

Anchorage School District Tax Calculation

The Anchorage School District (ASD) fiscal year (FY) starts July 1 and ends June 30 of the following calendar year. Since Municipal taxes are levied by calendar year, the taxes for ASD are totaled by adding half of the tax need from the ASD FY ending June 30 to half of the tax need from the ASD FY beginning July 1 in the calendar year. The ASD tax need is determined in the ASD annual budget.

For 2014, the ASD tax need is calculated as follows:

| FY | Approving Document | Tax Need | 1/2 of FY Tax Need | 2014 |
|--|---------------------------|-------------------|---------------------------|-------------|
| 2013-2014 | AO 2013-39 | \$ 233,419,669 /2 | \$ 116,709,835 | Jan-Jun |
| 2014-2015 | AO 2014-59 | \$ 239,576,423 /2 | \$ 119,788,212 | Jul-Dec |
| ASD Tax need for Tax Year Total | | | \$ 236,498,047 | |

The ASD mill rate is calculated based on the tax need (1/2 of FY ending in June plus 1/2 of FY starting July), divided by the assessed valuation of the service area, then multiplied by 1,000.

$$\frac{\text{ASD Tax need for Tax Year}}{\text{Areawide Service Area Assessed Value}} \times 1,000 = \text{Mill Rate}$$

The 2014 ASD mill rate, based on the 2014 ASD tax need and the Areawide service area assessed value at 04/11/2014, is calculated as follows:

$$\frac{\$ 236,498,047}{\$ 33,498,866,075} \times 1,000 = 7.06$$

CLERK'S OFFICE
AMENDED AND APPROVED

Date: 4-28-14

IMMEDIATE RECONSIDERATION FAILED 4-28-14

Submitted by: Chair of the Assembly at
 the Request of the Mayor

Prepared by: Office of Management
 and Budget

For Reading: April 28, 2014

ANCHORAGE, ALASKA
AO NO. 2014-54(S) As Amended

**AN ORDINANCE SETTING THE RATE OF TAX LEVY, APPROVING THE
 AMOUNT OF MUNICIPAL PROPERTY TAX, AND LEVYING TAXES FOR THE
 ANCHORAGE SCHOOL DISTRICT FOR TAX YEAR 2014.**

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. The Assembly hereby fixes the rate of tax levy for the Anchorage
 School District for tax year 2014. The Anchorage Assembly levies this tax upon
 the full value of all assessed taxable real and personal property, as follows:

| | |
|------------------|---|
| Areawide Schools | a tax of <u>7.06</u> [6.97] [6.99] mills |
|------------------|---|

Section 2. The property tax amount approved for 2014 is:

| | |
|---------------------------|--|
| Anchorage School District | <u>\$ 236,498,047</u> [\$ 233,598,047] |
|---------------------------|--|

Section 3. This ordinance shall become effective immediately upon passage
 and approval by the Anchorage Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 28th day of April,
 2014.



 Chair

ATTEST:



 Municipal Clerk



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 213-2014

Meeting Date: April 8, 2014

FROM: MAYOR

**SUBJECT: AN ORDINANCE SETTING THE RATE OF TAX LEVY,
APPROVING THE AMOUNT OF MUNICIPAL PROPERTY TAX,
AND LEVYING TAXES FOR THE ANCHORAGE SCHOOL
DISTRICT FOR TAX YEAR 2014.**

This memorandum transmits the ordinance to establish the 2014 tax rate and tax levy for the Anchorage School District (ASD). The ASD tax rate and tax levy are based on the amount of property taxes approved to support the ASD operating budget in calendar year 2014. These reflect one half of the property taxes approved for ASD's fiscal year 2013-2014 operating budget per AO 2013-39, and one half of the property taxes approved for ASD's fiscal year 2014-2015 operating budget per AO 2014-33.

THE ADMINISTRATION RECOMMENDS APPROVAL.

| | |
|-------------------------|---------------------------------------|
| Prepared by: | Office of Management and Budget |
| Recommended by: | Marilyn Banzhaf, OMB Acting Director |
| Concur: | Lucinda Mahoney, CFO |
| Concur: | Dennis A. Wheeler, Municipal Attorney |
| Concur: | George J. Vakalis, Municipal Manager |
| Respectfully submitted: | Daniel A. Sullivan, Mayor |



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

NO. AM 213-2014(A)

Meeting Date: April 28, 2014

From: Mayor

Subject: AO 2014-54(S): AN ORDINANCE SETTING THE RATE OF TAX LEVY, APPROVING THE AMOUNT OF MUNICIPAL PROPERTY TAX, AND LEVYING TAXES FOR THE ANCHORAGE SCHOOL DISTRICT FOR TAX YEAR 2014.

The following is a written summary of the significant changes in the substitute (S) version as compared to the originally submitted AO 2014-54 document:

Page 1, line 16: 6.99 mills replaced with 6.97 mills.

The mill rate changed due to an update of Areawide assessed value from \$33,398,309,146 to \$33,498,866,075.

Mill rates are calculated as follows:

$\text{Tax cost} / \text{assessed values} * 1,000 = \text{mill rate}$

The original ordinance mill rate:

$\$233,598,047 / \$33,398,309,146 * 1,000 = 6.99$

The substitute ordinance, AO 2014-54(S), mill rate:

$\$233,598,047 / \$33,498,866,075 * 1,000 = 6.97$

THE ADMINISTRATION RECOMMENDS APPROVAL.

Prepared by: OMB
Concur: Lucinda Mahoney, CFO
Concur: Dennis Wheeler, Municipal Attorney
Concur: George J. Vakalis, Municipal Manager
Respectfully submitted: Daniel A. Sullivan, Mayor

Submitted by: Chairman of the Assembly
at the request of the
School Board

Prepared by: Anchorage School District

For Reading: March 11, 2014

CLERK'S OFFICE

APPROVED

Date: 4-2-14

Approved by operation of law
pursuant to AMC 6.10.080D.

ANCHORAGE, ALASKA

AO NO. 2014-33

AN ORDINANCE DETERMINING AND APPROVING THE TOTAL AMOUNT
OF THE ANNUAL OPERATING BUDGET OF THE ANCHORAGE SCHOOL
DISTRICT FOR ITS FISCAL YEAR 2014-2015 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 2014-2015 Proposed Anchorage School District
Financial Plan in the amount of \$743,449,248 has been approved by the Anchorage
Assembly and that, of said amount, the amount of \$233,776,423 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
2014-2015 fiscal year.

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

PASSED AND APPROVED by the Anchorage Assembly, this 2nd day of
April, 2014.

E. and Hall
Chair of the Assembly

ATTEST

Barbara A. Jones
Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM 99-2014

Meeting Date: March 11, 2014

FROM: ANCHORAGE SCHOOL DISTRICT

SUBJECT: AO 2014-33 ANCHORAGE SCHOOL DISTRICT
FY 2014-2015 FINANCIAL PLAN**PROPOSED FINANCIAL PLAN**

The Anchorage School Board has approved the Proposed Financial Plan and Budget for FY 2014-2015 in the amount of \$743,449,248. The total proposed Anchorage School District budget by individual funds is projected as follows:

FIGURE 1. SUMMARY OF INDIVIDUAL FUND BUDGETS

| Individual Fund Budgets | Millions (\$) | | | | FY1415 Proposed Budget vs FY1314 Budget | |
|--|----------------|----------------|----------------|---------------------|---|-------|
| | Actual | Actual | Budget | Proposed Budget | | |
| | FY1112 | FY1213 | FY1314 | FY1415 | Amt | Pct |
| General (State/Local/Federal) | 562.336 | 573.383 | 572.624 | 567.604 | -5.021 | -0.9% |
| Grants (Local/State/Federal) | 67.765 | 51.270 | 47.168 | 49.998 | 2.830 | 5.7% |
| Debt Service (Local/State/Federal) | 86.607 | 85.008 | 85.200 | 87.464 | 2.264 | 2.6% |
| Capital Projects (Local/Federal/State) | 8.466 | 12.363 | 12.289 | 12.289 | 0.000 | 0.0% |
| Food Service (Local/State/Federal) | 18.820 | 19.043 | 19.399 | 19.046 | -0.353 | -1.9% |
| Student Activities | <u>7.403</u> | <u>6.980</u> | <u>6.910</u> | <u>7.048</u> | 0.138 | 2.0% |
| ANCHORAGE SCHOOL DISTRICT MANAGED TOTAL | 751.397 | 748.047 | 743.590 | 743.449 | -0.142 | 0.0% |
| State Retirement On-Behalf Payments | <u>91.649</u> | <u>116.970</u> | <u>120.485</u> | <u>185.924</u> | 65.440 | 35.2% |
| Total - ALL FUNDS | 843.046 | 865.017 | 864.075 | 929.373 | 65.298 | 7.0% |

It is requested that the Anchorage Assembly approve local property taxes in the amount of \$233,776,423 and the upper limit Anchorage School District spending authorization of \$743,449,248 for FY 2014-2015.

The associated mill rate is expected to decline from 7.30 (FY2013-2014) to 6.95 (FY2013-2014) -- a decline of 35 basis points or 4.8%.


THE STRATEGIC GOALS

The Anchorage School Board has set high performance expectations for our students, parents, teachers, administrators, policy makers and community which are embodied in the goals set for 2020 in the strategic plan described in "Destination 2020", including:

- 90% of students will graduate high school
- 90% of students will be proficient in reading, writing, and mathematics
- Every student will attend school at least 90% of the time
- 90% of parents will recommend their child's school to others
- 100% of staff and students feel safe at school
- Operational efficiency: the district will rate in the top 25% of urban schools in every key performance indicator


The district has been making progress toward these goals in a number of areas.

DISTRICTWIDE FOUR-YEAR GRADUATION RATES

| 4-Year Cohort Graduation Rates | | | | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| FY0405 | FY0506 | FY0607 | FY0708 | FY0809 | FY0910 | FY1011 | FY1112 | FY1213 | TREND |
| 59.6% | 62.2% | 63.0% | 64.3% | 70.0% | 71.0% | 72.1% | 72.8% | 76.2% |  |

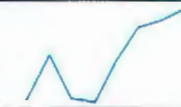
BARTLETT HIGH SCHOOL - GRADUATES UP & DROPOUTS DOWN

Annual Dropout Rate - Bartlett High School

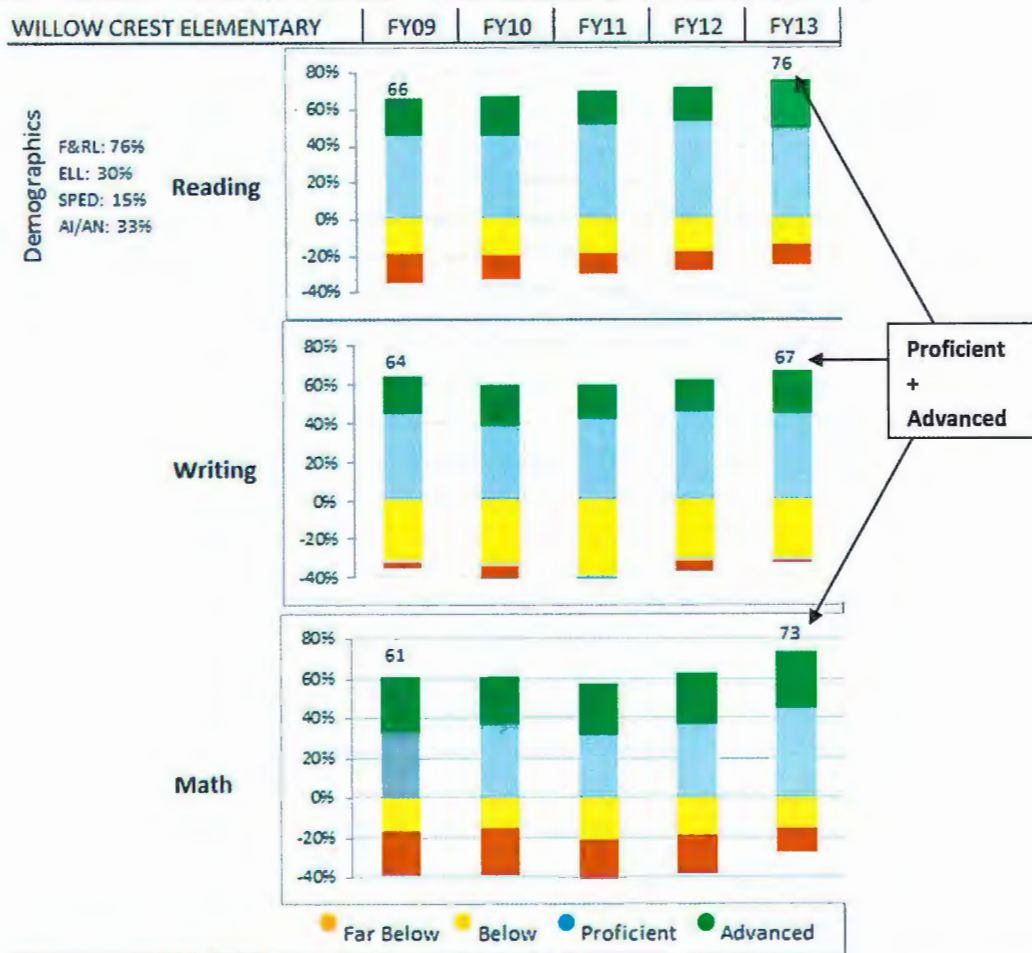
| FY0910 | FY1011 | FY1112 | FY1213 | TREND |
|--------|--------|--------|--------|--|
| 6.0% | 9.7% | 6.5% | 4.1% |  |

PROFICIENCY - THIRD GRADE READING

3rd Grade Reading - Pct Proficient

| FY0506 | FY0607 | FY0708 | FY0809 | FY0910 | FY1011 | FY1112 | FY1213 | TREND |
|--------|--------|--------|--------|--------|--------|--------|--------|---|
| 80.8% | 83.0% | 80.9% | 80.7% | 82.7% | 84.3% | 84.6% | 85.2% |  |

1 WILLOW CREST ELEMENTARY – PROGRESS ON PROFICIENCY



Willow Crest Elementary provides an illustrative example of sustained growth that has been enabled by investing in high quality building leadership, talented teachers and support staff, and data-driven differentiated instruction (Response to Instruction). However, the reductions necessary to balance the budget going into the fourth year of projected flat Base Student Allocation in the face of high costs and persistent inflation in Anchorage – especially for group medical coverage – create significant risks to the momentum demonstrated at Willow Crest.

12 ATTENDANCE

There is a strong correlation between students who attend school regularly and higher academic achievement levels. In order to reach our Destination 2020 goal on attendance, students can miss no more than 17 days of school per year. As students move through grades, their attendance drops significantly, with just more than half of our high school seniors attending school at least 90% of the time. The district's increased focus on attendance started last school year, and

1 with concerted efforts – attendance levels increased in nearly every grade are
2 improving.

3
4 The district undertook to emphasize the importance of attendance this past fall.
5 Full day absences fell by 21% in the first quarter compared to the first quarter in
6 the prior year.

7 8 PARENTS RECOMMENDATION

9
10 A successful education includes parent involvement. In order for keep parents
11 engaged, ASD schools must not only provide a good education, they must be
12 welcoming to all students and their families. Over the past several years, the
13 district has focused on improving customer service to improve the educational
14 environment for students, their families and staff. The vast majority, 89%, of
15 ASD parents are recommending their child's school to others.

16 17 SAFETY AT SCHOOL

18 Following a number of tragic events nationwide, school safety is paramount.
19 The district's goal is to have 100% of students and staff feel safe at school. This
20 is not negotiable. The feeling of safety is both physical and emotional. If a
21 student is not feeling safe, the learning potential is reduced. In the past seven
22 years, the percentage of students feeling safe has increased nearly 14 percentage
23 points.

24 25 KEY PERFORMANCE INDICATORS

26 The district is continuing to streamline central office and central services,
27 reducing central office and central service staff by 19.7% over the past two
28 budget cycles while attempting to sustain business process cycle times and
29 reliability and reducing or eliminating low value activities.

30 31 RECENT FUNDING HISTORY & NEAR TERM OUTLOOK

32 Over the past three years the district has experienced:

- 33 • no increase in the State's Base Student Allocation (BSA) in the Public Schools
34 Foundation Funding Formula,
- 35 • small increments of state operating funding outside the formula (\$7.5 million
36 or 18.8% of three years of CPI-U inflation), and
- 37 • a modest increment for Career & Technical Education (\$3.842 million net
38 State Support or 9.6% of three years of CPI-U inflation)

39
40 When combined with persistent inflation the district has begun to make
41 significant staffing reductions in order to balance the budget.
42
43

MITIGATION STRATEGIES IN FLAT BSA REVENUE ENVIRONMENT

Last year the district endeavored to hold the classroom harmless from staffing reductions - adding 16 full time equivalent positions to direct classroom instruction - while reducing 215 full time equivalent positions from across support functions as well as a 20% reduction in supplies and materials.

Additionally, the district concluded negotiations with its largest bargaining unit, the Anchorage Education Association (AEA) which represents teachers. The board approved the contract in September. The contract provides the district with a fair deal that balances the need to sustain competitive compensation in order to continue to attract and retain quality teachers and support staff, while making significant progress on reducing group medical coverage costs - a critical long-term challenge. The three-year contract achieves significant savings compared to the two prior three-year contracts.



FY14-15 BUDGET DEVELOPMENT PROCESS

The board and administration began its budget development process this fall by reviewing historic staffing levels, reductions from the past two years, comparing staffing levels by function to peer groups, consulted with key stakeholders as well as people who worked in the district who lived through the oil price crash in 1986 which resulted in a reduction of 161 teaching positions in the FY86-87 budget, and considered the mission, themes and strategic initiatives of the board, as well as the strategic goals delineated in the Destination 2020 strategic plan.

The district engaged in three formal public dialogues, a formal consultation with student leaders, and numerous consultations with key stakeholders,

1 including parents, principals, teachers, employee groups, as well as
 2 representatives from the Assembly and the Legislature.

3
 4 Based on these consultations and analysis, the district adopted pro forma
 5 budget guidance that acknowledged the harsh reality that, after cutting support
 6 functions by from 2 to 13%, the district could no longer hold direct classroom
 7 instruction harmless from persistent inflation. The pro forma budget
 8 development guidance adopted by the board directed the administration to:

- 9 • Continue to reduce support functions faster than reductions in classroom
 10 teachers (over the two year time frame), in order to continue to raise the
 11 relative proportion of classroom teachers to total staff, e.g., in order to
 12 continue to balance the budget with limited resources, the district outlined
 13 reductions of 5.8% in teachers and 12.5% in support functions over FY13-14
 14 & FY14-15 combined
- 15 • Consider increasing class size by raising the pupil-teacher ratio (PTR) by up
 16 to an aggregate average of ~1 in elementary and ~1.5 in secondary in FY14-15
 17 and strongly encouraged the administration to consider the implications of
 18 continuing to raise class size in the following year.

19 20 ENROLLMENT DECLINE

21 Before consideration of options associated with the change in the PTR, the
 22 administration reduced the number of budgeted positions to reflect the decline
 23 in enrollment that occurred *this year and a projected modest decline next year* for a
 24 total enrollment decline approaching ~2% over two years.¹

25
 26 The net reduction in teaching full time equivalent (FTE) positions associated
 27 with the enrollment decline totals 44 FTE across the elementary and
 28 secondary/alternative divisions.

29
 30 Enrollment in Special Education (SPED), English Language Learners (ELL),
 31 Gifted and Native Education/Indian Education programs were also reviewed.
 32 While no net reduction associated with enrollment were made in these
 33 programs, SPED, ELL and Gifted allocations were adjustment based on
 34 streamlining administrative functions, consolidating counseling into a common
 35 pool, and flowing through adjustments related to PTR where applicable.

36 37 CLASSROOM INSTRUCTION - ELEMENTARY GRADES

38 The administration considered whether to add 1 to the PTR ratio across the
 39 board or whether to hold or increase slightly the PTR in K-3 and a larger
 40 increase in the PTR in grades 4-6 - averaging 1 across the K-6 span. In light of

¹ Please note that the modest decline projected for next year did not take into account subsequent information related to enrollment declines on JBER that may arise as a result of the announced transfer of 750 personnel from JBER to the Interior.

the critical importance of the early years in establishing a solid foundation upon which future success will be built – and the momentum that the district has established in third grade reading performance -- the administration opted for smaller increases in the early grades and slightly larger increases in the upper grades. In addition, the administration retained adequate kindergarten teaching assistant support so that all kindergarten classes have one 3.5 hour teacher assistant in their budget in FY14-15.

The net result is an aggregate elementary PTR that is within 2 % of *what it was 20 years ago in FY94-95* and the elementary schools will be supported by kindergarten teaching assistants in all kindergarten classes in FY1415.

While the district has endeavored to maintain small elementary class sizes across two decades, the continuation of flat BSA funding without inflation protection in the face of continued inflation risks undermines the continuation of that effort and jeopardizes critical momentum in building a solid foundation in the elementary grades.

CLASSROOM INSTRUCTION – MIDDLE SCHOOL

Unfortunately, the reduction in staffing and the increase in class size looked likely to limit student choices in the district's 10 middle schools - especially as the average class size increases with the increase in PTR (less staff per student) which effectively pulls the minimum class size up, requiring consolidation of smaller classes and potential elimination of smaller single course offerings. Many of these smaller classes and single class offerings are highly prized by students and parents based on feedback received in surveys, public meetings and public hearings. The classes at risk included high school level math for accelerated middle school students, world languages, IB (International Baccalaureate), art, music and performing arts, and classes that emphasize individualized instruction for those who may need more support. Anecdotal evidence suggests that one of the most effective investments to help raise proficiency is to provide targeted support to those students who are close to proficiency.

As an alternative to larger consolidated classes and fewer student choices, the district evaluated reducing the middle school schedule from two planning periods a day to one planning period per day.

After consideration of the nature and extent of student opportunities under a "6 of 7" schedule compared to the continuation of a "5 of 7" or a switch to a "5 of 6", the district has included a 6 of 7 schedule for the middle schools in the proposed FY14-15 budget.

CLASSROOM INSTRUCTION - HIGH SCHOOL / ALTERNATIVE SCHOOLS

The administration considered whether to add ~1.5 to the pupil-teacher ratio (class size) to grades 9-12 consistent with the pro forma guidance.

Unfortunately, the reduction in staffing coverage (PTR change from 29.41 to 31) and the associated increase in class size looked likely to limit student choices - especially as the average class size increases with the increase in PTR (less staff per student) which effectively pulls the minimum class size up, requiring consolidation of smaller classes and potential elimination of small single course offerings. Many of these smaller classes are highly prized by students and parents as evidenced in surveys, public meetings and public hearings. The highly valued classes include career technology education (CTE), Advanced Placement (AP), world languages, International Baccalaureate (IB), music, art and performing arts, and classes that emphasize individualized instruction for those who may need more support. Anecdotal evidence suggests that one of the most effective investments to help raise proficiency is to provide targeted support to those students who are close to proficiency.

As the administration considered moving the middle school schedules to 6 of 7 to continue providing student opportunities, the migration of the high school schedule to 6 of 7 became an alternative to consider. In addition to the benefits alluded to in middle schools, at the high school level the additional sectional opportunities created by 6 of 7 complement the expansion of the CTE facilities and program over the next few years.

The administration noted that in a Washington State study of 296 high schools there is statistical correlation evidence that a 7-period schedule is associated with higher math, reading and writing scores than a 6-period schedule.

The administration and board, after consultation with the principals and other key stakeholders, have opted to delay the implementation of the schedule change at the comprehensive high schools in light of contemporaneous changes in curriculum and instruction and the desire to carefully design and integrate the curriculum changes associated with a switch from a 6-period to a 7-period day.

In lieu of the districtwide implementation of a 6 of 7 schedule across the eight comprehensive high schools in August 2014, the district amended the budget to add 16 full time equivalent teaching positions using unrestricted reserves to sustain and expand opportunities for students and to mitigate the impact of the overall reduction in teaching positions required to balance the budget. The administration will allocate these positions to sustain credit development and credit recovery classes for those schools with students who are at-risk for

erosion in graduation rates as support and teaching positions continue to decline.

JROTC INSTRUCTORS

The Department of Defense Armed Services (Army, Air Force, Navy) provide 50% of the salary support for the 19 JROTC instructors (the district covers 100% of benefits) that provide direct classroom instruction at the district's eight comprehensive high schools. The services have announced prospective changes in their support of those instructors. The Army has indicated it will not fill vacancies that may occur. The Air Force has indicated it is transitioning its JROTC positions from pay rates based on a 12 month schedule to pay rates based on a 10 month schedule [2/12 = 16.67% reduction]. The proposed budget, consistent with the contract between the district and the Air Force JROTC program, and consistent with the employee contract for a 200 day JROTC instructor schedule that enables the district to sustain summer school support, adjusts district support of the Air Force JROTC instructor salary rates to match the new rates from the Air Force. The resulting salary day rates remain above the average salary day rate for ASD teachers. All 19 JROTC positions remain in the proposed budget based on a 200 day contract.

INSTRUCTIONAL SUPPORT-SPECIAL EDUCATION (SPED)

Last year the district reduced 49 vacant teaching assistants and seven teacher consultant FTE. The preliminary budget had slated nine counselor FTE for reduction. The board adopted budget last year only eliminated one vacant counselor position.

After reviewing the impacts of last year's reductions and consulting with stakeholders - including the SPED advisory committee, this year the district is proposing to streamline and redistribute administrative functions within SPED while sustaining direct classroom instruction.

The net changes in staffing include:

- Eliminate all eight high school special education transition coordinator positions. Create four new Special Education Teacher positions to provide the classroom teaching FTE previously provided by the transitional coordinator. Other transition coordinator duties to be provided by student case managers and department chairs.
- Reduce special education administrative clerical staff to better align staffing levels with other departments. Eliminate two positions where incumbents are slated to retire. Eliminate an additional two positions.
- Reduce 0.5 FTE in Audiology/Hard of Hearing Teachers due to a retirement earlier in the year. Remaining teacher to absorb the workload.
- Reduce two teacher assistants currently with the CARE team. After one teacher assistant position was eliminated earlier this year, it was

determined that the CARE teams can continue to meet the needs of the community preschool programs with two less teaching assistants next year.

INSTRUCTIONAL SUPPORT - ENGLISH LANGUAGE LEARNERS (ELL)

Last year the district eliminated 8.6 teaching assistant FTE, 1.2 counseling FTE, and 3 teacher expert/resource teacher FTE from the budget.

No change in direct classroom instruction FTE is proposed in FY14-15. The district is proposing a reduction of all ELL general fund allocated counselor positions (8.3 FTE) at the secondary level. This reduction will ensure that the ELL general fund allocations are more wholly aligned to provide direct instruction and instructional support for ELL students. ELL testing and other functions unique to the ELL counselor role will be assumed by building administrators, along with ELL tutors, teachers and remaining ELL support staff. To assist with the transition and ensure that the counseling staff can continue to serve the needs of all students, including ELL students, the district is adding three counseling FTE to be allocated to those high schools with critical needs in order to mitigate potential erosion in graduation rates as class size increases, course offerings decline, and support staff is reduced. The addition of the three counseling FTE is being supported from unrestricted district reserves.

INSTRUCTIONAL SUPPORT - GIFTED

Last year the district eliminated two teacher expert FTE and six Ignite program teachers in the transition toward pupil-teacher ratio parity with the Gifted and Highly Gifted teachers in the program.

In FY14-15, the district is proposing to reduce 1.5 counseling FTE from the Highly Gifted allocation at West High School and 0.5 counseling FTE from the allocation at Romig Middle School. General education counselors at the schools will provide all counseling and guidance services to gifted/highly gifted students. The remaining general fund counseling pool will be allocated to all schools based on student enrollment.

The district is proposing to reduce two FTE from the gifted allocation to the district's 10 middle schools. Support for gifted students, parents and teachers will continue to be provided through the remaining FTE.

BUILDING LEADERSHIP/ADMIN

The district is proposing to reduce one assistant principal at South High School and one assistant principal at Clark Middle School - both positions have been vacant during the current school year. Responsibilities of the assistant principal will be provided by the principal and remaining assistant principals.

The district is proposing to further streamline administrative functions by reducing four administrative assistant/secretarial positions across the schools through attrition and vacancy management based on student enrollment, consistent with current practice.

BUILDING/ANCILLARY SUPPORT SERVICES

Last year, the district eliminated 18.5 custodial services FTE, 18 auxiliary building plant operator FTE and eight vacant maintenance FTE positions.

In FY14-15, the district proposes to reduce nine FTE from the maintenance department which includes maintenance leads, specialists and technicians (M-10, M-8 and M-6). The maintenance and operations staff will reorganize some maintenance work units and realign support toward critical projects. Some delay in lower priority maintenance work orders may result.

DISTRICTWIDE/CENTRAL SUPPORT SERVICES

Last year the district eliminated 37.4 FTE from the systemwide/central support services, including: Office of Management and Budget, Finance/Accounting, Purchasing, MIS/IT, Warehouse, Communications, administration, Curriculum and Instruction, Human Resources, and administrative assistants.

In FY14-15, the district is proposing to eliminate 22.5 FTE from systemwide/central support services, including:

- Reorganize Professional Learning and associated Information Technology which will result in a net reduction of three teacher expert FTE and a shift of 0.5 FTE associated with a professional learning coordinator from general fund to grant funding.
- Eliminate a world language teacher expert, a position slated to be vacated due to retirement. Services requirements will be covered by the director of World Languages.
- Eliminate a math teacher expert, a position slated to be vacated due to retirement. The math support and assistance responsibilities will be served by the two remaining math teacher experts.
- Eliminate a health treatment specialist position that has been providing CPR training and other duties as assigned. Health Services will contract for this training and distribute other duties.
- Eliminate one vacant health treatment nurse position
- Reduce 0.5 FTE mental health coordinator position by transferring 50% support to grant funds.
- Eliminate one vacant assessment and testing specialist position.
- Eliminate 4.5 tech support I FTE from IT; reassign duties to local high school staff with procedural guidance and training from IT; providing

- 1 local building tech collaborators with more access to maintenance tools
- 2 and permissions to facilitate local support.
- 3 • Eliminate one programmer FTE; shift direct data access to specialists in
- 4 the field.
- 5 • Eliminate one systems administrator FTE; tasks have been substantially
- 6 automated.
- 7 • Eliminate one senior accountant FTE; streamline workflow.
- 8 • Eliminate one accountant position previously vacated by incumbent who
- 9 took position with food service.
- 10 • Eliminate one discretionary grants coordinator that was vacated earlier
- 11 due to a retirement; duties have been reassigned to staff with intermittent
- 12 contract assistance for special grant projects.
- 13 • Shift one purchasing agent to capital projects to match workload
- 14 • Eliminate one purchasing buyer; streamline workflow.
- 15 • Eliminate one Human Resources administrative assistant; redistribute
- 16 workload and schedules.

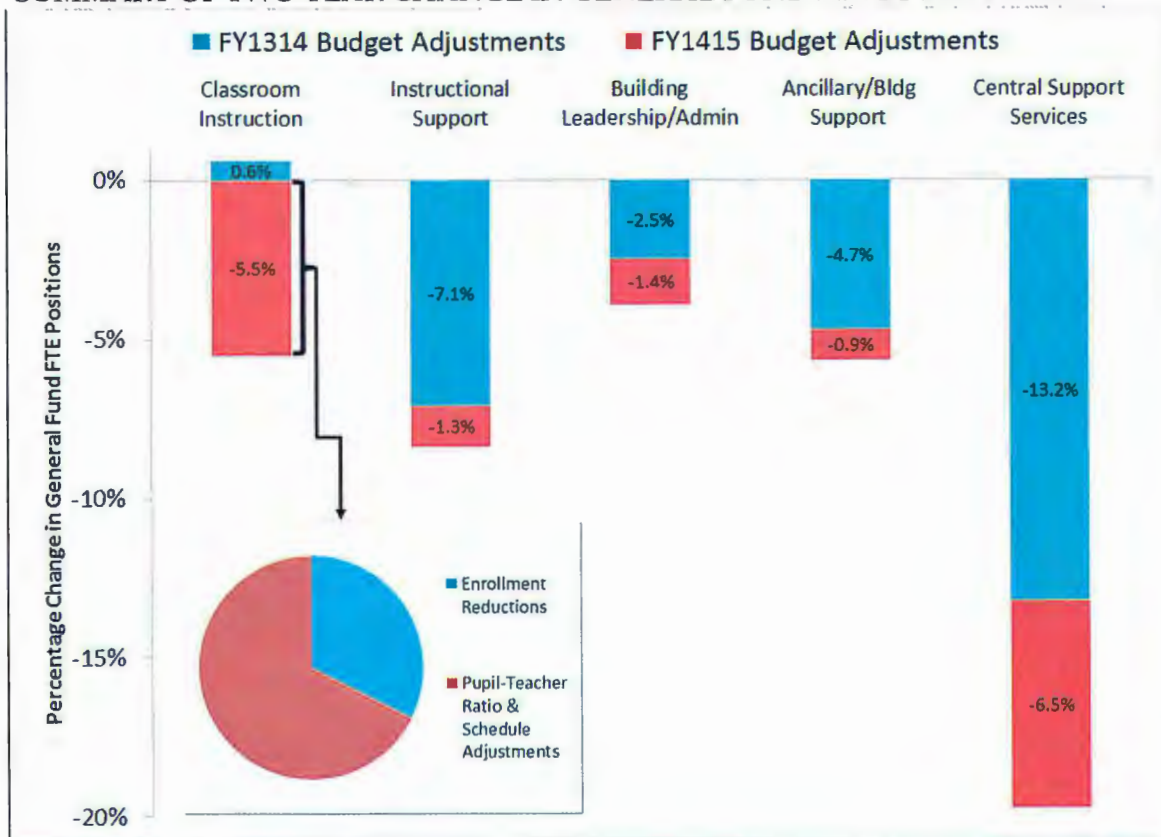
17 SUMMARY OF STAFFING LEVEL CHANGES

18 The combination of the FY14-15 and FY13-14 reductions total 415 general fund
19 FTE, or 6.8% over two years.

20
21
22 In aggregate, teaching positions have been reduced by 4.9% over two years
23 while non-teaching positions have been reduced by 8.1% over two years –
24 reducing support positions almost twice as fast as direct classroom instruction.
25 This is consistent with the strategic goal to raise the percentage of direct
26 classroom instruction staff while managing reductions in personnel associated
27 with flat funding while inflation – in medical care especially – continues. In the
28 FY13-14 pro forma memo the Board considered long term options that reduced
29 support from two to four times as fast as direct classroom instruction. After
30 consultation with teachers and administrators who lived through the oil price
31 down turn in the 1980s and consideration of concerns with the increased
32 demands placed on the classroom and the need for adequate classroom support,
33 the district is continuing to benchmark personnel reductions against a 2:1
34 support:teacher reduction proportion as a rough guide to balance workforce
35 requirements as downsizing continues.

36
37

1 SUMMARY OF TWO YEAR CHANGE IN GENERAL FUND FTE BY FUNCTION

2
3

| GENERAL FUND FTE: Percentage Reductions | | | | |
|--|--------|--------|--------|----------|
| | FY1213 | FY1314 | FY1415 | 2 YR CHG |
| Classroom Instruction | | 0.6% | -5.5% | -4.9% |
| Instructional Support | | -7.1% | -1.3% | -8.3% |
| Building Leadership/Admin | | -2.5% | -1.4% | -3.9% |
| Ancillary/Bldg Support | | -4.7% | -0.9% | -5.6% |
| Central Support Services | | -13.2% | -6.5% | -19.7% |
| | | -3.5% | -3.4% | -6.8% |

| GENERAL FUND FTE by FUNCTION as PCT OF TOTAL | | | | 1415 vs 1213 Pct Pts |
|---|--------|--------|--------|----------------------|
| | FY1213 | FY1314 | FY1415 | |
| Classroom Instruction | 42.1% | 43.9% | 42.9% | 0.8% |
| Instructional Support | 28.5% | 27.4% | 28.0% | -0.5% |
| Building Leadership/Admin | 7.1% | 7.2% | 7.4% | 0.2% |
| Ancillary/Bldg Support | 16.2% | 16.0% | 16.4% | 0.2% |
| Central Support Services | 6.0% | 5.4% | 5.2% | -0.8% |
| | 100.0% | 100.0% | 100.0% | |

4
5

TAXES (millions of \$)

| | Approved Budget <u>FY 2014-2015</u> | Proposed Budget <u>FY 2014-2015</u> | Increase/ (Decrease) | Percent |
|------------------------------|---|---|-------------------------|---------|
| Total (FY) | \$233.420 | \$233.776 | \$0.356 | +0.15% |
| Est. Assessed Valuation (CY) | \$32,252.9 | \$33,606.6 | \$1,353.7 | +4.2% |
| Estimated Mill Rate (CY) | 7.30 | 6.95 | (0.35) | (4.8%) |

STUDENT ENROLLMENT

| | Actual FY 2013-2014 <u>Sept. 30, 2013</u> | Projection FY 2014-2015 <u>Sept. 30, 2014</u> | Change Over <u>Prior Year</u> |
|----------------------------------|--|--|----------------------------------|
| Enrollment (ADM) | 48,028 | 48,669 | +641 +1.33% |
| Total District Budget \$ per ADM | \$15,482 | \$15,276 | -\$206 -1.33% |

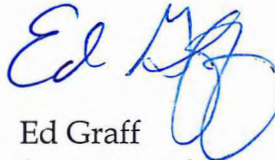
RISK OF LOSS OF MOMENTUM

The FY 2014-2015 Proposed Financial Plan and Budget continues the Anchorage School Board's commitment to improving the education of all students – based on the extremely challenging prospect of the fourth year of no increase in the state's base student allocation and no prospect of inflation proofing for operating costs¹.

In the absence of a substantial reinvestment in K-12 education by the State of Alaska, the Anchorage School District faces a significant risk that the momentum it is building in key success indicators, including graduation rates and third grade reading proficiency, will be jeopardized.

The Anchorage School District requests the full support of the Anchorage Assembly for this budget and in the ongoing efforts to continue a community dialogue that focuses on building on the momentum we have started to achieve.

Respectfully submitted,


Ed Graff
Superintendent

EG/MF

¹ In contrast, State statute provides inflation proofing for the state pupil transportation program.

1 | Attachments include:
2 |

- 3 | • Board Amendments to Preliminary Budget (Attachment A)
4 | • January 23, 2014 Preliminary Budget Memo (Attachment B)
5 |

6 | Comb Bound / PDF Proposed FY2014-2015 Budget under separate cover

FY2014-2015 Preliminary Budget - Amendment #1

Move to amend the FY2014-2015 Preliminary Budget to reflect the administration's recommendation to revise the Upper Limit Authority to reflect updated financial projections [Figure 1 – Amendment #1]

Rationale:

ASD OMB has updated its financial projections for two funds and the estimate for the state pension fund on-behalf payments to reflect best available information as of February, 2014.

The expenditure budget should be updated to reflect current best estimates.

The key changes from the first reading memorandum, Figure 1 Summary of Individual Fund Budgets, include:

- Grants
 - OMB projects that the combination of the passage of the federal OMNIBUS Appropriations Act for FY14 and State grants may grow to \$49.998 million in FY1415 compared to \$47.168 million in the FY1314 budget, an increase of \$2.83 million
- Capital Projects
 - OMB projects that capital projects will be roughly equal in FY1415 compared to FY1314 – around \$12.289 million.
- Student Activities
 - OMB projects that the net change in student activities will be slightly higher based on more recent trend information, increasing to \$7.048 million in FY1415.
- State Pension On-Behalf Payment Estimate
 - OMB has updated its PERS and TRS state on-behalf rates to reflect the most recently available information from the Alaska Retirement Management (ARM) Board which places the on-behalf rates at 58.19% for TRS salaries and 40.11% for PERS salaries.

The sum total of all Anchorage School District (ASD) funds, prior to consideration of estimated State Pension On-Behalf Payments which are subject to change in FY1415 if a Governor sponsored initiative to accelerate \$3B in PERS and TRS pension payment passes the Legislature, is \$741.549 million, a reduction of \$2.0 million, or 0.3% from the prior year Anchorage School District managed upper limit budget.

The preliminary FY1415 budget assumes the Municipality will continue to fund the Anchorage School District up to the maximum allowable contribution under the State Public School Foundation Formula.

The preliminary FY1415 budget is estimated to result in a mill rate decline of 4.8% from 7.30 in the FY1314 proposed budget to 6.95 in the preliminary FY1415 budget.¹

¹ Please note that the Municipal Assessor reports that the total taxable assessed valuation as of 2/5/2014 is \$33,606,601,597. The FY1415 preliminary budget projects a municipal contribution of \$233,598,047 [page 2 of the FY1415 Preliminary Budget]. The resulting mill rate would be 6.95.

FY2014-2015 Preliminary Budget - Amendment #2

Move to Amend the FY2014-2015 Preliminary Budget general fund to reflect the administration's recommendation to revise the upper limit authority to add 16 teacher full time equivalent positions to be funded from \$1.6 million in general fund unassigned fund balance [Figure #1 - Amendment #2]

Rationale:

The preliminary FY1415 budget assumed that the secondary division (middle and high schools) would move to a 6 of 7 period teaching schedule in the fall of 2014. This move was meant to increase student opportunities across the district in the face of significant teaching position reductions required due to continued inflation and the prospect of the fourth year in a row of no increase in the base student allocation in the State public school funding formula.

Many comprehensive high school principals were particularly supportive of the expanded opportunities that extending the 7 period middle school schedule into the comprehensive high schools would afford many students. Among other things, they felt the addition of class sections was imperative to enable continued or enhanced opportunities to provide targeted and differentiated instruction - ranging from credit recovery and remedial work, which support improved graduation rates, to specific support opportunities for students engaging in more challenging courses.

Some comprehensive high school principals testified that while they understood the benefits of the new schedule and were generally supportive, given their particular school's populations and current needs, the schedule change could be studied and more effectively implemented in their specific schools given an additional year, especially in light of contemporaneous changes in curriculum and instruction.

In lieu of the districtwide implementation of a 6 of 7 schedule change across the comprehensive high schools in August 2014, the administration recommends that the budget be amended to add 16 full time equivalent teaching positions in order to sustain and expand opportunities for students, to mitigate the impact of the overall reduction in teaching positions required to balance the budget. The administration expects to allocate most of these positions to sustain credit development and credit recovery classes for students who are at-risk for low graduation rates.

Result (Amendment #1 + #2):

The sum total of all Anchorage School District (ASD) funds, prior to consideration of estimated State Pension On-Behalf Payments which are subject to change in FY1415 if a Governor-sponsored initiative to pre-fund \$3B in PERS and TRS pension payment passes the Legislature, is \$743.149 million, a reduction of \$0.4 million, or 0.1% from the prior year Anchorage School District managed upper limit budget.

The preliminary FY1415 budget assumes the Municipality will continue to fund the Anchorage School District up to the maximum allowable contribution under the State Public School Foundation Formula.

The preliminary FY1415 budget is estimated to result in a mill rate decline of 4.8% from 7.30 in the FY1314 proposed budget to 6.95 in the preliminary FY1415 budget.

FY2014-2015 Preliminary Budget - Amendment #3

Move to Amend the FY2014-2015 Preliminary Budget general fund to add 3 full time equivalent counseling positions to be funded from \$0.3 million in general fund unassigned fund balance [Figure #1 – Amendment #3]

Please note: The use of fund balance to cover the 3 counseling FTE will take the general fund unrestricted fund balance from 8.0% down to 7.9%.²

In order for amendment #3 to take effect and become part of the FY2014-2015 Preliminary Budget As Amended, **a motion to suspend Board Policy 724.4.3 Minimum General Fund Unrestricted Fund Balance:**

The district unrestricted fund balance may be...but not less than 2 percentage points below the maximum percentage point allowed by state law [currently 10%]

...needs to pass with 5 affirmative votes.

Rationale for Adding 3 full time equivalent counseling positions:

- To be provided by Amendment Sponsor

Result (Amendment #1 + #2 + #3):

The sum total of all Anchorage School District (ASD) funds, prior to consideration of estimated State Pension On-Behalf Payments which are subject to change in FY1415 if a Governor-sponsored initiative to pre-fund \$3B in PERS and TRS pension payment passes the Legislature, is \$743.449 million; a reduction of \$0.142 million, or 0.0% from the prior year ASD upper limit budget.

The preliminary FY1415 budget assumes the Municipality will continue to fund the Anchorage School District up to the maximum allowable contribution under the State Public School Foundation Formula.

The preliminary FY1415 budget is estimated to result in a mill rate decline of 4.8% from 7.30 in the FY1314 proposed budget to 6.95 in the preliminary FY1415 budget.

Move to Suspend Board Policy Related to Maintenance of General Fund Unrestricted Fund Balance between 8% and 10% of total expenditures

Rationale for suspending the board general fund unrestricted fund balance policy guidance:

- To allow the general fund unrestricted fund balance to go from 8.0% to 7.9% in FY1415 with the expectation that the small decrement below the board policy guidance will be restored within the next two fiscal years.
- The decrement is relatively small.
- The need for the service necessitating the small decrement has been demonstrated by an affirmative vote in favor of the budget amendment.

² Please note that the State uses the term “unreserved” instead of the Generally Accepted Accounting Principles [GAAP] term of “unrestricted” when referring to fund balance. These terms may be used interchangeably when referring to the 10% maximum allowable fund balance calculation.

Figure 1 – SUMMARY OF INDIVIDUAL FUND BUDGETS (Am #1)**FIGURE 1. SUMMARY OF INDIVIDUAL FUND BUDGETS (Amendment #1)**

| Individual Fund Budgets | Millions (\$) | | | | FY1415 Prelim Budget vs FY1314 Budget | |
|--|----------------|----------------|----------------|------------------|---|--------------|
| | Actual | Actual | Budget | Prelim Budget | | |
| | FY1112 | FY1213 | FY1314 | FY1415 | Amt | Pct |
| General (State/Local/Federal) | 562.336 | 573.383 | 572.624 | 565.704 | -6.921 | -1.2% |
| Grants (Local/State/Federal) | 67.765 | 51.270 | 47.168 | 49.998 | 2.830 | 5.7% |
| Debt Service (Local/State/Federal) | 86.607 | 85.008 | 85.200 | 87.464 | 2.264 | 2.6% |
| Capital Projects (Local/Federal/State) | 8.466 | 12.363 | 12.289 | 12.289 | 0.000 | 0.0% |
| Food Service (Local/State/Federal) | 18.820 | 19.043 | 19.399 | 19.046 | -0.353 | -1.9% |
| Student Activities | 7.403 | 6.980 | 6.910 | 7.048 | 0.138 | 2.0% |
| ANCHORAGE SCHOOL DISTRICT MANAGED TOTAL | 751.397 | 748.047 | 743.590 | 741.549 | -2.042 | -0.3% |
| State Retirement On-Behalf Payments | <u>91.649</u> | <u>116.970</u> | <u>120.485</u> | <u>185.302</u> | 64.818 | 35.0% |
| Total - ALL FUNDS | 843.046 | 865.017 | 864.075 | 926.851 | 62.776 | 6.8% |

Figure 1 – SUMMARY OF INDIVIDUAL FUND BUDGETS (Am #1 + #2)**FIGURE 1. SUMMARY OF INDIVIDUAL FUND BUDGETS (Amendments #1 + #2)**

| Individual Fund Budgets | Millions (\$) | | | | FY1415 Prelim Budget vs FY1314 Budget | |
|--|----------------|----------------|----------------|------------------|---|--------------|
| | Actual | Actual | Budget | Prelim Budget | | |
| | FY1112 | FY1213 | FY1314 | FY1415 | Amt | Pct |
| General (State/Local/Federal) | 562.336 | 573.383 | 572.624 | 567.304 | -5.321 | -0.9% |
| Grants (Local/State/Federal) | 67.765 | 51.270 | 47.168 | 49.998 | 2.830 | 5.7% |
| Debt Service (Local/State/Federal) | 86.607 | 85.008 | 85.200 | 87.464 | 2.264 | 2.6% |
| Capital Projects (Local/Federal/State) | 8.466 | 12.363 | 12.289 | 12.289 | 0.000 | 0.0% |
| Food Service (Local/State/Federal) | 18.820 | 19.043 | 19.399 | 19.046 | -0.353 | -1.9% |
| Student Activities | 7.403 | 6.980 | 6.910 | 7.048 | 0.138 | 2.0% |
| ANCHORAGE SCHOOL DISTRICT MANAGED TOTAL | 751.397 | 748.047 | 743.590 | 743.149 | -0.442 | -0.1% |
| State Retirement On-Behalf Payments | <u>91.649</u> | <u>116.970</u> | <u>120.485</u> | <u>185.826</u> | 65.342 | 35.2% |
| Total - ALL FUNDS | 843.046 | 865.017 | 864.075 | 928.975 | 64.900 | 7.0% |

Figure 1 – SUMMARY OF INDIVIDUAL FUND BUDGETS (Am #1 + #2 + #3)**FIGURE 1. SUMMARY OF INDIVIDUAL FUND BUDGETS (Amendments #1 + #2 + #3)**

| | Millions (\$) | | | | FY1415 Prelim Budget vs FY1314 Budget | |
|--|----------------|----------------|----------------|------------------|---|-------------|
| | Actual | Actual | Budget | Prelim Budget | | |
| | FY1112 | FY1213 | FY1314 | FY1415 | Amt | Pct |
| Individual Fund Budgets | | | | | | |
| General (State/Local/Federal) | 562.336 | 573.383 | 572.624 | 567.604 | -5.021 | -0.9% |
| Grants (Local/State/Federal) | 67.765 | 51.270 | 47.168 | 49.998 | 2.830 | 5.7% |
| Debt Service (Local/State/Federal) | 86.607 | 85.008 | 85.200 | 87.464 | 2.264 | 2.6% |
| Capital Projects (Local/Federal/State) | 8.466 | 12.363 | 12.289 | 12.289 | 0.000 | 0.0% |
| Food Service (Local/State/Federal) | 18.820 | 19.043 | 19.399 | 19.046 | -0.353 | -1.9% |
| Student Activities | <u>7.403</u> | <u>6.980</u> | <u>6.910</u> | <u>7.048</u> | 0.138 | 2.0% |
| ANCHORAGE SCHOOL DISTRICT MANAGED TOTAL | 751.397 | 748.047 | 743.590 | 743.449 | -0.142 | 0.0% |
| State Retirement On-Behalf Payments | <u>91.649</u> | <u>116.970</u> | <u>120.485</u> | <u>185.924</u> | 65.440 | 35.2% |
| Total - ALL FUNDS | 843.046 | 865.017 | 864.075 | 929.373 | 65.298 | 7.0% |

Fund Balance Projections

ASD FUND BALANCE HISTORY & OUTLOOK

draft: 19-Feb-14

dev't: ar, mf

FUND BALANCE PROJECTIONS

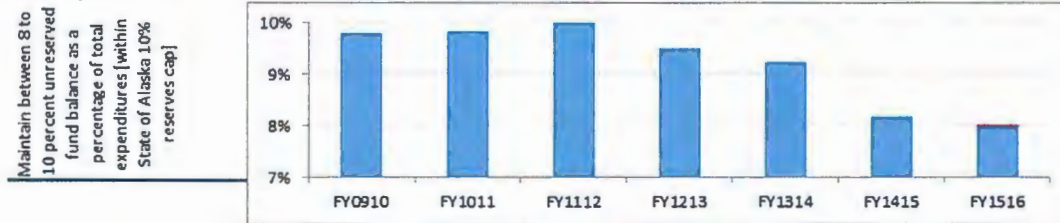
| FY0910 | FY1011 | FY1112 | FY1213 | FY1314 | FY1415 | FY1516 |
|--------|--------|--------|--------|-----------|--------|-----------|
| Actual | Actual | Actual | Actual | Estimated | Prelim | Projected |

Amendment #1 - Update Financial Projections to Reflect Current Information

Use \$2M in FY1415, \$5M in FY1516 \$2.0 \$5.0

Fund Balance As Pct of General

Fund Expenditures

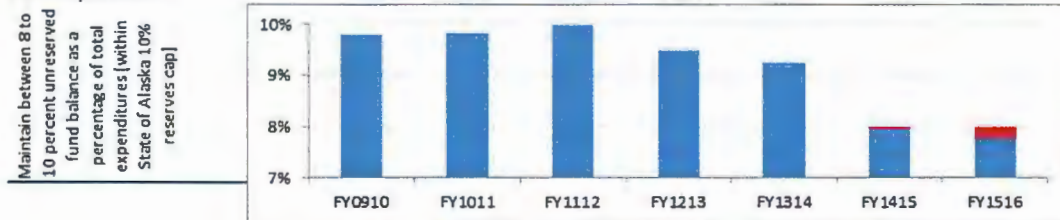


Amendment #2

Use \$3.6M in FY1415, \$5M in FY1516 \$3.6 \$5.0

Fund Balance As Pct of General

Fund Expenditures

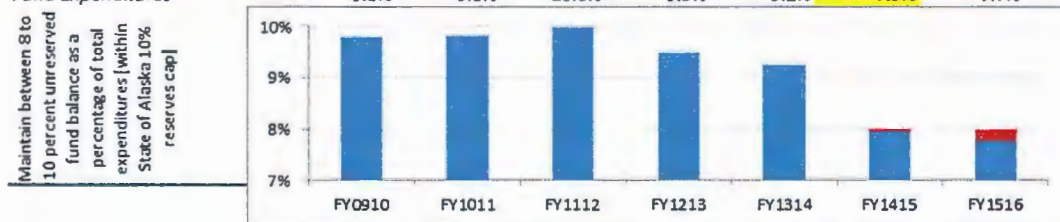


Amendment #3

Use \$3.9M in FY1415, \$5M in FY1516 \$3.9 \$5.0

Fund Balance As Pct of General

Fund Expenditures



ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

MEMORANDUM #113

February 3, 2014

TO: SCHOOL BOARD

FROM: ED GRAFF, SUPERINTENDENT

SUBJECT: FY 2014-2015 PRELIMINARY FINANCIAL PLAN AND BUDGET (FIRST READING)

This preliminary financial plan and budget is being provided to the Board for first reading on February 3, 2014, with a Board vote on the preliminary financial plan and budget scheduled for February 20, 2014.

Consistent with the Board's pro forma financial planning guidance, the total all funds upper limit budget, including an estimate of the state retirement on-behalf payments, is \$858.5 million¹, a reduction of \$5.5 million, or 0.6% from the prior year budget.

Municipal Upper Limit Summary:

FIGURE 1. SUMMARY OF INDIVIDUAL FUND BUDGETS

| | Millions (\$) | | | | | FY1415 Projected vs FY1314 Bud | |
|--|---------------|----------------|----------------|----------------|-----------------------|-----------------------------------|-------------|
| | Actual | Actual | Budget | Projected | Prelim | | |
| | FY1112 | FY1213 | FY1314 | FY1314 | FY1415 | Amt | Pct |
| Individual Fund Budgets | | | | | | | |
| General (State/Local/Federal) | 562.336 | 573.383 | 572.624 | 564.665 | 565.704 | -6.921 | -1.2% |
| Grants (Local/State/Federal) | 67.765 | 51.270 | 47.168 | 46.225 | 45.470 | -1.698 | -3.7% |
| Debt Service (Local/State/Federal) | 86.607 | 85.008 | 85.200 | 85.300 | 87.464 | 2.264 | 2.6% |
| Capital Projects (Local/Federal/State) | 8.466 | 12.363 | 12.289 | 12.000 | 12.000 | -0.289 | -2.4% |
| Food Service (Local/State/Federal) | 18.820 | 19.043 | 19.399 | 19.043 | 19.046 | -0.353 | -1.9% |
| Student Activities | <u>7.403</u> | <u>6.980</u> | <u>6.910</u> | <u>6.945</u> | <u>6.979</u> | 0.069 | 1.0% |
| Subtotal | 751.397 | 748.047 | 743.590 | 734.178 | 736.663 | -6.928 | -0.9% |
| State Retirement On-Behalf Payments | <u>91.649</u> | <u>116.970</u> | <u>120.485</u> | <u>120.464</u> | <u>121.890</u> | <u>1.406</u> | <u>1.2%</u> |
| Total - ALL FUNDS | 843.046 | 865.017 | 864.075 | 854.642 | 858.553 | -5.522 | -0.6% |

The changes from the prior year budget are primarily driven by reductions in enrollment and spending reductions associated with federal sequestration which combine to reduce the **general fund budget** by 1.2%, or \$6.9 million.

¹ Please note that the total ALL FUNDS budget projection includes the State Retirement On-Behalf Payment estimate which is based on the projections contained in the State of Alaska actuarial consultant reports (TRS & PERS) to the Alaska Retirement Management board from June 30, 2013 and subsequent resolutions passed by the Alaska Retirement Management (ARM) Board concerning employer/state on-behalf benefit rates.

The **Grant Fund** budget is slated to decline \$1.7M or 3.7%. Roughly 96 percent of the grant fund consists of federal Title programs and other federal grants. The remaining 4% consist of state and local grants. The decline in the preliminary budget is primarily the result of projected erosion associated with sequestration.²

The **Debt Service Fund** budget is slated to increase slightly due to a shift in timing of principal and interest payments from one year into the next. On a normalized annual bond sale cycle, each bond sale generates a regular pattern of principal and interest payments. If a bond sale occurs late in the year, e.g., the 2013A Bond Sale did not occur until November, it reduces the payments in one year – FY1314 projected is less than budget – but shifts the timing of payments into the following year, FY1415. The normalized average of debt service in FY1314 and FY1415 is \$86.4 million which is within \$0.2 million of the \$86.6 million in FY1112 and in line with the district's current practice to maintain the total debt service level at around \$86 million in nominal dollars – which amounts to 7.4% of the roughly \$1,160 million in net buildings and equipment assets the district had at year-end June 30, 2013.³

The State reimburses the district for a portion of eligible capital projects – 60% for projects that expand capacity and 70% for projects that sustain existing capacity. The aggregate level of state reimbursement projected in FY1415 is \$47.8 million; \$0.25 million is covered by federal Build America Bonds, leaving \$39.4 million to be covered from local municipal taxes [see the Local Municipal Property Tax section below].

The **Capital Projects Fund** has been used to account for capital grants, which have varied widely over the past several years and most recently have been almost exclusively associated with State Legislative capital grants which last year totaled \$12.3 million between grants to named recipients [schools] and the district's safety and security funding. The \$12 million estimate included in the preliminary budget is essentially a placeholder estimate based on last year's appropriations. In previous budget presentations the Grants/Capital Projects funds were combined. This year's budget separates them to enhance the transparency of the District's budget presentations to the Board, Assembly and public and to match the Comprehensive Annual Financial Report fund reporting.

² These projections were prepared prior to the passage of the OMNIBUS Appropriations Bill for FY14 and subsequent dissemination of detailed information on the associated funding revisions for Title and other federal grant programs related to education. OMB will monitor program information and update federal revenue projections in the spring contemporaneously with the end of the State Legislative session and any incremental revenue that may arise from the session.

³ Please note that total capital expenditures (capital projects and debt service) for the District approaches \$98 million, or 8.45% of net building and equipment assets.

The **Food Service Fund** preliminary FY1415 budget is slated to decline from \$19.399 million to \$19.046 million, or 1.8%. The slight decrease reflects the net effect of a projected decline in sales which is moderated by revenue associated with a fresh fruit and vegetables grant from federal sources.

The **Student Activities Fund** includes revenues from student activity fees, general fund contributions to student activities as well as funds raised at activities and by booster clubs. The 1% (\$0.069 million) net increase in the preliminary FY1415 budget represents the net collections of a small increase in student activity fees balanced against a slight downward trend from other sources.

Local Municipal Property Tax

The preliminary FY1415 budget assumes that the Municipality will continue to fund the Anchorage School District up to the maximum allowable contribution under the State Public School Foundation Formula.

The preliminary FY1415 budget is estimated to result in a mill rate decline of 1.6%, from 7.30 in the proposed FY1314 budget to 7.18 in the preliminary FY1415 budget.⁴

Please note that the maximum allowable contribution under the State Public School Foundation formula was changed in 2012 under SB182 and that maximum contribution under the State became the new ceiling on local municipal taxes that could be contributed for the district's operating budget. Prior to SB 182, the Municipality would have been able to contribute an additional \$7.7 million and remain within the Property Tax Cap Limitation under the Municipality of Anchorage Charter [see page 3 of the FY1415 Preliminary Budget Book].

General Fund

The general fund budget gap between projected revenue and projected expenses was projected at \$23 million in the November 2013 pro forma projection.⁵

The budget gap has been closed through a combination of increasing fees (\$0.1 million), use of fund balance (\$2 million), personnel reductions (\$19.1 million), and reductions in

⁴ Please note that the Municipality has just recently updated its property value assessments. The "net assessed value" that is the basis for the mill rate estimate has not yet been finalized and made available to enable OMB to update this estimate.

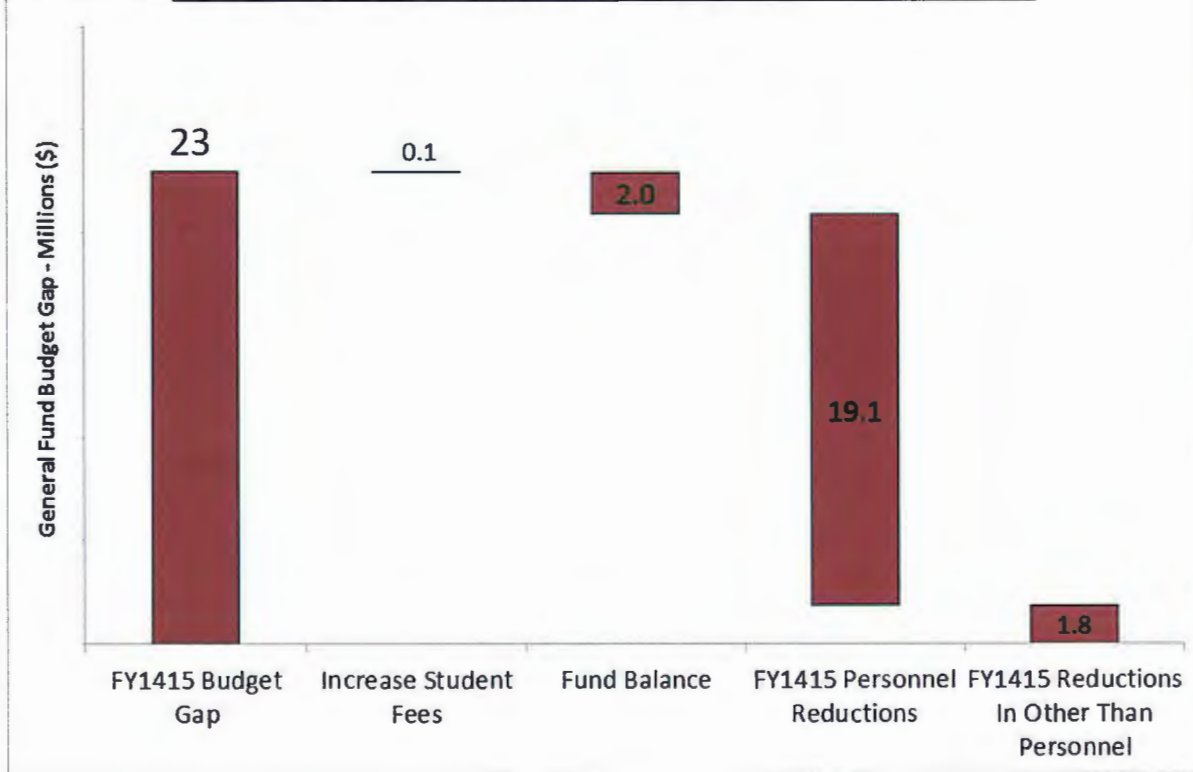
⁵ Please note that the pro forma projection was developed based on data available through the end of October and incorporated into the pro forma memo that is provided to the board during the first week in November.

Subsequent developments, including the announcement of reductions and realignments of military personnel from Anchorage to Fairbanks, changes in sequestration associated with the OMNIBUS appropriations bill of 2014 and more recent changes in the implementation of the Affordable Care Act have not been fully analyzed and distilled into financial impact estimates. The district normally accumulates the changes that occur over the winter and incorporates them into a budget amendment in the spring which typically includes capital budget and occasionally includes operating budget increments from the Legislative Session.

other than personnel services (\$1.8 million), including purchased services, supplies and materials across schools and support functions.

Figure 2.

FY 2014-2015 Projected Closure of GF Budget Gap



General Fund Revenue

The administration has included \$100,000 of incremental revenue in the FY1415 preliminary budget, consistent with the pro forma guidance.

Student activity fees have been flat for three years while inflation has been running around 2.5%. A 10% increase in fees in FY1415 amounts to an inflationary catch up adjustment and could raise on the order of \$100,000.

The Board has a public policy choice to consider around how to allocate the fee increase across middle and high school activity tiers.

In FY1011, Middle School student activity fees were increased from \$85 to \$100 per student with a family cap of \$390. In FY1112, High School student activity fees were segmented into three tiers based on their cost of service and the district began to slowly increase those fees toward their cost (see Figure 3 below).

Figure 3.

| STUDENT ACTIVITY FEES | | | | | |
|---|--------------|--------|--------|--------|--------|
| | \$ / student | | | | |
| | FY0910 | FY1011 | FY1112 | FY1213 | FY1314 |
| Middle School | \$85 | \$100 | \$100 | \$100 | \$100 |
| High School | \$165 | \$165 | | | |
| High School Tiered Fees | | | | | |
| Tier 1 - Tennis, XCountryR, Cheer, T&F, DD/F | | | \$175 | \$175 | \$175 |
| Tier 2 - FF, V, CCSki, Ftbl, Wrstl, Bskbl, Rfl, Scr | | | \$185 | \$185 | \$185 |
| Tier 3 - Gymnstcs, Swm&Dive, Hockey | | | \$195 | \$195 | \$195 |
| Family Cap | \$390 | \$390 | \$390 | \$390 | \$390 |

The administration recommends the board continue to consider the 10% fee increase in the FY1415 budget in order to catch up to inflation and defer the analysis and adoption of a particular fee schedule pending an updated analysis in the spring.

General Fund Expenditures

After taking into account new revenues, the budget gap remaining is \$22.9 million. The board pro forma guidance allows up to \$2 million in fund balance to close the gap. After application of the \$2 million in fund balance, a \$20.9 million budget gap remains.

Staffing Levels

In the development of pro forma guidance, the board and administration reviewed historic staffing levels, reductions from the past two years, compared staffing levels by function to peer groups [Council of Great City Schools, Top 100 districts], consulted with key stakeholders as well as people who worked in the district who lived through the oil price crash in 1986 which resulted in a reduction of 161 teacher positions in the FY8687 budget, reviewed staffing support by general fund program, and considered the mission, themes and strategic initiatives of the board, as well as the strategic goals embodied in the Destination 2020 strategic plan.

The district engaged in three formal public dialogues, a formal consultation with student leaders, and numerous consultations with key stakeholders, including parents, principals, teachers, employee groups, as well as representatives from the Assembly and the Legislature.

Based on those consultations and analysis, the board adopted pro forma budget guidance that:

- Continued to reduce support functions faster than reductions in classroom teachers in order to raise the relative proportion of classroom teachers to total staff, i.e.,

to balance the budget with limited resources, the district is reducing teachers by 5.8%, and reducing other than teachers by 12.5% over FY1314 & FY1415 .

- Allowed the administration to raise the pupil-teacher ratio by up to an aggregate average of ~1 in elementary and ~1.5 in secondary in FY1415 and encouraged consideration of the implications of raising the PTR by one in the following year years, potentially reaching a pupil-teacher ratio of 32 in secondary in two years.

Classroom Instruction: Staffing Level Adjustments Associated with Decline in Enrollment

Before consideration of options associated with the change in the pupil-teacher ratio, the administration reduced the number of budgeted positions to reflect the decline in enrollment that occurred this year and a projected modest decline next year (~2%).⁶

The net reduction in teaching FTE associated with the enrollment reduction totals 44 FTE across the elementary, secondary/alternative divisions.

Enrollment in Special Education (SPED), English Language Learners (ELL), Gifted and Native Education/Indian Education programs were also reviewed. While no net reduction associated with enrollment were made in these programs, SPED, ELL and Gifted allocations were adjustment based on streamlining administrative functions, consolidating counseling into a common pool, and flowing through adjustments related to pupil-teacher ratios where applicable.

Classroom Instruction: Adjustments in Pupil-Teacher Ratio

After the enrollment reductions, the administration reviewed the implications of increases in the pupil-teacher ratio in elementary, middle, high and alternative schools.

Elementary PTR

The Administration considered whether to add 1 to the pupil-teacher ratio across the board or whether to hold or increase slightly the PTR in K-3 and a larger increase in the PTR in grades 4-6 – averaging 1 across the K-6 span. In light of the critical importance of the early years in establishing a solid foundation upon which future success will be built, the Administration opted for smaller increases in the early grades and slightly larger increases in the upper grades. In addition, the Administration retained adequate kindergarten teaching assistant support so that all kindergarten classes have one 3.5 hour “kindy TA” in their budget in FY1415.

⁶ Please note that the modest decline projected for next year did not take into account subsequent information related to enrollment declines on JBER that may arise as a result of the announced transfer of 750 personnel from JBER to the Interior.

The net result is an **aggregate elementary pupil-teacher ratio that is 2% less than it was 20 years ago** in FY9495 (see Appendix 2) that is supported by kindergarten teaching assistants in all kindergarten classes.

While the district has endeavored to maintain small elementary class sizes across two decades, the continuation of flat to declining funding in the face of continued inflation risks undermining the continuation of that effort.

Middle School PTR & Twice a Day Planning Periods

The administration considered whether to add 1.0 PTR to grade 6 and 1.5 PTR to grades 7 & 8 consistent with the pro forma guidance.⁷

Challenges Associated with Increased PTR/Class Size

Unfortunately, the reduction in staffing coverage and the associated increase in class size looked likely to limit student choices - especially as the average class size increases with the increase in PTR (less staff per student) which effectively pulls the minimum class size up, requiring consolidation of smaller classes and potential elimination of smaller single course offerings. Many of these smaller classes and single class offerings are highly prized by students and parents based on feedback received in surveys, public meetings and public hearings. Classes that include high school level math, world languages, IB (International Baccalaureate), art, music and performing arts, and classes that emphasize individualized instruction for those who may need more support. Anecdotal evidence suggests that one of the most effective investments to help raise proficiency is to provide targeted support to those students who are close to proficiency.

Strategies to Increase Student Opportunities

As an alternative to larger consolidated classes and fewer student choices, the district evaluated reducing the middle school schedule from two planning periods a day to one planning period per day.⁸

After consideration of the nature and extent of student opportunities under a "6 of 7" schedule compared to the continuation of a "5 of 7" or a switch to a "5 of 6", the administration has included a 6 of 7 schedule in the preliminary FY1415 budget.

High School PTR & 5/6 Schedule

The administration considered whether to add ~1.5 to grades 9-12 consistent with the pro forma guidance [see Appendix 2 PTR History "FY1415 Pro Forma Guidance" where 29.41 was rounded to 31 under an "add 1.5" pro forma scenario].

⁷ Among the Anchorage School District middle schools, please note that Begich, Clark and Mirror Lake are 6-8, while Central, Goldenvue, Gruening, Hanshaw, Mears, Romig, and Wendler are 7-8.

⁸ In the elementary and high school divisions, each teacher gets one planning period per day.

Challenges Associated with Increased PTR/Class Size

Unfortunately, the reduction in staffing coverage (PTR change from 29.41 to 31) and the associated increase in class size looked likely to limit student choices - especially as the average class size increases with the increase in PTR (less staff per student) which effectively pulls the minimum class size up, requiring consolidation of smaller classes and potential elimination of small single course offerings. Many of these smaller classes are highly prized by students and parents as evidenced in surveys, public meetings and public hearings. The highly valued classes include career technology education (CTE), Advanced Placement (AP), world languages, International Baccalaureate (IB), music, art and performing arts, and classes that emphasize individualized instruction for those who may need more support. Anecdotal evidence suggests that one of the most effective investments to help raise proficiency is to provide targeted support to those students who are close to proficiency.

As the administration considered moving the middle school schedules to 6 of 7 to continue providing student opportunities, the migration of the high school schedule to 6 of 7 became an alternative to consider. In addition to the benefits alluded to in middle schools, at the high school level the additional sectional opportunities created by 6 of 7 complement the expansion of the CTE facilities and program over the next two years.

Finally, in a Washington State study of 296 high schools there is statistical correlation evidence that a 7 period schedule is associated with higher math, reading and writing scores than a 6 period schedule [see Appendix 7].

In light of the high value the community places on the wide range of high quality classes that the district offers (AP, IB, fine arts, world languages, proficiency support) and is developing (CTE, STEM, Health) and opportunities that creates for Anchorage students, the Administration's preliminary FY1415 budget includes a 6 of 7 schedule at both the high school and middle school levels.

JROTC

The Department of Defense Armed Services (Army, Air Force, Navy) provide approximately 40% of the support for the 19 JROTC instructors that provide direct classroom instruction at the district's eight comprehensive high schools. The services have announced prospective changes in their support of those instructors. The Army has indicated they will not fill vacancies that may occur. The Air Force has indicated they are transitioning the positions from 12 months to 10 months. We anticipate that the Navy will reduce their support as well - though the precise timing of those adjustments may still be uncertain.

The Administration's preliminary FY1415 general fund budget continues to match the federal government's support of the JROTC positions at a 65:35 ratio.⁹ So for example a reduction in 12 months to 10 months amounts a reduction of 65% X 12 months to 65% X 10 months which works out to roughly \$12,000 in *salary and benefits* for those positions being reduced from 12 to 10 months.

In aggregate across the three services, the budget assumes that the match associated with these sequestration adjustments may amount to \$140,000. Because of the uncertainty associated with these adjustments and their potential interaction, the preliminary budget includes the potential savings in the attrition salary and benefits accounts (Object Code 1980XX, Object 2980XX). All 19 positions remain in the budget allocations to their respective schools in the preliminary FY1415 budget.

Instructional Support-Special Education (SPED)

Last year the district reduced 49 vacant teaching assistants and 7 teacher consultant FTE. The preliminary budget had slated 9 counselor FTE for reduction. The board adopted budget only eliminated one vacant counselor position.

After reviewing the impacts of last year's reductions and consulting with stakeholders – including the SPED advisory committee, this year the district is proposing to streamline and redistribute administrative functions within SPED while sustaining direct classroom instruction.

The net change in staffing include:

- Eliminate all 8 high school special education transition coordinator positions. Create 4 new Special Education Teacher positions to provide the classroom teaching FTE previously provided by the transitional coordinator. Other transition coordinator duties to be provided by student case managers and department chairs.
- Reduce special education administrative clerical staff to better align staffing levels with other departments. Eliminate two positions where incumbents are slated to retire. Eliminate an additional two positions.
- Reduce 0.5 FTE in Audiology/Hard of Hearing Teachers due to a retirement earlier in the year. Remaining teacher to absorb the workload.
- Reduce 2 teacher assistants currently with the CARE team. After one TA position was eliminated earlier this year, it was determined that the CARE teams can continue to meet the needs of the community preschool programs with two less teaching assistants next year.

⁹ In general, the district pays 50% of the salaries and 100% of the benefits on the JROTC positions. In aggregate average, district support amounts to roughly 65:35 support of *salary and benefits* across the pool of JROTC positions.

Instructional Support – English Language Learners (ELL)

Last year the district eliminated 8.6 teaching assistant FTE, 1.2 counseling FTE, and 3 teacher expert/resource teacher FTE from the budget.

No change in direct classroom instruction FTE is proposed in FY1415. The district is proposing a reduction of all ELL general fund allocated counselor positions (8.3 FTE) at the secondary level. This reduction will ensure that the ELL general fund allocations are more wholly aligned to provide direct instruction and instructional support for ELL students. ELL testing and other functions unique to the ELL counselor role will be assumed by building administrators, along with ELL tutors, teachers and remaining ELL support staff. The remaining general fund counseling pool will be allocated to all schools based on student enrollment.

Instructional Support - Gifted

Last year the district eliminated 2 teacher expert FTE and 6 Ignite program teachers in the transition toward pupil-teacher ratio parity with the Gifted and Highly Gifted teachers in the program.

In FY1415, the district is proposing to reduce 1.5 counseling FTE from the highly gifted allocation at West and 0.5 counseling FTE from the allocation at Romig. General education counselors at the schools will provide all counseling and guidance services to gifted/highly gifted students. The remaining general fund counseling pool will be allocated to all schools based on student enrollment.

The district is proposing to reduce 2 FTE from the gifted allocation to the district's ten middle schools. Support for Gifted students, parents and teachers will continue to be provided through the remaining FTE.

Building Leadership/Admin

The district is proposing to reduce one assistant principal at South High School and one assistant principal at Clark Middle School - both positions have been vacant during the current school year. Responsibilities of the assistant principal will be provided by the principal and remaining assistant principals.

The district is proposing to further streamline administrative functions by reducing 4 administrative assistant/secretarial positions across the schools through attrition and vacancy management based on student enrollment, consistent with current practice.

Building/ Ancillary Support Services

Last year the district eliminated 18.5 custodial services FTE, 18.0 auxiliary building plant operator FTE, and 8 vacant maintenance FTE positions.

In FY1415, the district proposes to reduce 9 FTE from the maintenance department which includes maintenance leads, specialists and technicians (M-10, M-8 and M-6). The maintenance and operations staff will reorganize some maintenance work units and realign support toward critical projects. Some delay in lower priority maintenance work orders may result.

Districtwide/Central Services

Last year the district eliminated 37.4 FTE from the systemwide/central office, including: OMB, finance/accounting, purchasing, MIS/IT, warehouse, communications, administration, curriculum and instruction, HR directors, and administrative assistants.

In FY1415, the district is proposing to eliminate 22.5 FTE from systemwide/central office, including:

- Reorganize professional learning and associated information technology which will result in a net reduction of 3 teacher expert FTE and a shift of 0.5 FTE associated with a professional learning coordinator from general fund to grant funding.
- Eliminate a world language teacher expert, a position slated to be vacated due to retirement. Services requirements will be covered by the Director of World Languages.
- Eliminate a math teacher expert, a position slated to be vacated due to retirement. The math support and assistance responsibilities will be served by the two remaining math teacher experts.
- Eliminate a Data Systems Specialist position that has been providing CPR training and other duties as assigned. Health services will contract for this training and distribute other duties
- Eliminate one vacant health treatment nurse position
- Reduce 0.5 FTE mental health coordinator position by transferring 50% support to grant funds
- Eliminate one vacant assessment and testing specialist position
- Eliminate 4.5 tech support I FTE from IT; reassign duties to local high school staff with procedural guidance and training from IT; providing local building tech collaborators with more access to maintenance tools and permissions to facilitate local support
- Eliminate one programmer FTE; shift direct data access to specialists in the field
- Eliminate one systems administrator FTE; tasks have been substantially automated
- Eliminate one senior accountant FTE; streamline workflow

- Eliminate 1 accountant position previously vacated by incumbent who took position with food service
- Eliminate 1 discretionary grants coordinator that was vacated earlier due to a retirement; duties have been reassigned to staff with intermittent contract assistance for special grant projects
- Shift 1 purchasing agent to capital projects to match workload
- Eliminate 1 purchasing buyer; streamline workflow
- Eliminate 1 human resources administrative assistant; redistribute workload and schedules

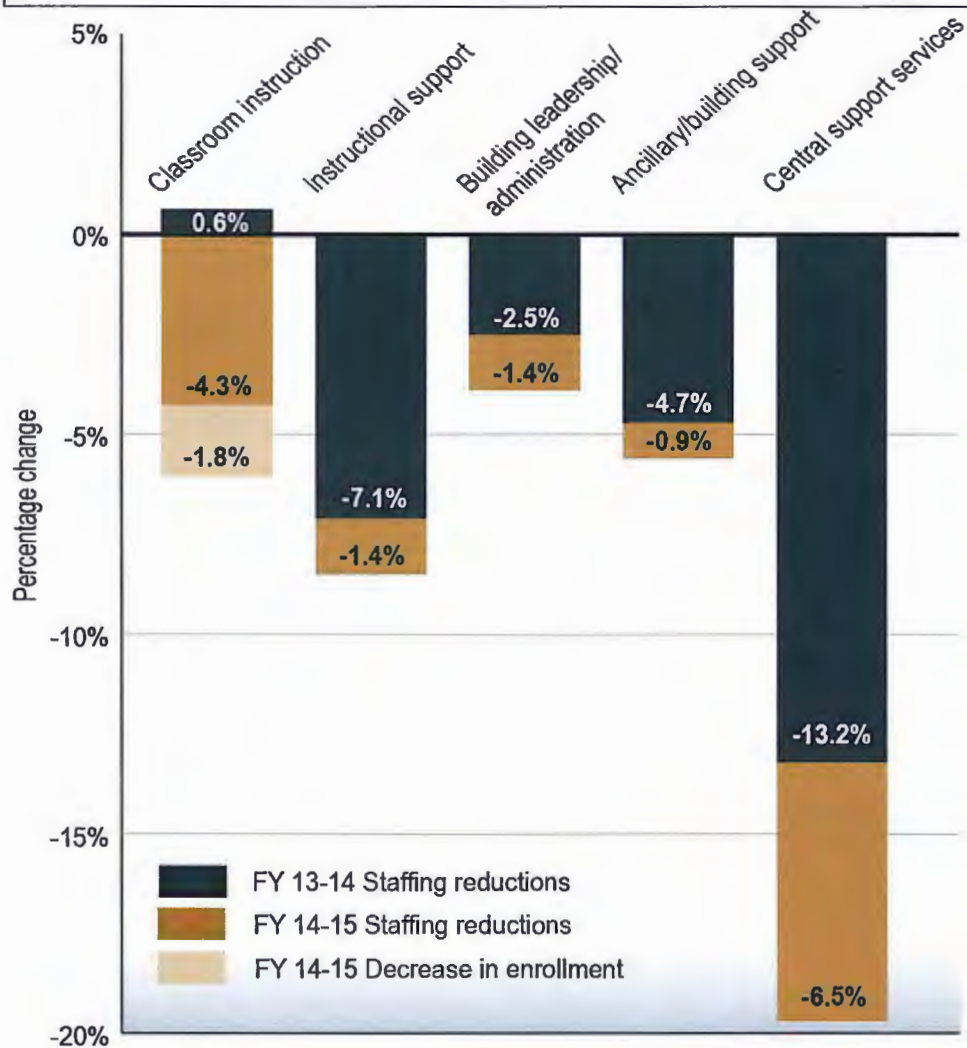
Please see **Appendix 5: Recommended Personnel Service Reductions** for the detailed list of position reductions by functional area.

Summary of Staffing Level Changes

The combination of the FY1415 and FY1314 reductions total 434 general fund FTE, or 7% over two years.

In aggregate, teaching positions have been reduced by 5.8% over two years while non-teaching positions have been reduced by 12.5% over two years – effectively reducing support roughly twice as fast as direct classroom instruction. This is consistent with the strategic goal to raise the percentage of direct classroom instruction staff while managing reductions in personnel associated with flat funding while inflation – in medical care and energy especially – continues. In the FY1314 pro forma memo the Board considered long term options that reduced support three to four times as fast as direct classroom instruction. After consultation with teachers and administrators who lived through the oil price down turn in the 1980s and consideration of the current stakeholders concerns with the increased demands placed on the classroom and the need for adequate classroom support, the Board pro forma guidance and the preliminary budget use a 2:1 support:teacher reduction proportion as a rough guide to balance workforce requirements while managing attrition reductions in a flat to declining revenue environment.

Figure 4. Two Year Change in General Fund FTE Positions by Functional Category



Personnel Services (PS) & Other Than Personnel Services (OTPS)

Personnel services account for approximately 88% of the general fund budget. The remaining 12% of the general fund budget covers supplies, materials, equipment, contract services, liability insurance and payments to the municipality. Thus, the ratio of personnel to other than personnel services is roughly 9:1. All other things being equal a \$20.9 million reduction might be expected to follow this ratio and result in a reduction of \$18.8 million from personnel and \$2.09 million from OTPS. However, over the past two years the district has reduced supplies and materials budgets by 20% and held back 20% last spring and principals, teachers and department and division

managers are reporting critical shortages in many areas. After a sampling of concerns, OMB recommended slowing the rate of decline for supplies and materials to 10% and reviewing additional adjustments and critical add backs on a case by case basis. The net result of this review process is a net reduction in OTPS of \$1.84 million in this budget including:

- \$1.4 million reduction in supplies and materials across the district [which includes a net increment of \$80,000 for secondary schools associated with the change in schedule from a six to seven period day]
- \$0.27 million reduction in payments to the municipality for life guards/pool services during the day associated with the elimination of high school swimming classes [swimming and diving sports activities occur before/after school and are paid for separately from these high school classes]
- \$0.17 million in sports activities, including \$100,000 associated with ice time for recently eliminated girls hockey and \$70,000 for reductions in out-of-district travel, including both travel and overnight costs

Continuation of Strategic Initiatives

The proposed budget provides continued support for several key strategic initiatives including Response to Instruction, Common Core alignment and revised curriculum implementation, e.g., Math, Science, Language Arts. The majority of the expenditures to support these initiatives in FY1415 will be sustained by budget authority provided in the FY1213 and FY1314 adopted budget. No increase in budget authority is included in FY1415 to sustain these initiatives in FY1415 due to the availability of prior period carry-forward and the integration of new practices within the work flow and work load of remaining staff. In addition, as the integration of changed standards and practices becomes integrated into daily instructional routine, professional development requirements shift toward the baseline built into the base general fund budget and additional support provided by Title IIA. The new teacher evaluation system and training is being supported from a combination of prior year encumbrances set aside for the teacher evaluation system and existing training budgets.

Summary

The preliminary financial plan reflects the District's best effort to provide high quality education to all students while reducing expenditures to match flat to declining revenues, sustaining key strategic initiatives through realignment of existing resources, and continuing to align the District on direct classroom instruction to the extent practical given limited resources.

Unfortunately, going into the fourth year of a flat base student allocation in the State's foundation formula, coupled with a State imposed cap on local municipal taxes that is approaching \$8 million below the Municipality of Anchorage tax cap, on top of a decline in federal funding and federal sequestration, the district is losing ground to inflation – especially extraordinary inflation associated with high medical costs.

Even with the diligent efforts of the district's dedicated teachers, principals and staff – the continuation of flat to declining funding coupled with continuing inflation jeopardizes the district's momentum. Over the past four years, the district has been building momentum on improving instruction, reinvigorating and modernizing curriculum to stay current in science, technology, engineering, math, and economics as well as continue to build a solid foundation in literacy. In the absence of funding to help catch up with inflation that momentum is jeopardized.

This budget presents the Administration's best effort to sustain public education with the least impactful reductions in light of limited resources.

Attachments

MF/EG

Appendices

1. Pro Forma Guidance
2. Pupil-Teacher Ratio History / Prelim
3. General Fund Operating Revenue Summary
4. Enrollment
5. Position Reduction/Realignment List
6. Preliminary Budget Presentation Outline
7. Performance Across Schedule Types [WA State, October 2006]
8. FY1415 Preliminary Budget under separate cover [www.asdk12.org/budget]

Pro Forma Guidance Summary

Pro Forma Budget Development Guidance Budget & Audit Committee Worksheet

draft: 18-Nov-13 6:30pm ****PRELIMINARY & SUBJECT TO CHANGE****
dev't: maf

SCENARIO 1: Develop plan to close FY1415 budget gap as outlined below; mindful of subsequent year outlook

ASSUMPTIONS

REVENUE FORECAST

- 1 Flat Base Student Allocation (\$5680)
- 2 \$7.5 M Gov/Leg Operating Increment
- 3 Local Municipal Contribution = State Mill Rate Cap
- 4 Fed sequestration continues (~8%)
- 5 Enrollment decline (-1.4% in FY1314; approx. 0.3%/year thereafter)
- 6 SPED Intensive enrollment = flat

BUDGET FORECAST

Salaries = track agreements, trend, CPI = 2.5%

Benefits = track agreements, trend, CPI+6.5% = 9%

Other than Personnel Services=trend, CPI = 2.5%

Extraordinary Budget items

ACA Reinsurance Fee = \$63 X 13,300 cov'd lives = \$0.83M

ACA Part-Time Threshold, 30 hours/week = \$0.7 M

General Liability Insurance & Legal Fees = +1.0M

Utilities: Electricity + Natural Gas + Water/Wastewater + Refuse = +0.3M

Broadband Connectivity Investments = +3.8 M over 2 yrs; \$1.0M + \$2.8M

Instructional Technology Innovation = +\$3.8M over 2 years; \$1.0M + \$2.8M


GENERAL FUND GUIDANCE

| | Current Year | Next Year | Following Year | NEXT TWO YEARS | Three Year Total | Pct of Three Year Total |
|-------------------------------------|--------------|-------------|----------------|----------------|------------------|-------------------------|
| (Millions) | FY1314 | FY1415 | FY1516 | FY1415-FY1516 | FY1314-FY1516 | |
| GF Pro Forma Revenue | 563.6 | 563.9 | 563.9 | | 1691.4 | 100.0% |
| GF Pro Forma Expense | 588.6 | 586.9 | 589.9 | | 1765.4 | |
| GF Budget Gap | 25.0 | 23.0 | 26.0 | 49.0 | 74.0 | 4.4% |
| Unrestricted Reserves Balance (BOY) | 30.4 | 23.4 | 21.4 | | | |
| Use Fund Balance up to: | 7.0 | 2.0 | 5.0 | 7.0 | 14.0 | 0.8% |
| Unrestricted Reserves Balance (EOY) | 23.4 | 21.4 | 16.4 | | | |
| Budget Gap Balance Remaining | 18.0 | 21.0 | 21.0 | 42.0 | 60.0 | 3.5% |

| | | | | | | |
|------------------|-----|-----|-----|--|-----|------|
| Increase Revenue | 0.0 | 0.2 | 0.4 | | 0.6 | 0.0% |
|------------------|-----|-----|-----|--|-----|------|

| Reduce Expense | PTR = Pupil Teacher Ratio | | | PTR = Pupil-Teacher Ratio | Pct Chg over 3 yrs |
|---|---------------------------------------|------------------------------------|------------------------------------|---------------------------------------|--------------------|
| | Decrease PTR / Add Teachers Rounddown | Increase PTR up to: E=+1.0, S=+1.6 | Increase PTR up to: E=+1.0; S=+1.0 | Sum of Three Years E = +1.5; S = +2.0 | |
| Direct Instruction & Instructional Support (TRS) | | | | | |
| FTE | 3,320 | 3,202 | 3,106 | | |
| YOY Change in FTE | 12 | 118 | 96 | 214 | 226 |
| \$/FTE (\$+ASDMB) | \$100,500 | \$103,013 | \$105,588 | | 6.8% |
| \$ Millions | | 12.2 | 10.1 | 22.3 | 22.3 |
| Support (PERS + Other) | | | | | |
| FTE | 2,540 | 2,460 | 2,362 | | |
| YOY Change in FTE | 143 | 80 | 98 | | 321 |
| \$/FTE (\$+ASDMB) | \$78,500 | \$82,430 | \$86,630 | | 12.6% |
| \$ Millions | 11.2 | 6.6 | 8.5 | 15.1 | 26.3 |
| Attrition (\$M) | 4.0 | ** | ** | | 4.0 |
| Other Than Personnel Services (\$M) | 2.8 | 2.0 | 2.0 | 4.0 | 6.8 |
| TOTAL (Revenue Increase, Expense Reduction) (\$M) | 18.0 | 21.0 | 21.0 | 42.0 | 60.0 |
| 3.5% | | | | | |
| TOTAL GENERAL FUND FTE REDUCTION | 214 | 198 | 194 | 392 | 606 |
| 10.3% | | | | | |




Appendix 2. Pupil-Teacher Ratio (PTR) History

| | K | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|----------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FY9495 | 20.50 | 24.00 | 24.00 | 26.00 | 27.00 | 27.00 | 27.00 | 26.25 | 26.25 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY9596 | 20.50 | 24.00 | 24.00 | 26.00 | 27.00 | 27.00 | 27.00 | 26.25 | 26.25 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY9697 | 20.50 | 24.00 | 24.00 | 26.00 | 27.00 | 27.00 | 27.00 | 26.25 | 26.25 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY9798 | 20.50 | 24.00 | 24.00 | 26.00 | 27.00 | 27.00 | 27.00 | 26.25 | 26.25 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY9899 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 26.25 | 26.25 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY9900 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 26.25 | 26.25 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0001 | 20.50 | 21.00 | 25.00 | 25.00 | 28.00 | 28.00 | 28.00 | 26.25 | 26.25 | 27.91 | 27.91 | 27.91 | 27.91 |
| FY0102 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0203 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0304 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0405 | 20.50 | 20.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0506 | 20.75 | 21.25 | 24.25 | 24.25 | 27.25 | 27.25 | 27.25 | 25.79 | 25.79 | 27.33 | 27.33 | 27.33 | 27.33 |
| FY0607 | 20.75 | 21.25 | 24.25 | 24.25 | 27.25 | 27.25 | 27.25 | 25.79 | 25.79 | 27.33 | 27.33 | 27.33 | 27.33 |
| FY0708 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0809 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY0910 | 20.50 | 21.00 | 24.00 | 24.00 | 27.00 | 27.00 | 27.00 | 25.54 | 25.54 | 27.08 | 27.08 | 27.08 | 27.08 |
| FY1011 | 20.50 | 21.00 | 24.00 | 24.00 | 27.25 | 27.25 | 27.25 | 26.25 | 26.25 | 27.91 | 27.91 | 27.91 | 27.91 |
| FY1112 | 20.50 | 21.00 | 24.00 | 24.00 | 27.25 | 27.25 | 27.25 | 26.25 | 26.25 | 27.91 | 27.91 | 27.91 | 27.91 |
| FY1213 | 20.50 | 21.00 | 24.25 | 24.75 | 25.25 | 25.25 | 26.25 | 27.25 | 27.25 | 29.41 | 29.41 | 29.41 | 29.41 |
| FY1314 | 20.00 | 21.00 | 24.00 | 24.00 | 25.00 | 25.00 | 26.00 | 27.25 | 27.25 | 29.41 | 29.41 | 29.41 | 29.41 |
| FY1415 Pro Forma | 21.00 | 21.00 | 25.00 | 25.00 | 26.00 | 26.00 | 27.00 | 28.75 | 28.75 | 31.00 | 31.00 | 31.00 | 31.00 |
| FY1415 Prelim | 20.50 | 21.50 | 24.50 | 25.00 | 26.50 | 26.50 | 27.50 | 27.50 | 27.50 | 31.00 | 31.00 | 31.00 | 31.00 |
| Spark Line |  | | | | | | | | | | | | |

General Fund Operating Revenue Summary**APPENDIX 3. GENERAL FUND OPERATING REVENUES**

| | Millions (\$) | | | | | FY1415 Projected vs FY1314 Bud | |
|--|----------------|----------------|----------------|------------------------|----------------|-----------------------------------|--------------|
| | Actual | Actual | Budget | Mid-Year Projection | Prelim | | |
| | FY1112 | FY1213 | FY1314 | FY1314 | FY1415 | Amt | Pct |
| State Public School Funding Formula | 507.952 | 517.991 | 518.224 | 507.860 | 512.532 | -5.692 | -1.1% |
| State Share | 311.645 | 325.447 | 325.593 | 319.082 | 318.119 | -7.474 | -2.3% |
| Local Municipal Tax Share | 196.307 | 192.544 | 192.631 | 188.778 | 194.413 | 1.782 | 0.9% |
| School District Fund Balance Contribution | 0.520 | -1.295 | 7.000 | 3.000 | 2.000 | | |
| State GF Operating Increments | 6.097 | 7.567 | 6.000 | 7.500 | 7.500 | 1.500 | 20.0% |
| Transportation (State) | 20.862 | 21.380 | 21.969 | 21.648 | 22.406 | 0.437 | 1.9% |
| Federal Impact Aid | 19.650 | 20.387 | 14.000 | 18.536 | 14.661 | 0.661 | 4.5% |
| Local User Fees & Activity Fees & Misc. | 1.705 | 2.121 | 1.600 | 1.920 | 1.680 | 0.080 | 4.8% |
| Federal e-rate | 1.838 | 1.944 | 1.690 | 1.698 | 1.724 | 0.034 | 2.0% |
| School Facility Rentals (Local) | 0.735 | 0.831 | 0.700 | 0.714 | 0.707 | 0.007 | 1.0% |
| Investment Income [Fund Balance] | 2.145 | -0.064 | 0.100 | 0.100 | 1.000 | 0.900 | nm |
| Jr. Reserve Officers Training Corps (JROTC) | 0.801 | 0.818 | 0.736 | 0.784 | 0.589 | -0.147 | -25.0% |
| On-Base Tuition (Federal) | 0.408 | 0.408 | 0.405 | 0.405 | 0.405 | 0.000 | 0.0% |
| Medicaid Reimbursement (Fed/State) | 0.143 | 0.000 | 0.200 | 0.500 | 0.500 | 0.300 | 60.0% |
| Subtotal (Other than State Formula) | 54.384 | 55.392 | 47.400 | 53.805 | 51.172 | 3.772 | 7.4% |
| Subtotal (State Formula + Other General Fund) | 562.336 | 573.383 | 572.624 | 564.665 | 565.704 | -6.921 | -1.2% |
| State Retirement On-Behalf Payments (GF Only) | 83.650 | 109.377 | 111.565 | 111.664 | 113.238 | 1.673 | 1.5% |
| TOTAL General Fund Including On-Behalf Payments | 645.986 | 682.760 | 684.189 | 676.329 | 678.942 | -5.247 | -0.8% |

APPENDIX 4. ENROLLMENT HISTORY & OUTLOOK

| | FY1011 Actual | FY1112 Actual | FY1213 Actual | FY1314 Actual | FY1415 Projected | Trend Line |
|----------------------|------------------|------------------|------------------|------------------|---------------------|---|
| Elementary | 24,483 | 24,297 | 24,298 | 23,885 | 23,697 |  |
| Middle School | 7,531 | 7,640 | 7,723 | 7,485 | 7,480 |  |
| High School | 12,938 | 12,682 | 12,633 | 12,400 | 12,378 |  |
| Alternative Schools | 1,470 | 1,485 | 1,482 | 1,459 | 1,440 |  |
| Charter Schools | 2,350 | 2,407 | 2,400 | 2,593 | 2,634 |  |
| Special Svcs Schools | <u>522</u> | <u>524</u> | <u>427</u> | <u>455</u> | <u>472</u> |  |
| Total | 49,294 | 49,035 | 48,963 | 48,277 | 48,101 |  |
| Difference | | (259) | (72) | (686) | (176) | |
| Pct Change | | -0.5% | -0.1% | -1.4% | -0.4% | |

Appendix 5. Position Reduction/Realignment List

| CLASSROOM INSTRUCTION | FTE Position Reductions | Notes |
|--|----------------------------|--|
| Reduction in FTE due to decreased enrollment | (44.0) | Enrollment down ~2% this year, projected to be slightly lower next year |
| Elementary Schools | (47.0) | Change in Pupil-Teacher Ratio (approx 1) 38-classroom; 5-PE/Health, 4 -Music/Art; proportional reductions |
| Middle Schools | (35.0) | Reduce 2 planning sections a day to 1 (1 planning section per day remains across divisions), maintain class size and course offerings to the extent possible; adjust pupil teacher ratio |
| High Schools & Alternative Schools | (33.0) | Adjust pupil-teacher ratio, move to 6/7 schedule to maintain class size and course offerings to the extent possible, match federal funding reductions in JROTC |
| SUBTOTAL | (115.0) | |
| Total Classroom Instruction | (159.0) | |
| INSTRUCTIONAL SUPPORT | FTE Position Reduction | |
| SpEd Transition Coordinators | (8.0) | Realignment |
| SpEd Teachers | 4.0 | Realignment |
| SpEd Secretarial | (4.0) | Realignment for decentralized services |
| SpEd Audiology Teacher | (0.5) | Vacant position |
| SpEd Teacher Assistants | (2.0) | Realignment |
| General Counselors | (8.3) | Realignment to general counseling pool |
| Highly Gifted Counselors | (2.0) | Realignment to general counseling pool |
| Gifted support at middle schools | (2.0) | Reductions parallel PTR adjustments |
| SUBTOTAL | (22.8) | |
| BUILDING LEADERSHIP AND SUPPORT | FTE Position Reduction | |
| Assistant Principals | (2.0) | Vacant positions |
| School Clerical | (4.0) | Manage vacancies and attrition |
| SUBTOTAL | (6.0) | |
| BUILDING/ANCILLARY SUPPORT SERVICES | FTE Position Reduction | |
| Maintenance | (9.0) | Realignment |
| SUBTOTAL | (9.0) | |
| DISTRICTWIDE SUPPORT/CENTRAL ADMIN. | FTE Position Reduction | |
| Prof. Learning restructuring | (3.5) | Restructure Professional Learning Department |
| World Languages | (1.0) | Realignment |
| STEM | (1.0) | Realignment |
| Health Services | (2.5) | Realignment, training services outsourced for 1; 1 vacant position; shift to grant for .5 |
| Assessment | (1.0) | Vacant position |
| Information Technology | (7.5) | Realignment and elimination of vacant positions |
| Finance | (3.0) | Realignment |
| Purchasing | (2.0) | Realignment, shift 1 FTE to capital funding for capital project support |
| Human Resources | (1.0) | Realignment |
| SUBTOTAL | (22.5) | |
| GRAND TOTAL STAFF REDUCTIONS | (219.3) | |
| ADDITIONAL REDUCTIONS | Reduction | |
| Districtwide supplies/materials | (\$1,400,000) | Districtwide reduction |
| High school swim classes | (\$270,000) | Reduce muni rental fee; no impact to Special Education IEP reqmts, swim/dive team |
| Sports reductions | (\$170,000) | Outsourcing of girls' hockey, travel reduction |
| SpEd addenda | (\$100,000) | Transition from elem specialized dept chairs to general elem dept chairs |
| Shift 3 facilities FTE to capital support | (\$150,000) | Reflects support of capital project delivery |
| Sub training/incentives | (\$50,000) | Adequate pool of certificated substitute teachers |
| SUBTOTAL | (\$2,140,000) | |
| NEW REVENUES | Revenue | |
| Student activity fees | \$120,000 | Proposed 10% fee increase for sports at tiered levels based on cost of the sport. |
| SUBTOTAL | \$120,000 | |
| PROGRAM ENHANCEMENTS | Enhancement | |
| ASD ISchool | \$420,000 | Enhance online year-round and summer opportunities |
| SUBTOTAL | \$420,000 | |

1/18/2014 10:45

Appendix 6. Preliminary Budget Presentation Outline

1. State of Alaska Revenue Outlook
 - 1.1. K-12 Investment as a Percentage of Total Expenditures
 - 1.2. K-12 Foundation Formula Adjustments
 - 1.2.1. Education Adequacy Models
 - 1.2.2. Inflation Catch-Up [1 year; 3 years + FY1415]
 - 1.2.3. No Change; flat base student allocation (BSA = \$5680/student)
2. Pro Forma Revenue Projection
 - 2.1. Enrollment decline (~2% over FY1314 + FY1415)
 - 2.2. Flat State Revenue, Declining Federal Revenue, "One-time" State increments continue, State Cap on Local Municipal Taxes for Operating Expenditures Continues
3. Pro Forma Guidance
4. Staffing Strategies & Benchmarks
 - 4.1. Increase teachers as a percentage of staff
 - 4.2. Council of Great City Schools Benchmarks
 - 4.3. Top 100 & Top 100 – largest 15 Benchmarks
5. Staffing Allocations
 - 5.1. Direct Instruction
 - 5.1.1. Elementary
 - 5.1.2. Middle
 - 5.1.3. High/ Alternative
 - 5.2. Instructional Support
 - 5.2.1. SPED
 - 5.2.2. ELL
 - 5.2.3. Gifted
 - 5.3. Building Leadership/ Admin
 - 5.4. Ancillary/ Building Services
 - 5.5. Systemwide/ Central Services
6. Other Than Personnel Services
7. Next Steps

Appendix 6. Excerpts from:

"Schedule Matters: The Relationship between High School Schedules and Student Academic Achievement" [Washington School Research Center, Baker, Joireman, Clay, Abbott, Research Report #9, October 2006]

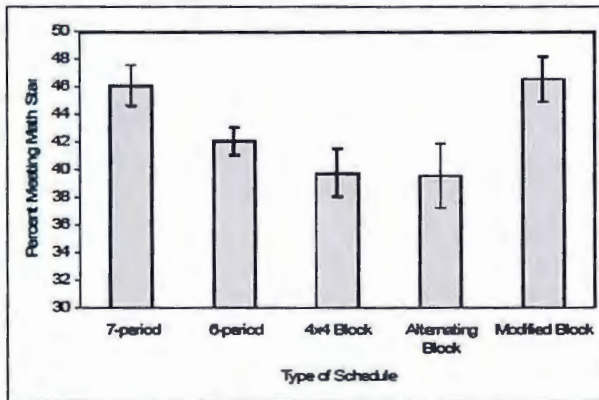


Figure 1. Covariate Adjusted Means for Percent Meeting Math Standard in Five Schedule Types²

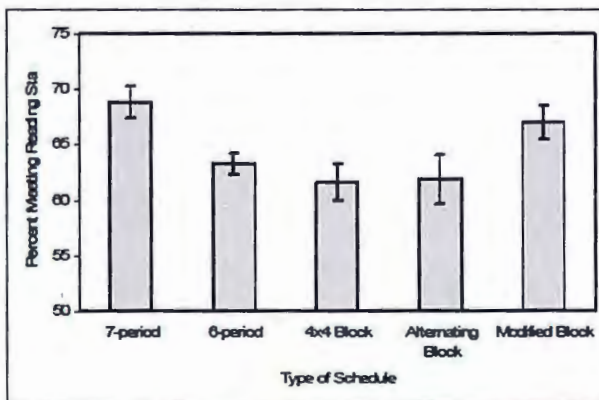


Figure 2. Covariate Adjusted Means for Percent Meeting Reading Standard in Five Schedule Types

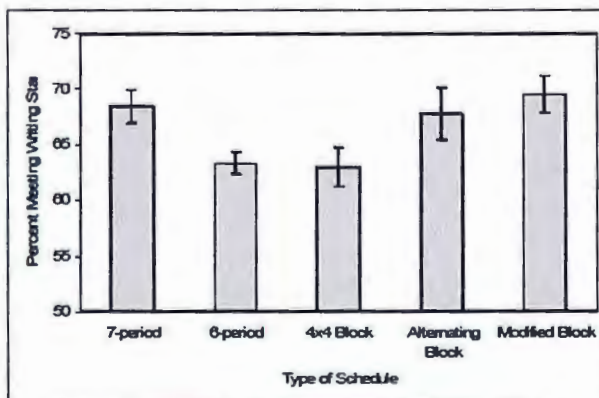


Figure 3. Covariate Adjusted Means for Percent Meeting Writing Standard in Five Schedule Types

Washington State Study

WA State High Schools >400

Alternative high schools excluded

322 available for participation

296 provided required data elements
(n=296, 91% response rate)

Free and reduced lunch percentage
identified as significant covariate

"Schools using the seven-period or
modified schedules performed
significantly better than those using
any of the remaining three schedule
types." (p. 10)

FY1415 Preliminary Budget

[under separate cover]

Also available on-line at:

www.asdk12.org/budget

CLERK'S OFFICE
APPROVED
 Date: 6-24-14

Submitted by: Chairman of the Assembly
 at the request of the
 School Board
 Prepared by: Anchorage School District
 For Reading: June 10, 2014

ANCHORAGE, ALASKA
 AO NO. 2014-59

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE PROVIDING
 FOR A REVISION OF THE ANCHORAGE SCHOOL DISTRICT BUDGET FOR
 FY 2014-2015

WHEREAS, the Second Session of the Twenty-Eighth Alaska State
 Legislature passed and the Governor signed House Bill 278, which increases the
 Base Student Allocation (BSA) \$150 to \$5,830 (\$11.131 million); and increases the
 factor for correspondence schools from 80 percent of Average Daily Membership
 (ADM) to 90 percent of ADM (\$0.5 million); and provides general operating grants
 outside of the BSA (\$12.807 million); and allows all funds distributed by adjusted
 ADM to be included in the maximum additional local contribution; and

WHEREAS, the Municipality of Anchorage Assembly passed and the
 Mayor signed AO 2014-54(S), which levies additional property tax revenue for
 schools in the amount of \$5.8 million as a result of the increase in allowable local
 funding provided for in House Bill 278; and

WHEREAS, the Second Session of the Twenty-Eighth Alaska State
 Legislature passed and the Governor signed the Capital Budget, Senate Bill 119,
 which appropriates district wide capital grants for schools (\$11.7 million). The
 district had anticipated roughly \$12.3 million in State capital grants and has
 adjusted its budget downward by \$0.607 million; and

WHEREAS, the Anchorage School District's Student Nutrition Department
 has applied for and received permission from the State of Alaska to participate in
 the Federal Community Eligibility Provision Program beginning in FY 2014-2015.
 This program allows the district to provide free breakfast and lunch to the entire
 student population in 10 new schools and will be funded by an additional \$2.72
 million in Federal reimbursements; and

WHEREAS, the district reviewed individual federal grants and outstanding
 grant applications and has subsequently updated its local/state/federal grant

projection to a total of \$50.405 million, an increase of \$0.407 million from the prior projection; and

WHEREAS, the increase in revenues provided in AO 2014-54(S) and HB 278 have allowed the district to reduce the amount of fund balance needed to balance the budget by \$2.279 million, bringing the total amount down to \$1.621 million; and

NOW THEREFORE, the Anchorage Assembly ordains:

Section 1: That the following revisions in total are approved:

REVENUES

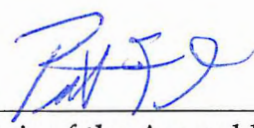
| | FY 2014-2015 Adopted Budget as of 3/25/2014 | Requested Revision | FY 2014-2015 Revised Budget as of 5/19/2014 |
|------------------------------------|--|-----------------------|--|
| <u>Fund Description</u> | | | |
| General | \$567,604,000 | \$ 20,459,385 | \$ 588,063,385 |
| Local/State/Federal Projects | 49,998,000 | 407,000 | 50,405,000 |
| Debt Service | 87,464,434 | -0- | 87,464,434 |
| Capital Projects | 12,289,000 | (607,000) | 11,682,000 |
| Food Service | 19,045,814 | 2,720,136 | 21,765,950 |
| Student Activities | <u>7,048,000</u> | <u>-0-</u> | <u>7,048,000</u> |
| TOTAL ANCHORAGE SCHOOL DISTRICT | <u>\$743,449,248</u> | <u>\$ 22,979,521</u> | <u>\$766,428,769</u> |
| DIRECT APPROPRIATION | | | |
| State of Alaska TRS/PERS | \$185,924,000 | \$ 10,978,000 | \$196,902,000 |
| On-Behalf Allocation | | | |
| TOTAL ALL FUNDS | <u>\$929,373,248</u> | <u>\$ 33,957,521</u> | <u>\$963,330,769</u> |

LOCAL TAXES

| | FY 2014-2015 Taxes AO 2014-33 <u>as of 3/25/2014</u> | Tax Increase Contribution Previously <u>Approved</u> | FY 2014-2015 Revised Taxes AO 2014-54(S) <u>as of 4/28/2014</u> |
|---------------------------------|---|---|--|
| TOTAL LOCAL TAX CONTRIBUTION | <u>\$233,776,423</u> | <u>\$5,800,000</u> | <u>\$239,576,423</u> |

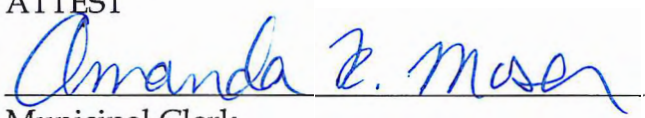
Section 2: That this resolution is effective upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly, this 24th day of June 2014.



Chair of the Assembly

ATTEST



Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM No. 237-2014

Meeting Date: June 10, 2014

FROM: ANCHORAGE SCHOOL DISTRICT

SUBJECT: ANCHORAGE SCHOOL DISTRICT REVISED FINANCIAL PLAN
AND BUDGET: FY 2014-2015

On May 19, 2014, the Anchorage School Board approved changes to the Anchorage School District Budget for fiscal year 2014-2015 reflecting increases associated with State Legislation (Base Student Allocation, Adjusted Average Daily Membership for correspondence schools, general operating grants outside the BSA, capital grants, increased allowable local contribution), increases to the local contribution, approval of additional schools participating in the Federal Eligibility Provision Program, and an updated estimate of competitive Federal grant receipts. [See Exhibit I]

The proposed increase in the Anchorage School District's upper spending limit increases the upper limit by \$22.980 million, raising the total direct budget from \$743.449 million to \$766.428 million as delineated in Table 1 below.

Table 1. Anchorage School District Budget - FY 2014-2015

| Table Line # | Fund Description | FY 2014-2015 Budget | Proposed Increase | FY 2014-2015 Proposed Revised Budget |
|--------------|--|-----------------------|----------------------|--------------------------------------|
| 1 | General | \$ 567,604,000 | \$ 20,459,385 | \$ 588,063,385 |
| 2 | Local/State/Federal Projects | 49,998,000 | 407,000 | 50,405,000 |
| 3 | Debt Service | 87,464,434 | - | 87,464,434 |
| 4 | Capital Projects | 12,289,000 | (607,000) | 11,682,000 |
| 5 | Food Service | 19,045,814 | 2,720,136 | 21,765,950 |
| 6 | Student Activities | 7,048,000 | - | 7,048,000 |
| 7 | Total Direct | 743,449,248 | 22,979,521 | 766,428,769 |
| 8 | State of Alaska TRS/PERS On-Behalf Allocation | \$ 185,924,000 | \$ 10,978,000 | \$ 196,902,000 |
| 9 | TOTAL ALL FUNDS | <u>\$ 929,373,248</u> | <u>\$ 33,957,521</u> | <u>\$ 963,330,769</u> |

AO No. 2014-59

26 The proposed revision is further delineated by funding source in Table 2 below.
 27

Table 2. Proposed Revisions to the Anchorage School District Budget - FY 2014-2015

| Summary | Local Funding | State of Alaska Foundation Formula | State of Alaska Funding Outside Formula | Federal Funding | Total |
|---------|------------------|--|---|--------------------|-------|
|---------|------------------|--|---|--------------------|-------|

MUNICIPALITY OF ANCHORAGE RELATED UPDATES

AO 2014-54(S)

Additional Allowable Funding Under House

| | | | | | |
|----------|--------------|--|--|--|--------------|
| Bill 278 | \$ 5,800,000 | | | | \$ 5,800,000 |
|----------|--------------|--|--|--|--------------|

STATE OF ALASKA RELATED UPDATES

House Bill 278

| | | | | | |
|---|---------------|--|--|--|---------------|
| \$150 Increase to Base Student Allocation | \$ 11,131,000 | | | | \$ 11,131,000 |
|---|---------------|--|--|--|---------------|

| | | | | | |
|--|------------|--|--|--|------------|
| Change in Correspondence Charter School from 80% of ADM to 90% of ADM | \$ 500,265 | | | | \$ 500,265 |
|--|------------|--|--|--|------------|

| | | | | | |
|--|--|--|---------------|--|---------------|
| General Operating Grant Outside the Funding Formula | | | \$ 12,807,120 | | \$ 12,807,120 |
|--|--|--|---------------|--|---------------|

| | | | | | |
|---|--|--|----------------|--|----------------|
| Removal of the Expected Incremental Funding in the Governor's Original Operating Budget | | | \$ (7,500,000) | | \$ (7,500,000) |
|---|--|--|----------------|--|----------------|

Senate Bill 119

| | | | | | |
|--|--------------|--|--|--|--------------|
| Decrease in the Amount of Expected Capital Grants | \$ (607,000) | | | | \$ (607,000) |
|--|--------------|--|--|--|--------------|

FEDERAL GOVERNMENT RELATED UPDATES

| | | | | | |
|--|--|--|--|--------------|--------------|
| 10 New Schools Participating in the Federal Community Eligibility Provision Program | | | | \$ 2,720,136 | \$ 2,720,136 |
|--|--|--|--|--------------|--------------|

| | | | | | |
|--|--|--|--|------------|------------|
| Updated Competitive Federal Grant Projection | | | | \$ 407,000 | \$ 407,000 |
|--|--|--|--|------------|------------|

OTHER LOCAL UPDATES

| | | | | | |
|--------------------------------------|----------------|--|--|--|--|
| Reduction in the Use of Fund Balance | \$ (2,279,000) | | | | |
|--------------------------------------|----------------|--|--|--|--|

| | | | | | |
|----------|--------------|---------------|--------------|--------------|---------------|
| SUBTOTAL | \$ 3,521,000 | \$ 11,024,265 | \$ 5,307,120 | \$ 3,127,136 | \$ 22,979,521 |
|----------|--------------|---------------|--------------|--------------|---------------|

| | | | | | |
|---|--|--|--|--|---------------|
| Associated Change in Projected State of Alaska TRS/PERS On-Behalf Payments | | | | | \$ 10,978,000 |
|---|--|--|--|--|---------------|

| | | | | | |
|--------------------------|--|--|--|--|---------------|
| TOTAL CHANGE - ALL FUNDS | | | | | \$ 33,957,521 |
|--------------------------|--|--|--|--|---------------|

28
 29 House Bill 278

30
 31 The Legislature passed HB 278 which increases the Base Student Allocation
 32 \$150 from \$5,680 to \$5,830 for FY 2014-2015. The bill provides \$50 BSA increases
 33 in FY 2015-2016 and 2016-2017 as well. The net effect of this change is
 34 approximately \$11.131 million for FY 2014-2015. In addition to the BSA

increase, HB 278 changed the amount of the adjustment to Average Daily Membership (ADM) of correspondence schools from 80% of ADM to 90% of ADM which increased the district's total Foundation Formula revenue by about \$0.5 million.

HB 278 provides additional funding for general operating expenditures outside the BSA in the amount of \$42.95 million for FY 2014-2015, \$32.24 million for FY 2015-2016, and \$19.9 million for FY 2016-2017 which will be distributed to all districts statewide based on their adjusted ADM. Anchorage's share of these funds will be approximately \$12.807 million for FY 2014-2015. These funds replace the one-time incremental funding of about \$7.5 million that Anchorage was due to receive, and had previously budgeted, from the Governor's proposed operating budget.

HB 278 also changed the formula for the maximum allowable local contribution that local governments can contribute to education and now includes funds provided outside the BSA, distributed on the basis of adjusted ADM, to be included in the additional allowable contribution calculation. This includes the general operating grants listed above as well as the Quality Schools Grant.

AO 2014-54(S)

The Municipality of Anchorage Assembly passed and the Mayor signed Assembly Ordinance AO 2014-54(S) increasing the local contribution to ASD by \$5.8 million, the additional maximum allowed under the new formula set forth in HB 278. The additional funds have allowed the district to invest in 60 additional FTE for direct classroom instruction.

In addition, the Assembly discontinued the practice of billing the district for the Anchorage Police Department personnel (\$2.25 million), known as School Resource Officers that have offices in school district facilities, as well as a share of the cost of tax collection (\$0.25 million). This resulted in a reduction of \$2.5 million that the district was able to put back into direct classroom instruction providing an additional 26 FTE. This brings the total number of direct classroom instruction teachers added by Assembly Ordinance to support schools to 86 FTE.

Senate Bill 119

The Legislature signed Senate Bill 119 including \$12 million in capital budget appropriation grants that will benefit the Anchorage School District consisting of \$10 million for a variety of capital grants, \$172,626 in re-appropriations, and \$1.4 million in pass through grants to community groups to support student athletic

activities. The district anticipated receiving roughly \$12.3 million in capital grants from the State and has adjusted its budget downward by \$.06 million to reflect the actual grant award.

Federal Grants

Federal grants were originally budgeted at \$49.998 million. The district continues to review individual grant awards and outstanding applications. Based on currently available information, the district projects an increase of \$0.407 million for a revised total of \$50.405 million in federal grants.

Federal Sources and Uses – Student Nutrition

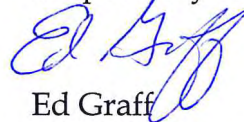
The Anchorage School District Student Nutrition Department has applied for and received permission from the State of Alaska to participate in the Federal Community Eligibility Provision Program beginning in FY 2014-2015. Participation in the program will enable the Student Nutrition department to provide free breakfast and lunch to the entire student population in 10 new schools, bringing the district total to 30 schools offering free meals to their students.

Under the Community Eligibility Provision Program, the district expects to generate an additional \$2.72 million in federal reimbursement for meals to be included as new revenue for the Food Service Fund with a corresponding increase in expenditures.

Reduction in the Use of Fund Balance

The increase in revenues provided in AO 2014-54(S) and HB 278 have allowed the district to reduce the amount of fund balance needed to balance the budget by \$2.279 million, bringing the total amount down to \$1.621 million.

Respectfully submitted,



Ed Graff
Superintendent

EG/MF

Reference – Anchorage School District Board Memo #222 (May 19, 2014)
<http://www.asdk12.org/budget/>