

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #112 (2006-2007)

November 13, 2006

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FISCAL YEAR 2007-2008 FINANCIAL PLANNING

ASD Goals: Ensure public accountability through continued preparation and publication of budget basics, and budget; and effective communications with students, staff, parents, community and government at all levels.

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2007-2008 Preliminary Financial Plan in accordance with the financial projections set forth in this memorandum. Specifically, the budget for FY 2007-2008 is to be established for planning purposes with projected revenues and use of fund balance not-to-exceed \$620,954,219. This includes individual fund budgets currently projected as follows:

	<u>FY 2007-2008 Financial Plan</u>
General Fund	\$ 476,248,205
Food Service Fund	15,500,000
Debt Service Fund	79,206,014
Local/State/Federal Grants Fund	<u>50,000,000</u>
Total - All Funds	<u>\$ 620,954,219</u>

It is further recommended that the School Board authorize the Superintendent to adjust the budget expenditure ceiling indicated above in accordance with any negotiated contract adjustments and other associated cost increases, further review of the fee structure, School Board requests, Administration, Budget Review Teams, community, staff and student recommendations as implemented by the Superintendent. In addition, flexibility must be allowed for adjustments if more information regarding the funding, or lack thereof, for the

increased certificated and classified retirement rates approved by the Alaska Retirement Management Board (ARMB). Flexibility must also be allowed for adjustments based on the budget being in alignment with academic achievement, updated demographic and/or economic information.

PERTINENT FACTS:

With direction of the School Board at the work session on October 30, 2006 to proceed with the use of a portion of the undesignated fund balance, the Administration is recommending use of \$3.225 million of fund balance to reduce the fiscal gap from \$20.446 million to \$17.221 million. The undesignated fund balance will be 3.5 percent of the FY 2007-2008 projected budget after honoring the required amount agreed to with the Municipality of Anchorage for bond rating purposes. The School Board directed the Administration to use the undesignated fund balance as a funding source and gave suggestions as to where they would like the Administration to review and consider for inclusion in the FY 2007-2008 Financial Plan. The School Board did not want the Administration to use the fund balance for on-going expenses but one of the suggestions was that of using the funds for the Student Information System (SIS).

Since the Work Session, information regarding the deductible portion of Federal Impact Aid for the FY 2007-2008 Alaska Public School Funding Program has been updated resulting in a funding reduction of approximately \$631,000. The revenue projections have been adjusted to reflect this updated information resulting in a fiscal gap of \$17.852 million.

Every budget cycle has to deal with many uncertainties. For FY 2007-2008, the projections are more difficult to determine due to many looming uncertainties with major budgetary implications. These uncertainties include current year contract negotiations for AEA (Anchorage Education Association), timing of Legislative action, and notifications from outside agencies pertaining to rate increases. Another major uncertainty involves funding for the ARMB approved certificated and classified retirement rates, support of this funding at the State level, and whether or not these funds will be deposited directly into the retirement system or as a pass-through to the employer. All of these uncertainties have **major impacts** on the FY 2007-2008 Financial Plan. (A more detailed listing can be found on page 14 of this memorandum).

This memorandum presents financial planning considerations that will be used in developing the FY 2007-2008 Preliminary Financial Plan, allowing the School Board the opportunity to review significant financial issues which will be addressed during the budget hearings in January.

THE BUDGETING PROCESS

The budget provides a blueprint for the Anchorage School District's educational goals. When developing the budget, the Anchorage School District has an obligation to its many stakeholders—the students, parents, employees, and community members—to consider each group's priorities and balance them with the District's stated mission of educating all students for success in life. The FY 2007-2008 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

These initial projections for FY 2007-2008 are prepared using the most current information available. Existing funds and cost savings are directed to District programs to ensure that progress is made in achieving the current School Board Goals. The budget development process is mindful of the District's Six-Year Instructional Plan with the responsibility of designating financial and human resources within projected revenues.

The budget continues to realign the District's priorities, as budgeting is a progressive process. The balanced budget concept, Alaska Public School Funding, and the local property tax limitation necessitate early predictions of both revenues and expenditures. Schools and departments review their programs and responsibilities; assess what is being done during the current fiscal year and what progress is being made; begin making plans for next year and future years and then prepare budget requests based on their program requirements and how they support the Goals and Mission of "educating all students for success in life." Input from the Budget Review Teams, community members, students, staff members and suggestions may result in change or elimination of existing programs or implementation of new ones. In spite of the fiscal gap of \$17.852 million, the focus still remains on evaluating the need for additional staff, supplies, and other operating expenses. It may be determined that efficiencies can be achieved through better resource management or teaming with other agencies.

Federal, State or local mandates may necessitate the District to incorporate additional responsibilities and/or initiate new programs within the District. Various demographic and economic factors must be evaluated for their impact on the budget. Then, the total of all school and department budgets plus any new facilities or change in program requirements are compared to anticipated revenues.

Student enrollment, revenues, and expenditures are projected on a preliminary basis. The following sections on Student Enrollment Projections, General Fund Revenues and Expenditures, and Other Funds summarize the principal

financial planning factors involved in preparing initial FY 2007-2008 projections. Major revenue and expenditure considerations and budget development criteria are also included.

STUDENT ENROLLMENT PROJECTIONS

Student Enrollment—The most significant factor in the budget development process is the number of students served. Enrollment projections are based on enrollment history, profile, and both demographic and economic considerations. The General Fund budget is developed using the FTE (full-time equivalent) student count, weighting half-day kindergarten at one-half and preschool students at one-half or one-quarter, which is consistent with their programs.

In order to project student enrollment, District staff works closely with the Municipality of Anchorage in utilizing the Municipality's Geographic Information System. The following schedule summarizes the actual and projected student enrollment information for FY 2004-2005 through FY 2007-2008 on both a full count and FTE basis.

	Actuals 2004-2005 <u>9/30/04</u>	Actuals 2005-2006 <u>9/30/05</u>	Actuals 2006-2007 <u>9/30/06</u>	Projected 2007-2008 <u>9/30/07</u>
Total Number	49,454	49,589	49,068	48,848
Change over previous year	(209)	135	(521)	(220)
FTE (Full-Time Equivalent)	49,239	49,353	48,816	48,580

Variable General Fund expenditures will be revised periodically for changes in enrollment projections. With proposals under consideration for two new charter schools for FY 2007-2008, we will continue to review projected enrollment to determine if we need to make adjustments before the Preliminary Budget is submitted to the School Board in January 2007.

GENERAL FUND

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

Revenues

Alaska Public School Funding Program—The largest single revenue source to the District comes from the Alaska Public School Funding Program. The School Board and the Administration are very hopeful that the new Governor and Legislature will continue recognition of the need for increased K-12 education funding. The need to mitigate the extraordinary employer contribution rate increase approved by the ARMB to the Teachers Retirement System (TRS) and Public Employees Retirement System (PERS), fuel costs, insurance and other expenses affected by inflation and funding to assist with meeting adequate yearly progress as defined by state and federal regulations will require prompt legislature action. Hopefully, during this upcoming legislative session, the Legislature will continue to advocate for the students in our communities with early approval of an educational funding package and also advocate for additional increases in revenues supporting public education so as to ensure solid education programs continue.

This Program is expected to provide approximately 55.9 percent of the District's General Fund revenues. This is based on continuing the same per pupil amount for the base student allocation of \$5,380 and continuation of the Quality School Grant at \$16 per pupil. Based on current enrollment projections, the amount of funding for FY 2007-2008 is \$266.027 million, which is \$10.154 million less than the current FY 2006-2007 budget. Three other factors also impact the projected level of funding: (1) decrease in anticipated enrollment, (49,068 budgeted for FY 2006-2007 and 48,848 projected for FY 2007-2008); (2) decrease in identifying Level III intensive special needs students results in a \$.215 million decrease of revenue; and (3) the \$3.757 billion increase in State assessed property valuation for the Municipality. The increase in the State's assessed valuation results in larger required deductions causing a reduction in the Alaska Public School Funding Program funding.

The Alaska Public School Funding Program is based on the average daily membership (ADM)—determined by the District's enrollment and special education intensive count—processed through a school size factor and special needs formulae to establish the District's "basic need." The required local contribution and a percentage of the Federal Impact Aid funding that the District receives for Federally-connected students is then subtracted from the "basic need" to determine revenue. The Alaska Public School Funding formula defines the required local share as being the lesser of 45 percent of "basic need" or 4 mills times one-half of the annual increase in assessed valuation compared to the 1999 base year of total State assessed full and true valuation of local real estate, inventory and other taxed personal property for the second preceding year, added to the prior year's calculated assessed valuation. **An increase to the**

assessed valuation reduces the potential amount of Public School Funding revenue. The Alaska Department of Community and Economic Development has notified the District that the assessed valuation for Anchorage has increased from \$25.077 billion to \$28.834 billion.

School Improvement Grant— These projections do not include the appropriation of \$3.993 million of one-time funding that was approved by the legislature in House Bill 13 for FY 2006-2007.

Local Property Taxes— Local property tax contribution is the District's second largest General Fund revenue source. **Projected local property tax revenue for FY 2007-2008 is based on requesting the full amount of taxes available under the local property tax limitation independent of the Municipality's share of the tax cap.** The amount requested is \$1.755 million under the maximum allowable local contribution permitted by the Alaska Public School Funding Program.

The local property tax limitation provides for an annual adjustment for inflation, five-year Anchorage population change, operation and maintenance on new voter-approved facilities and new construction.

The projected inflation rate used for planning purposes is 3.9 percent. This preliminary estimate is the rate being used by both the District and the Municipality of Anchorage in the property tax limitation calculations. The official Consumer Price Index (CPI) will not be available until February 2007. As determined by the State Department of Commerce, Community and Economic Development, the five-year Anchorage municipal population change used for planning purposes is 1.26 percent, with the official percentage growth not available until January 2007. The projected combined rate of 5.16 percent for FY 2007-2008 is .80 percent more than the current rate of 4.36 percent for FY 2006-2007.

Included in the revenue projections are voter-approved taxes associated with the operation and maintenance costs for the major renovations at Service High School and the new Muldoon area middle school.

It is anticipated that these increases—and increased taxes allowed on new construction or property improvement—will increase the amount of taxes available in the General Fund by approximately \$14.6 million. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

Federal Impact Aid— The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated

\$12.0 million. Uncertain at this time is any student enrollment adjustment as a result of the deployment of military personnel and the relocation of their families. The outcome of these military decisions will have an impact on future funding.

The amount of Federal Impact Aid revenue each year is uncertain because it is subject to pro-ration based on the annual funding appropriated by Congress. In addition, the percentage of the total number of federally-connected students to the total number of students the State has direct responsibility for—including military students and children educated at Mt. Edgecumbe—and potential formula changes, could result in fluctuations in Federal Impact Aid funding to the District. This coupled with the fluctuation from year-to-year in the number of students living on military land, which can partially result from on base/post housing renovations, adds to the uncertainty of Federal Impact Aid revenue during the budget process.

This Program is subject to annual Congressional appropriation and will be monitored. We do not know, for example, if the District will receive prior year adjustment payments during FY 2007-2008.

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

At this time, based on guidance from the School Board at the October 30th Work Session, the Administration has included \$3.225 million of fund balance as a revenue source to reduce the original fiscal gap of \$20.446 million. Using \$3.225 million of fund balance will provide an undesignated fund balance of 3.5 percent of the FY 2007-2008 projected budget and still honor the agreement to maintain a fund balance in the General Fund at year end in an amount equal to or greater than 8.25 percent of total General Fund revenues from local tax appropriations to enhance the Municipality's bond rating.

Pupil Transportation Reimbursement—The preliminary FY 2007-2008 revenue projection for Pupil Transportation is based on the State transportation funding mechanism adopted in July 2003 that caps the per student allocation at the 2003 level with inflationary adjustments established at one-half the Anchorage consumer price index in 2004 and 2005. The inflationary provision expired on

June 30, 2006; therefore, the projections do not include a CPI adjustment. If the Legislature makes any adjustments to the formula they will be included in future projections.

User Charges and Fees— Fees will continue to be assessed for musical instrument usage, ASD documents, High School and Middle Level Student Activity fees, High School parking fees, summer school, credit course training fees, and rental fees. Consideration and further review will be given to all Budget Review Teams’ recommendations of rate adjustments before the Financial Plan is brought forward to the School Board in January 2007. The rates in this memorandum are those in place for FY 2006-2007 and are as follows:

Summer School	\$80 per course (Elementary and Middle)
Summer School	\$85 per course (High School)
Music Instrument Usage Fee	\$40 per instrument
Middle Level Activity Fees	\$75 per activity
High School Activity Fees	\$125 per activity
High School Parking Fees	\$50 per semester
Facility Rental Fees	\$575,000
Family Cap for Activity Fees	\$325

Medicaid—Based on an assertive action plan by the District to ensure that the funding is obtained, it is estimated that the District will receive approximately \$1.0 million in Medicaid funding. The District is working closely with the Department of Health and Social Services (DHSS) to ensure that we obtain the maximum eligible funds for the District. The DHSS has established procedures that will make the process less cumbersome for districts. They have put the survey form on-line and have provided training to the District. The District has put in place guidelines to secure training for personnel randomly selected by DHSS and will monitor this closely to ensure that we maximize the amount of revenues the District is eligible to receive.

E-Rate—The District has not yet received the funding commitment letter from the Universal Service Administrative Company (USAC) for FY 2006-2007; however, the District has been working with the Program Integrity Assurance group of USAC and anticipates a funding commitment letter later this year. There are no significant program changes that would alter FY 2007-2008 revenue projections from the FY 2006-2007. The District receives all eligible revenues based on all eligible expenditures.

Expenditures

Student and program needs and a commitment to use the funds economically drive expenditure projections. Over the next several weeks the recommendations received from the Budget Review Teams, interested

community members, staff, students, and the Administration will be considered and incorporated into the budget where appropriate, and may change the following assumptions used for these projections. **Both revenue enhancements and expenditure reductions will be incorporated to bring the budget into balance.**

Salaries and Benefits—Employee salaries, wages, and benefits are projected to be approximately 87 percent of the operating cost of the District. The projections include consideration for the last best offer for the Anchorage Education Association (AEA) and the “me too” clauses for the other bargaining groups. In addition, the projections include consideration for contract negotiations for the Anchorage Principal Association (APA) and compensation consideration for Exempt personnel. Compensation provisions for completed contracts and payroll tax adjustments known at this time are also included in the expenditure projections. Funding for mandatory retirement increases for certificated retirement (26 percent to 54.03 percent) and classified retirement (24.25 percent to 40.89 percent) **have not** been included. The current rates of 26 percent and 24.25 percent respectively, are the rates used in the projections set forth in this memorandum. If the support to fund the retirement programs is not supported at the State level, the District will face an additional deficit of approximately \$68 million.

Average Teacher Salary—Due to the on-going negotiations with the AEA, it is difficult to come up with the final average teacher salary to be used in the budgeting process for FY 2007-2008. Further review and analysis of the current teacher salaries will be made to assist in determining an average teacher to be used at this time. Contributing factors that will determine the average teacher salary to be used based on historical information will be step increases, educational attainment and projected turnover. An analysis of the number of vacancies at any given time will also be considered.

Staffing—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2007. Official projections are based on actual enrollment as of September 30, 2006.

Certificated Teaching Positions—Budgeted teaching staff is based on the FY 2006-2007 PTR (pupil to classroom teacher staff ratios). Adjustments have been included for staffing based on enrollment changes, program realignment, and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of challenging opportunities with over 90 languages spoken in the Anchorage Schools other than English.

Kindergarten (FTE)	20.75 to 1
Grade 1	21.25 to 1
Grades 2-3	24.25 to 1
Grades 4-6	27.25 to 1
Grades 7-8	25.79 to 1
Grades 9-12	27.33 to 1
Special Education	Staffing is based upon demonstrated need and program (consistent with current year)

Indirect Cost—In addition to charging eligible grants, the Administration plans to continue the practice put in place for charging the Food Service Fund using the State-approved indirect cost rate. This more accurately reflects the cost of services provided to the Food Service Fund by various departments budgeted in the General Fund. It is anticipated that by early spring 2007 the District will be appraised of the approved indirect cost rate for FY 2007-2008.

Contracted Services—Where appropriate, an inflationary adjustment to contracts will occur. A very close review of actual contracted services will determine if inflationary increases are warranted. If other known rate increases are warranted, they will be included in the budget. Utilities are budgeted based on analysis of usage and cost saving measures being taken, and are then adjusted according to projected rate increases and/or decreases as recommended by the utility agencies. With rate adjustments occurring mid-year FY 2006-2007, review of actual projected expenditures for this year, and as of November 1, 2006 the loss of the 8.5 percent discount rate previously received from Aurora Gas, approximately 3 percent to 42 percent increases for the utilities are projected over the current year utility budgets.

Pupil Transportation—Expenditures for contracted pupil transportation routes or FY 2007-2008 include an estimated increase based on COLA of 3.9 percent. However, revenue funding to support the expenditures no longer provides for the COLA adjustment.

Major Maintenance—The Administration recommends maintaining the funding level for major maintenance projects of \$2.483 million for some of the District's more than 94 schools and facilities. As our facilities continue to age, periodic maintenance must take place on a regular basis to keep the buildings in good repair for optimum safety and efficiency. The community has voiced strong support for prioritizing this use of funds.

Supplies—Some departments may show an increase in supplies based on departmental need to service the total District program requirements (i.e., fuel requirement to run District buses and vehicles and postage). The current projections include an inflationary increase to the per pupil allocation for school

supplies and equipment. In addition, the FY 2007-2008 supply and equipment allocation for the new Muldoon area middle school is four times the regular rate of existing middle schools to help offset some of the extraordinary expenditures of opening a new school.

Equipment—Replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund.

New School and Additions—Included in our expenditure projections are costs associated with the operation and maintenance costs for the major renovations at Service High School and the opening of the new Muldoon area middle school.

Additional Programs/Enhancements—At the School Board Work Session on October 30th, the School Board requested the Administration to consider all the suggestions from the Budget Review Teams, community, staff, and students for budget reductions and/or cost saving measures for inclusion in the FY 2007-2008 Financial Plan. During the next several weeks, careful review and consideration of those suggestions will be given. In addition, the Six-Year Instructional Plan will play a major role in the review of weeding out programs that are not working in order to provide funding for existing programs or enhancements to programs that the School Board would like the Administration to consider being included in the preliminary budget presented to the School Board in January.

OTHER FUNDS

Food Service Fund—This fund is used to budget and account for operations of the Student Nutrition Program. The FY 2007-2008 budget has been increased from \$15.0 million to \$15.5 million. The budget for this fund covers both the direct and indirect cost of providing meals to students. These costs include all payroll costs, including increased hours for staff, food costs, the cost of support services, equipment repair and replacement costs, and overhead charges. Compensation provisions for completed contracts, and upward movement in food costs have been included in the projections.

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

The Administration is recommending the use of the Food Service undesignated fund balance for the FY 2007-2008 Food Service Fund budget. The undesignated fund balance for the Food Service Fund as of June 30, 2006 was

approximately \$857,000. Use of the undesignated fund balance of \$193,000 is being recommended to support the FY 2007-2008 Food Service budget. This will leave an approximate amount of \$664,500, which is 4.3 percent of the FY 2007-2008 Food Service Fund budget as presented in this memorandum. A \$.25 per meal increase in elementary, middle and high school breakfast and lunch full price meals is anticipated and will be directed towards the procurement and providing of healthy choice menu items. **This year's budget will be monitored through the middle of December to determine if the price per meal needs need to be adjusted before the preliminary budget is presented in January.** It is projected that no local tax support will be required for the Food Service Fund in FY 2007-2008.

Funding for mandatory retirement increases for classified retirement (24.25 percent to 40.89 percent) **has not** been included. The current rate of 24.25 percent is the rate used in the projections set forth in this memorandum. If the support to fund the retirement programs is not supported at the State level to deposit the funds into the retirement system directly, the Food Service Fund will face a deficit of approximately \$390,000 unless the price per meal is increased to \$.45 in the elementary, middle and high school breakfast and lunch full prices meals.

Debt Service Fund—This fund is used to budget and account for principal and interest payments on existing school bonds as well as the revenues necessary to fund these expenditures. Some of the District's bonds receive State debt reimbursement, which varies depending on the year in which the bond proposition was approved. Due to savings incurred from the sale of new bonds at lower than anticipated interest rates and refinancing outstanding bonds, the District is able to use accumulated fund balance as a revenue source. Potential bond propositions for April 2007 have not been included in the projections.

Local / State / Federal Grants Fund—Expenditures in the Local/State/Federal Grants Fund are offset by matching revenues. The District continues to be successful in increasing grant funding from various State and Federal agencies and other sources. Revenues available through grants for these projects include competitively awarded grant funds—most of which are subject to annual federal and State appropriations. It is projected that budgets for FY 2007-2008 grants may increase approximately \$1.0 million based on discussion with grant writers. Ongoing monitoring of these grants will help determine if adjustments should be made when bringing the budget forward in January.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2007-2008 projected revenue/expenditures with those currently approved for FY 2006-2007. **The**

amount of the projected General Fund expenditure budget is \$17.852 million more than the amount projected for revenues. At this time, unknowns still remain such as contract negotiations and mandated services that may require funding.

REVENUE/EXPENDITURE BUDGETS

	Revised Budget <u>FY 2006-2007</u>	Pro Forma Budget Revenues <u>FY 2007-2008</u>	Pro Forma Budget Expenditures <u>FY 2007-2008</u>	Estimated Budget Shortfall <u>FY 2007-2008</u>
General Fund	\$473,432,647	\$476,248,205	\$494,100,000	(\$17,851,795)
Food Service	15,000,000	15,500,000	15,500,000	-0-
Debt Service	77,310,215	79,206,014	79,206,014	-0-
L/S/F Grants	<u>49,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>-0-</u>
All Funds	<u>\$614,742,862</u>	<u>\$620,954,219</u>	<u>\$638,806,014</u>	<u>(\$17,851,795)</u>

TAXES	Revised Taxes <u>FY 2006-2007</u>	Pro Forma Taxes <u>FY 2007-2008</u>	<u>Increase</u>
General Fund	\$155,257,376	\$169,863,963	\$14,606,587
Debt Service	<u>36,344,912</u>	<u>37,328,009</u>	<u>983,097</u>
All Funds	<u>\$191,602,288</u>	<u>\$207,191,972</u>	<u>\$15,589,684</u>

STUDENT ENROLLMENT PROJECTIONS

	<u>FY 2006-2007 Actuals Sept. 30, 2006</u>	<u>FY 2007-2008 Projected Sept. 30, 2007</u>	<u>Change Over Prior Year's Actual</u>
Enrollment	49,068	48,848	(220)
Full Time Equivalent (FTE)	48,816	48,580	(236)

In preparing the FY 2007-2008 Preliminary Financial Plan, many budget development uncertainties face the District.

- Legislative action
- Funding for the ARMB approved percent rate increase to the Certificated and Classified Retirement System
- Adjustment to Base Student Allocation – current funding level-\$5,380
- School Board areas of interest

- Budget Review Teams', community, staff, and students recommendations
- Projected enrollment
- Contract negotiations for AEA (Anchorage Education Association), and for APA (Anchorage Principals Association), and consideration for Exempt personnel
- Sustainability of student activity sports program due to loss of revenue from vending machines
- Rate increase notifications from outside agencies
- ESEA-No Child Left Behind requirements
- Further evaluation of current/new fees
- Six -Year Instructional Plan
- Assessment/Testing Impact
- State of Alaska Quality Schools Initiative
- Implement Technology Plan
- Deployment of military personnel and the relocation of their families
- CPI and 5-year average population growth used for local tax limitation not finalized until February 2007
- New construction and assessed valuation used for local tax limitation not finalized until March/April 2007
- Federal Impact Aid subject to annual appropriation

SUMMARY

The next couple of months will be a tremendous challenge to the Administration to evaluate all the programs to ensure that the overall goals of the School District are met and to accomplish the task of bringing the budget into balance. Our assumptions in preparing these initial FY 2007-2008 projections are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program- No change in the base student allocation of \$5,380
- Funding for the ARMB approved percent rate increase to the Certificated and Classified Retirement System
- Balanced budget for presentation to the Anchorage Assembly – Expenditures equal Revenues
- Local Property Taxes – Full amount available under the property tax limitation
- Use of Fund Balance as a revenue source – Using \$3.225 million will bring the undesignated fund balance to 3.5 percent of the \$476.248 million FY 2007-2008 Financial Plan which still includes honoring the agreement with the Municipality to maintain a fund balance in the General Fund at year end in an amount equal to or greater than 8.25

percent of total General Fund revenues from local tax appropriations to enhance the Municipality's bond rating.

- Quality Schools Grant - no increase to per pupil amount of \$16
- State Pupil Transportation Reimbursement -current State formula which does not include a cost of living adjustment (COLA)
- Potential adoption or expansion of programs must be funded within existing resources

Attachments

CC/JS/MSL

Prepared by: Marie S. Laule, Budget Director

Approved by: Janet Stokesbary, Chief Financial Officer

Anchorage School District
Fiscal Year 2007-2008

PROJECTED REVENUES AND EXPENDITURES SUMMARY
Without the ARMB Approved Increased Certificated (54.03%) and Classified Retirement (40.89%) Rates

Fund	Revenues and Fund Balance				FY 2007-2008 Revenue/Source Projections	FY 2007-2008 Expenditure Projections
	Local		State	Federal		
	Taxes	Other				
General	\$ 169,863,963	\$ 8,793,600	\$ 283,865,642	\$ 13,725,000	\$ 476,248,205	\$ 494,100,000
Food Service	0	6,363,500	0	9,136,500	15,500,000	15,500,000
Debt Service	<u>37,328,009</u>	<u>2,167,000</u>	<u>39,711,005</u>	<u>0</u>	<u>79,206,014</u>	<u>79,206,014</u>
	207,191,972	17,324,100	323,576,647	22,861,500	570,954,219	588,806,014
Local, State and Federal Grants	<u>0</u>	<u>650,000</u>	<u>1,200,000</u>	<u>48,150,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
TOTAL	\$ <u>207,191,972</u>	\$ <u>17,974,100</u>	\$ <u>324,776,647</u>	\$ <u>71,011,500</u>	\$ <u>620,954,219</u>	\$ <u>638,806,014</u>
Percentage of Revenue Sources to Total Revenue Projections	33.37%	2.89%	52.30%	11.44%	100.00%	

**Computation of Total Taxes
for Calendar Year 2007**

			<u>General Fund</u>	<u>Debt Service Fund</u>
Amount required to fund second half of Adopted FY 2006-2007 Budget: January 1, 2007/June 30, 2007		\$191,602,288 x 50% =	\$ 77,628,688	\$ 18,172,456
Amount required to fund first half of Adopted FY 2007-2008 Budget: July 1, 2007/December 31, 2007		207,191,972 x 50%	<u>84,931,982</u>	<u>18,664,004</u>
TOTAL Taxes for Calendar Year 2007			\$ <u>162,560,670</u>	\$ <u>36,836,460</u>
Total Taxes for Calendar Year 2007				
1) <u>Total Taxes 2007</u>	\$ <u>199,397,130</u>	= 7.08 mills	\$ <u>162,560,670</u>	\$ <u>36,836,460</u>
Assessed Valuation	\$ 28,185,468,035		\$ 28,185,468,035	\$ 28,185,468,035
			<u>5.77 mills</u>	<u>1.31 mills</u>

1) The 2007 mill rate estimate is based on assessed valuation provided by the Municipality of Anchorage Office of Management and Budget (Verified 11/11/06). This number is preliminary and is subject to change in spring 2007.

Anchorage School District
Fiscal Year 2007-2008

SCHEDULE OF GENERAL FUND REVENUES FROM LOCAL SOURCES/FUND BALANCE

	FY 2005-2006 Audited Actual	FY 2005-2006 Revised	FY 2006-2007 Revised	FY 2007-2008 Projections
<u>Local Sources</u>				
Municipality of Anchorage Appropriation of Taxes	\$ 144,322,321	\$ 144,322,321	\$ 155,257,376	\$ 169,863,963
<u>Other Local</u>				
Career Center Instructional Projects	66,099	81,200	81,200	81,000
Facilities Rentals (A)	684,383	572,000	548,000	575,000
Nonresident Tuition	56,683	1,000	1,000	1,000
Credit Recovery Fees (B)			10,000	10,000
Graduation Support Services (C)	18,866	60,000		
Summer School - Elementary (D)	29,175	35,000	32,000	32,000
Summer School -Special Education (D)			1,500	1,500
Summer School - Middle Level (D)	38,762	30,000	36,000	40,000
Summer School - Secondary (E)	188,565	130,000	200,000	210,000
Music Instrument Usage Fee (F)	18,379	16,500	26,600	26,600
Middle School Activity Fees (G)	214,000	210,000	205,000	215,000
High School Activity Fees (H)	579,525	550,000	640,000	600,000
High School Parking Fees (I)	212,064	225,000	225,000	215,000
Other Fees (Training Fees, Documents) (J)	83,147	77,500	81,500	81,500
Property Sales, Insurance Proceeds, and Miscellaneous	203,170	301,300	355,000	355,000
Interest Earnings	3,070,787	600,000	1,500,000	2,225,000
E-rate (K)	862,668	1,100,000	900,000	900,000
<u>Fund Balance</u>		6,500,000		3,225,000
	<u>6,326,273</u>	<u>10,489,500</u>	<u>4,842,800</u>	<u>8,793,600</u>
TOTAL	\$ 150,648,594	\$ 154,811,821	\$ 160,100,176	\$ 178,657,563

- (A) Facilities Rentals-Projections reflect more usage, program rental increases, as well as loss of one major rental user.
- (B) Credit Recovery Course Fee @ \$75/course.
- (C) Graduation Support Services - is no longer being collected. Other programs provide the instructional services previously secured through this program.
- (D) Summer School - \$80 FY 2007-2008 and FY 2006-2007; (\$75 per summer school session FY 2005-2006).
- (E) Summer School - \$85 FY 2007-2008 and FY 2006-2007; (\$75 per summer school session FY 2005-2006).
- (F) Music Instrument Usage Fee - \$40 for FY 2007-2008 and FY 2006-2007 (\$25 for FY 2005-2006).
- (G) Middle School Activity Fees \$75 Family Cap of \$325 (Middle and High Schools combined).
- (H) High School Activity Fees \$130/sport Family Cap \$325, for FY 2006-2007; \$125/sport Family Cap of \$300 (Middle and High Schools combined).
- (I) High School Parking Fees \$50/semester .
- (J) Training fees - \$25 per course with continuation for FY 2007-2008.
- (K) E-rate established by Congress to provide funding to K-12 schools for telecommunications, Internet access and internal connections (Network Infrastructure).

Anchorage School District
Fiscal Year 2007-2008

COMPUTATION OF MUNICIPAL TAX LIMITATION

Taxes Projected—Anchorage School District FY 2006-2007		\$ 191,602,288
Less: Prior Year Taxes Required for Debt Service		<u>36,344,912</u>
Net Taxes Approved for General Fund		155,257,376
Adjustment Factors		
Population 5 year Average	1.26 %	
CPI—Anchorage Urban	<u>3.90</u>	
	5.16 %	<u>8,011,281</u>
Basic Tax Limitation		163,268,657
<u>Plus Exclusions:</u>		
Taxes for Operations and Maintenance on New Voter Approved Facilities (1)		2,043,299
Taxes Requested on New Construction/Property Improvements (2)		<u>4,552,007</u>
Tax Limitation—General Fund		169,863,963
Taxes Requested for Debt Service		<u>37,328,009</u>
TAX LIMITATION FY 2007-2008		207,191,972
General Fund	169,863,963	
Debt Service Fund	<u>37,328,009</u>	
TAXES PROJECTED IN FINANCIAL PLAN—FY 2007-2008		\$ <u>207,191,972</u>
AMOUNT (OVER) LESS THAN TAX LIMITATION		\$ <u><u>0</u></u>

- Note:
- (1) The taxes approved for debt service are for sold bonds approved by the qualified voters.
 - (2) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 7.13 mills x \$638,770,000 (2006 new construction/property improvement value verified by the Municipality of Anchorage's Office of Management and Budget) = \$4,552,077.
 - (3) The Anchorage Assembly may approve more or less taxes than this within the combined total of the tax limitations for the Municipality of Anchorage and the Anchorage School District.

Anchorage School District
Fiscal Year 2007-2008

SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES

<u>State Sources</u>		FY 2005-2006 Audited Actual	FY 2005-2006 Revised	FY 2006-2007 Revised	FY 2007-2008 Projections
Alaska Public School Funding Program (A)	\$	248,771,460	\$ 246,360,130	\$ 276,180,359	\$ 266,026,600
School Improvement Grant - One Time Revenues (B)				3,993,800	
Pupil Transportation (C)		17,317,199	17,034,683	17,101,270	16,897,000
<u>Supplemental State Funding and Grants:</u>					
On-Base Schools (D)		408,484	408,484	408,484	408,484
McLaughlin Youth Detention Grant (D)		388,588	388,558	388,558	388,558
Providence Heights Grant (D)		123,335	130,000	145,000	145,000
TOTAL	\$	<u>267,009,066</u>	<u>\$ 264,321,855</u>	<u>\$ 298,217,471</u>	<u>\$ 283,865,642</u>

Notes:

(A) Alaska Public School Funding Program - FY 2007-2008

Basic Need Equals 66,776.86 Adjusted ADM x \$5,380 Student Allocation	\$ 359,257,461
Minus 4 Mills x Foundation Defined Anchorage Assessed Valuation of \$22.247 billion	(88,989,480)
Minus Deductible Portion of Federal Impact Aid	(5,309,805)
Add \$16/ adjusted ADM for Quality Schools	<u>1,068,424</u>
Total Alaska Public School Funding Program Aid	<u>\$ 266,026,600</u>

(B) School Improvement Grant (House Bill 13) - One Time Revenues approved by the Legislature and Governor, May 2006.

(C) Pupil Transportation - Reimbursement estimate based on FY 2002-2003 actual expenditures/number of FY 2002-2003 actual ADM less Correspondence Programs times FY 2007-2008 estimated ADM less Correspondence Programs. Currently there is not a CPI adjustment for inflation for FY 2007-2008.

(D) State of Alaska supplemental grant to partially fund this program.

Anchorage School District
Fiscal Year 2007-2008

SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES

<u>Federal Sources</u>	FY 2005-2006 <u>Audited Actual</u>	FY 2005-2006 <u>Revised</u>	FY 2006-2007 <u>Revised</u>	FY 2007-2008 <u>Projections</u>
Federal Impact Aid (A)	\$ 11,197,619	\$ 12,750,000	\$ 13,500,000	\$ 12,000,000
Medicaid Reimbursement (B)	1,340,998	650,000	1,000,000	1,000,000
R.O.T.C. (C)	<u>618,484</u>	<u>470,000</u>	<u>615,000</u>	<u>725,000</u>
TOTAL	\$ <u>13,157,101</u>	\$ <u>13,870,000</u>	\$ <u>15,115,000</u>	\$ <u>13,725,000</u>

(A) Federal Impact Aid revenue is received for students living on military land and for other federally-connected students.

(B) Medicaid reimbursement is for indirect health services to students who are Medicaid eligible in the schools.

(C) Revenues for FY 2007-2008 were adjusted to reflect actual receipt of revenues.