increases for certificated retirement (12
29 percent to 16 percent) and classified retirement (9.25 percent to 14.25 percent),
30 and payroll tax adjustments known at this time are also included in the
31 expenditure projections.

32
33 **Average Teacher Salary**— Review and analysis of the current teacher salaries
34 have been made to assist in determining the average teacher salary to be used in
35 the budgeting process for FY 2004-2005. Contributing factors that determined
36 the average teacher salary used included the salary schedule increase, projections
37 of current staff step increases, historical information of educational attainment,
38 employee layoffs, projected turnover and vacancies at any given time.

39
40 **Staffing**—Staffing requirements have been adjusted based on the official student
41 projections set forth for September 30, 2004. Official projections are based on
42 actual enrollment throughout the month of September.

43
44 **Certificated Teaching Positions**— In order to bring expenditures into balance
45 with projected revenues, it was necessary to increase class size by 1.5 PTR (pupil

to classroom teacher staff ratios) in all grade levels (reduction of 102.5 FTE teachers). Adjustments have also been included for staffing based on decreased enrollment projections (reduction of 17 FTE teachers) and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of opportunities with 93 languages spoken in the Anchorage schools. The PTR changes are listed in the following table:

	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>
Kindergarten (FTE)	20.5 to 1	22 to 1
Grades 1	21 to 1	22.5 to 1
Grade 2-3	24 to 1	25.5 to 1
Grades 4-6	27 to 1	28.5 to 1
Grades 7-8	25.54 to 1	26.79 to 1
Grades 9-12	27.08 to 1	28.33 to 1
Special Education	Staffing is based upon demonstrated need and program	Staffing is based upon demonstrated need and program (consistent with current year)

Indirect Cost—In addition to charging eligible grants, the Administration plans to continue the practice for charging the Food Service Fund at the State approved indirect cost rate. This more accurately reflects the cost of services provided the Food Service Fund by various departments budgeted in the General Fund. The indirect cost rate is anticipated to increase from 4.08 percent in FY 2003-2004 to 4.38 percent (subject to approval by the State) in FY 2004-2005.

Contracted Services— Where appropriate, inflationary adjustments to contracts were allowed. A very close review of actual contracted services determined if inflationary increases were warranted. If other known rate increases were warranted or increased mandated requirements known, they were included in the budget. Utilities were budgeted based on analysis of usage and were adjusted according to projected rate increases and/or decreases as announced by the utility agencies. After this analysis of usage and rate adjustments, 4 to 28 percent increases for the utilities have been budgeted.

Pupil Transportation— Expenditures for contracted pupil transportation routes for FY 2004-2005 include an estimated increase for COLA.

Major Maintenance—The Administration recommended reducing the funding level for major maintenance projects by \$186,900 (7 percent reduction) from \$2.67 million to \$2.48 million. As the District's more than 92 school facilities continue to age, periodic maintenance must take place on a regular basis to keep the buildings in good repair for optimum safety and efficiency. Some of the

1 routine maintenance can be postponed for one year but should not be further
2 delayed.

3
4 **Supplies**—In general, the supply budgets have been reduced. **Most**
5 **departments reduced their supply budgets by a minimum of 10 percent.** Some
6 departments, however, may show an increase in supplies based on departmental
7 need to service the total District program requirements (e.g., fuel requirement to
8 run District vehicles). **The current projections also include a 10 percent**
9 **reduction to the school supply and equipment per pupil allocation compared**
10 **to the current year.** The District, Municipality of Anchorage and University of
11 Anchorage are examining the possibility of saving funds by jointly purchasing
12 computers and other bulk items. For the first year of opening, South Anchorage
13 High School was given a triple allocation to support start-up costs that are not
14 eligible to be charged to the construction funds. Also included is the continuation
15 of emergency shelter supplies for schools serving as shelters in the event of a
16 major emergency.

17
18 **Equipment**— Replacement equipment purchases between \$5,000 and \$50,000
19 will be purchased from the Equipment Replacement Fund. The FY 2004-2005
20 Proposed Financial Plan includes only a small amount of funds for expendable
21 equipment other than the amount included in the student supply/equipment
22 allocation. It is anticipated that the current year's budget has sufficient upper
23 limit spending authority to allow for some additional one-time equipment
24 purchases to be made later this year.

25
26 **New School and Additions**— Included in our expenditure projections are costs
27 associated with the opening of South Anchorage High School and completion of
28 the addition/renovation to Ptarmigan Elementary and Wendler Middle Schools.

29
30 **Charter Schools**— One application for a charter school, Eagle Academy, was
31 received by the Administration for consideration for FY 2004-2005 and is based
32 on an anticipated enrollment of 175 students. This charter school application was
33 brought before and approved by the School Board on January 12, 2004. If the
34 school reaches 151 solid registrations by March 31, 2004, as set by the School
35 Board, we will make the budget adjustments accordingly.

36
37 **Major Expenditure Reductions**— The major program reductions/eliminations
38 and the positions that were required to be eliminated in the FY 2004-2005 budget
39 in order to bring expenditures in balance with projected revenues are as follows:

- 40
41
 - Increase class size by 1.5 students in all grade levels (102.5 FTE)
 - Eliminate extra planning and seventh period at middle schools (54 FTE)
 - Reduce Kindergarten Teacher Assistants by 50 percent (35.5 FTE)
 - Eliminate 3.7 FTE District-wide Music Teachers

44

- Eliminate 8.3 FTE Library/Media Assistants at the middle schools and Polaris
- Eliminate 2.5 FTE Library/Media Assistants at elementary schools
- Eliminate 2 middle level Assistant Principals (Wendler and Central Middle Schools)
- Eliminate 2 elementary level Assistant Principals
- Eliminate 1 Assistant Principal at King Career Center
- Reduce .5 Safety/Security Home School Coordinator–King Career Center
- Reduce .5 Nurse each at SAVE and Benny Benson
- Eliminate 1 Slingerland Secretary
- Eliminate the Community Education Program (13 Community Education Coordinators)
- Eliminate 1 Administrative Assistant in Community Resources
- Eliminate 1 Administrative Assistant in Community Services
- Eliminate 1 Senior Budget Clerk in Budget Department
- Eliminate 1 Administrative Assistant in Purchasing Department
- Eliminate 5 permanent substitute Custodians
- Eliminate 1 Custodial Training Supervisor
- Eliminate 1 Warehouse Courier position
- Eliminate 1 Maintenance Supervisor
- Eliminate 8 permanent substitute Bus Drivers
- Reduce departmental supply accounts by a minimum of 10 percent and the per pupil supply/equipment allocation by 10 percent
- Eliminate a majority of the funding for meals and food
- Eliminate swimming as a PE instructional class
- Eliminate C team participation in all high schools
- Reduce high school activity trips
- Reduce high school pupil activity expenses
- Reduce funding for Paideia program
- Reduce funding for Schools of Choice
- Reduce funding for Graduation Support Services
- Reduce middle level summer school by 50 percent
- Reduce funding for the MOST (Middle School Older Learning) program and discretionary school grants at the middle schools
- Reduce middle level reading program training
- Reduce activity field trip funding at middle schools
- Reduce discretionary school grants to elementary schools
- Reduce elementary level summer school by 50 percent
- Cut 2 addenda for elementary level chorus and interscholastic activities (school discretion)
- Reduce funding for elementary health curriculum, the Great Body Shop, by 50 percent
- Reduce funding for elementary level reading initiative

- Reduce funding for major maintenance projects
- Reduce funding for in-lieu of transportation payments

To add staff back to the FY 2004-2005 Financial Plan, the amount would increase based on negotiated contract increases as well as payroll taxes and benefit rate increases.

OTHER FUNDS

Food Service Fund— This fund is used to budget and account for operations of the Student Nutrition Program. The budget for this fund covers both the direct and indirect cost of providing meals to students. These costs include all payroll costs, including increased hours for staff, food costs, the cost of support services, equipment repair and replacement costs, and overhead charges. The FY 2004-2005 budget has been increased from \$13.363 million to \$13.785 million to accommodate the opening of South Anchorage High School, employee-negotiated contracts, the mandated classified retirement contribution increase from 9.25 percent to 14.25 percent, upward movement in food costs, and any adjustments to the indirect cost rate.

The revenue sources for the Food Service Fund budget includes revenue from meal sales, Federal reimbursement for meals served, and the undesignated fund balance. This budget projects increases in meal sales and reimbursement revenue.

The Administration recommended use of the Food Service Fund fund balance for the FY 2004-2005 Food Service Fund budget. The undesignated fund balance for the Food Service Fund as of June 30, 2003 was approximately \$1.213 million. Of this amount, \$319,550 was approved in August 2003 to support the FY 2003-2004 Food Service Fund budget. Use of the undesignated fund balance of \$225,000 is being recommended to support the FY 2004-2005 Food Service budget. This will leave an approximate amount of \$668,100, which is 4.8 percent of the FY 2004-2005 Food Service Fund budget as presented in this memorandum. **These projections do not reflect any changes in the meal prices** and it is projected that no local tax support will be required for the Food Service Fund in FY 2004-2005.

Debt Service Fund— This fund is used to budget and account for principal and interest payments on existing school bonds as well as the revenues necessary to fund these expenditures. Some of the District's bonds receive State debt reimbursement, which vary depending on the year in which the bond proposition was approved. Due to savings incurred from the sale of new bonds at lower than anticipated interest rates and refinancing outstanding bonds, the District was able to use \$11.5 million of fund balance as a revenue source in the current year and has included in the FY 2004-2005 projections the use of \$7.0 million of fund balance as a revenue source, thereby reducing the amount of

1 local taxes. In addition, approximately \$100,000 will be transferred from General
2 Fund State Pupil Transportation revenues for 20 buses that were funded by
3 April 2002 and April 2003 bonds. April 2004 bond propositions have not been
4 included in the projections.

5
6 **Local / State / Federal Projects Fund**— Expenditures in the Local/State/Federal
7 Projects Fund are offset by matching revenues. The District continues to be
8 successful in increasing grant funding from various State and Federal agencies
9 and other sources. Revenues available through grants for these projects include
10 competitively awarded grant funds—most of which are subject to annual Federal
11 and State appropriations. Contingent upon School Board approval in early
12 March, the Local/State/Federal Projects Fund for FY 2003-2004 will be increased
13 from \$40 million to \$41 million with a reduction to the Contingency by
14 \$1 million. At this time the Local/State/Federal Projects Fund for FY 2004-2005
15 remains at \$41 million although is under review to determine if the amount
16 should be increased for FY 2004-2005.

17 18 **FISCAL YEAR BUDGET COMPARISON**

19
20 Even though the following schedule indicates the General Fund FY 2004-2005
21 proposed budget is increasing approximately \$9.82 million over the current
22 year's budget, the District was forced to reduce expenditures and increase fees
23 by approximately \$19.4 million and use \$4.5 million of fund balance as a revenue
24 source in order to bring expenditures in balance with revenues. Reduction in
25 revenue from the Alaska Public School Funding Program, increase rates for both
26 State retirement systems, employee bargaining agreement settlements, and other
27 rate increases such as contracted transportation and utility rates all contributed
28 to the projected fiscal gap.

29
30 The following schedule compares by fund the FY 2004-2005 projected
31 revenue/expenditures with those currently approved for FY 2003-2004.

32 33 **REVENUE/EXPENDITURE BUDGETS**

34 35 36 37 38 39 40 41 42 43 44 45 46 47		Revised Budget <u>FY 2003-2004</u>	Proposed Budget <u>FY 2004-2005</u>	% Over /(Under) <u>Prior Year</u>
	<u>Fund</u>			
	General	\$367,595,037	\$377,417,071	2.67%
	Food Service	13,362,550	13,785,312	3.16%
	Debt Service	61,908,094	68,259,498	10.26%
	Local/State/Federal Projects	41,000,000	41,000,000	-0-
	Contingency	<u>1,328,054</u>	<u> </u>	(100.00%)
	All Funds	<u>\$485,193,735</u>	<u>\$500,461,881</u>	3.15%

1 **TAXES**

	Revised FY 2003-2004	Proposed Budget FY 2004-2005	Increase
6 General Fund	\$121,490,634	\$134,451,301	\$12,960,667
7 Debt Service	<u>23,493,024</u>	<u>29,942,105</u>	<u>6,449,081</u>
9 All Funds	<u>\$144,983,658</u>	<u>\$164,393,406</u>	<u>\$19,409,748</u>

11 The increase of overall taxes being requested for FY 2004-2005 will result in a
12 slight reduction in taxes per \$100,000 of assessed valuation. Based on the
13 increase of the estimated 2004 total assessed valuation verified by the
14 Municipality on February 17, 2004, it is anticipated that the mill levy will be
15 reduced from 7.37 mills to 7.29 mills for calendar year 2004.

17 **STUDENT ENROLLMENT PROJECTIONS**

	FY 2003-2004 Actuals Sept. 30, 2003	FY 2004-2005 Projected Sept. 30, 2004	Change Over Prior Year's Actual
23 Enrollment	49,663	49,499	(164)
24 Full Time Equivalent (FTE)	49,431	49,274	(157)

26 **SUMMARY**

28 The discussions in this memorandum related to program and expenditure
29 reductions/eliminations, use of fund balance as a revenue source, and various
30 user fee increases only relate to the projected fiscal gap for FY 2004-2005. It is
31 **estimated that unless the District receives substantial funding level increases,**
32 **in addition to those related to enrollment changes, from the State and federal**
33 **governments, the District will face another large fiscal gap in the range of \$20**
34 **to \$23 million in FY 2005-2006. The fiscal gap of \$20 to \$23 million does not**
35 **include potential rate increases in FY 2005-2006 to the certificated and**
36 **classified retirement systems.**

38 Based on the assumptions used in this initial projection for FY 2005-2006, it is
39 anticipated that the amount allowed under the Municipal local tax cap limit will
40 reach or exceed the local contribution limit under the Alaska Public School
41 Funding Program if the current base student allocation of \$4,169 is not increased.
42 For Anchorage, the State local contribution limit is based on the sum of the
43 required local contribution plus 23 percent of the District's Basic Need under the
44 State funding formula. In recent discussions with the Alaska Department of
45 Education and Early Development, they have indicated that the portion of the
46 formula to allow districts to contribute more local contribution cannot be

1 increased and still allow the State to meet the Federal disparity test. If the State
2 does not meet the Federal disparity test, then the State loses the ability to include
3 Federal Impact Aid funds in the Alaska Public School Funding formula, which
4 would result in an additional cost to the State of approximately \$50 million. **It is**
5 **imperative that the Legislature increase the base student allocation not only to**
6 **assist districts Statewide to meet educational program needs and mandates,**
7 **and to assist our District with closing the projected fiscal gap, but also to allow**
8 **the District to maximize the amount of local tax appropriation under the**
9 **Municipal local tax cap limit.**

10
11 **The Anchorage School District requests your full support for this budget.** Our
12 students deserve an excellent education, which can only be achieved if we have
13 adequate resources to continue our programs and to attract and retain our
14 quality employees. The FY 2004-2005 Proposed Financial Plan is consistent with
15 the School Board's continuing commitment to providing the best possible
16 educational program for all students within available resources. It has been
17 prepared with special attention to programs that help students achieve the high
18 educational standards set by this community, the State of Alaska High School
19 Graduation Qualifying Exam (HSGQE) and the Federal Individuals with
20 Disabilities Education Act (IDEA) and No Child Left Behind (NCLB) mandates.

21
22 Respectfully submitted,

23
24 

25
26 Carol Comeau
27 Superintendent
28

29
30 Attachments

31
32 CC/JS/MSL



Anchorage School District Mission Statement

The mission of the Anchorage School District is to educate all students for success in life.

School Board Goals 2003-2004 Ongoing Overall Goals

Increase student **academic achievement** using data to guide adoption of curriculum, methods, materials, and professional development specifically designed to ensure that each group as designated by No Child Left Behind and the Quality Schools Initiative makes adequate yearly progress.

Establish and maintain a **supportive and effective learning environment** by providing safe, caring, barrier-free schools; promoting health and wellness; continuing to retain, recruit and train highly qualified staff; challenging each student academically; offering reinforcing extracurricular activities; and collaborating with other community agencies to maximize opportunities for lifelong learning.

Ensure **public accountability** through continued participation in the State and Federal required testing programs; continued preparation and publication of the Profile of Performance, budget basics, and budget and bond summaries; effective consultation with community to ensure wise use of financial resources and responsible construction and maintenance of facilities; and effective communication with students, staff, parents, community and government at all levels.

Measurable Achievement Goals

We, the Anchorage School Board, Superintendent and District staff commit that:

1. Students will demonstrate increased academic achievement as indicated by improved performance on State measures of academic performance. Students will meet the State defined Annual Measurable Objective (AMO).

Indicators:

- a. There will be at least a ten percent decrease from the previous year in the percent of students who are not proficient in math and language arts in each designated group at every school.
- b. The percentage of students in each designated group in the advanced proficient group at each school will increase by at least ten percent over a two-year period.
- c. The number of designated groups across the District that do not meet the State-defined AMO will decrease by five percent over the previous year.

Performance will be assessed on:

- a. Alaska Benchmark Exams (Grades 3, 6, 8)
- b. Terra Nova- CAT 6 (Grades 4, 5, 7, and 9)
- c. Alaska High School Graduation Qualifying Exam

These various assessments will provide information on the status of student group performance for each school at grade levels three through ten. Results will also be provided on students in grades eleven and twelve who have not yet passed the Alaska High School Graduation Qualifying Exam.

Note: The State defined AMO for 2003-2004 Language Arts is 64.03 and Math is 54.86. The State defined AMO for 2004-2005 will be Language Arts 70.03 and Math is 62.83.

2. A higher percentage of students in each group will master basic skills and strategies to read independently by the end of the third grade.
 - a. Over a two year period, there will be an increase of at least five percent of students in each designated group at each school demonstrating proficiency or higher on the reading

portion of the grade three Alaska Benchmark Reading Exam.

- b. Over a two year period, there will be an increase of at least five percent of students demonstrating proficiency or higher at each school as measured by the District assessment of student reading.
3. The percentage of students in accelerated math sequence will increase.

Indicators:

The percentage of students in each group who successfully complete each of the following courses as specified will increase by five percent in a two year period: Algebra I in grade eight, Geometry in grade nine, and Algebra II in grade ten.

Reporting directions:

- a. Grades earned in each class will also be reported.
- b. Student grades and credits earned by students in Algebra classes for each middle and high school will be reported by student grade level.

Process directions for math department and math teachers:

- a. The District will continue to develop and implement training in math content and teaching strategies for elementary and middle school teachers.
- b. The District will work with students, parents, teachers, counselors, administrators, and community representatives to increase expectations for elementary, middle and high school math achievement at each school, particularly for those groups for which assessment data identifies average performance significantly below District average performance.
4. There will be at least a five-percent decrease in the dropout rate of middle and high school students over a period of two years as compared to the 2002-2003 school year.
5. There will be at least a five-percent increase in the number of students taking AP courses for the 2003-2004 school year.

Municipality of Anchorage
MUNICIPAL CLERK'S OFFICE
Agenda Document Control Sheet

AO 2004-28

(SEE REVERSE SIDE FOR FURTHER INFORMATION)

1	SUBJECT OF AGENDA DOCUMENT An ordinance determining and approving the total amount of the annual operating budget of the Anchorage School District for its fiscal year 2004-2005 and determining and appropriating the portion of the Assembly approved budget amount to be made from local sources.	DATE PREPARED February 27, 2004
	DEPARTMENT NAME Chief Financial Officer	Indicate Documents Attached <input checked="" type="checkbox"/> AO <input type="checkbox"/> AR <input checked="" type="checkbox"/> AM <input type="checkbox"/> AIM
2	THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY Janet Stokesbary, Chief Financial Officer	DIRECTOR'S NAME Janet Stokesbary, Chief Financial Officer HIS/HER PHONE NUMBER 907-742-4369
4	COORDINATED WITH AND REVIEWED BY	INITIALS
	Mayor	
	Heritage Land Bank	
	Merrill Field Airport	
	Municipal Light & Power	
	Port of Anchorage	
	Solid Waste Services	
	Water & Wastewater Utility	
	Municipal Manager	
	Cultural & Recreational Services	
	Employee Relations	
	Finance, Chief Fiscal Officer	
	Fire	
	Health & Human Services	
	Office of Management and Budget	
	Management Information Services	
	Police	
	Planning, Development & Public Works	
	Development Services	
	Facility Management	
	Planning	
	Project Management & Engineering	
	Street Maintenance	
	Traffic	
	Public Transportation Department	
	Purchasing	
	Municipal Attorney	
	Municipal Clerk	
	Other	
	Carol Comeau, Superintendent	<i>Carol Comeau</i> March 1, 2004
	Janet Stokesbary, Chief Financial Officer	<i>Janet Stokesbary</i> March 1, 2004
5	Special Instructions/Comments <div style="text-align: center; font-style: italic; font-size: 1.2em;">3/2 introduction</div>	
6	ASSEMBLY HEARING DATE REQUESTED March 2, 2004	7 PUBLIC HEARING DATE REQUESTED March 16, 2004