

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #357 (2008-2009)

June 22, 2009

TO: SCHOOL BOARD
FROM: OFFICE OF THE SUPERINTENDENT
SUBJECT: BUDGET REVISION FOR FY 2009-2010

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 make the following budget revision to the FY 2009-2010 Financial Plan; to appropriate \$84,515,160 to the Local/State/Federal Grants Fund and \$569,000 to the Food Service Fund. It is also recommended that the School Board authorize an increase of \$.25 per paid meal and increase elementary, middle and high school adult lunches to \$4.25. The district's FY 2009-2010 revised budget by individual fund will be in the following amounts:

	<u>FY 2009-2010 Financial Plan</u>
General Fund	\$598,467,232
Food Service Fund	16,828,000
Debt Service Fund	85,907,658
Local/State/Federal Grants Fund	<u>146,715,160</u>
Total - All Funds	<u>\$847,918,050</u>

It is also the Administration's recommendation that the School Board authorize the Superintendent to request the Anchorage Assembly to increase the upper limit of the Anchorage School District's FY 2009-2010 budget by \$85,084,160 since the overall budget, as revised, will exceed the approved upper limit of the budget. **No additional taxes are being requested to support this increase.**

PERTINENT FACTS:**Anchorage Assembly Actions**

On March 24, 2009 the Anchorage Assembly amended and approved AO 2009 -17 (S). Acting Mayor Claman vetoed the Assembly's action pursuant to Home Rule Charter 5.02 (c) and 7.02 (c) on March 30, 2009. No further Assembly action was taken, so (per AMC 6.10.080D) the total amount of the budget as originally submitted (AO 2009-17) with the upper limit spending authority in the amount of \$762,833,890 and the amount of \$232,947,582 to be appropriated from local property taxes was automatically approved without further action of the Assembly.

BUDGET REVISION**FOOD SERVICE FUND**

The Administration is recommending that the School Board authorize an increase of \$569,000 to the Food Service Fund. The reason and justification for this request is that it is anticipated that costs will increase by approximately \$569,000 above the currently approved FY 2009-2010 Food Service Fund budget. This is a result of increased participation in the free and reduced categories and the projected associated increased cost for labor, supplies, and related expenses. The Federal reimbursement funding for free and reduced meals and the current cash sales price structure does not sufficiently support the costs associated with providing meals. The Administration, therefore, recommends implementing a \$.25 per paid meal increase in meal charges. In addition, the Administration is requesting that the elementary, middle and high school adult lunches all be comparable at \$4.25. Projected participation in the paid meal category sales would generate an estimated additional \$265,000. These price increases, and the estimated \$304,000 of additional revenues expected from the increase in participation based upon FY 2008-2009 meal counts for free and reduced meals, will result in an increase in total revenue of approximately \$569,000.

Student Nutrition will continue to advocate through the National School Nutrition Association that the Federal reimbursement level be increased to assist with the actual costs of producing meals. Student Nutrition will continue to improve efficiencies of operations to reduce costs.

LOCAL/STATE/FEDERAL GRANTS FUND

Federal Grants

The Anchorage School District is very fortunate to receive federal education funds provided through the American Recovery and Reinvestment Act (ARRA). The purpose of these funds is to provide a unique opportunity to jump start school reform and improvement efforts while also saving and creating jobs and stimulating the economy. These one-time funds are being spent to improve student achievement, long-term gains in our school system, and increased productivity and effectiveness.

The ARRA funds are being distributed to the district through five ARRA grants for a total amount of \$75,953,289. **The district fully understands that the ARRA funds are two-year funds and that the Alaska State Legislature makes no commitment that it will replace the federal stimulus money when it expires.**

State Fiscal Stabilization Funds - \$51,751,655 The State Fiscal Stabilization Fund (SFSF) of the American Recovery and Reinvestment Act provides significant funds for school districts that are intended both to save and create jobs as well as to increase the pace of school reform so as to increase student achievement and improve graduation rates. Projects funded with SFSF must be authorized by the Elementary and Secondary Education Act (NCLB), Individuals with Disabilities Education Act (IDEA), the Adult and Family Literacy Act, Carl Perkins Career and Technical Education Act, or Impact Aid which allows for modernization, renovation, repair or construction of public school facilities. The state of Alaska's application asks that projects fit within one of five major ARRA goals: 1.) adopt rigorous college and career-ready standards and high-quality assessments; 2.) establish data systems and use data for improvement; 3.) increase teacher effectiveness and equitable distribution of effective teachers; 4.) turn around the lowest performing schools; and 5.) improve results for all students, including early learning, extended learning time, use of technology, preparation for college, and school modernization.

Projects the Anchorage School District will be funding with SFSF are as follows: College and Career Ready Project; Response to Intervention Comprehensive Readiness Project (co-funded by SFSF, IDEA, and Title I stimulus dollars); Online Learning Project; Enhancing Leadership Capacity Project; Curriculum Refresh Project; IT/ED Tech Restructure

Completion Project; IT Network Refurbishment Project; Server Replacement Project; Library Patron System Project; and Building System Renewals. Funds will also support positions for general oversight and accountability.

- **Title I-A ARRA - \$10,895,034** In addition to its regular funding, Title I, Part A is also receiving stimulus funds available under ARRA in the amount of \$10,895,034. This one-time funding has an initial period of availability through September 30, 2010. Subject to limitations, the district may carryover unobligated Title I, Part A, ARRA funds into the subsequent fiscal year, ending September 30, 2011. ASD projects being funded by Title I ARRA include: expanded pre-school program offerings, systemic implementation of the district's Response to Instruction framework, the acquisition and application of a web-based student progress monitoring tool, and professional development initiatives to support the effective actualization of these projects.
- **Title II-D ARRA - \$598,005** In addition to its regular funding, Title II, Part D is also receiving stimulus funds available under ARRA in the amount of \$598,005. This is one-time funding that must be spent by September 30, 2011. The focus of Title II, Part D ARRA funds will be on a Technology GLE Project, which will increase the number of teachers who incorporate technology grade level expectations into curricular activities.

Title VI-B ARRA - \$12,213,236 These funds are available to supplement the district's efforts to implement IDEA. These funds are intended to ensure that services for children ages 6 through 22 who are eligible for special education and related services are provided in compliance with the federal law and regulations. The Act requires that funds be used exclusively for excess costs to provide for: 1.) under-served children with disabilities; 2.) services to the most severely disabled and under-served; and 3.) for other requirements of the program.

- **Preschool ARRA - \$495,359** These funds are available to supplement the district's efforts to implement IDEA. These funds are intended to ensure that services for children ages 3 through 5 who are eligible for special education and related services are provided in compliance with the federal law and regulations. The Act requires that funds be used exclusively for excess costs to provide for: 1.) under-served children with disabilities; 2.) services to the most severely disabled and under-served; and 3.) for other requirements of the program.

State Funds

Included in the various ARRA grants described above are salaries related to addenda and new positions. The district has confirmed with the Alaska Department of Education and Early Development that the State will fund on behalf of districts the portion of the retirement costs for the Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) on salaries paid from ARRA grant funds as it does for all other retirement eligible salaries. The amount paid by the State on behalf of districts is the difference between the rate adopted by Alaska Retirement Management Board (39.53 percent for TRS and 27.65 percent for PERS) and the rate specified in statute to be paid by districts (12.56 percent for TRS and 22 percent for PERS). The amount of retirement costs to be funded by the State on behalf of the district related to the above ARRA grants is projected to be approximately \$3,561,871.

Contingency

The district is recommending increasing the contingency amount by \$5,000,000 resulting from additional school improvement federal funds, a share of the Title II-D competitive grants when those come open for application and other competitive grants such as the federal Race to the Top grants. In addition, our grant writing department has been successful in the prior years of obtaining grant awards.

Indirect Cost

Districts are allowed to apply their current approved indirect cost rate to expenditures incurred under the ARRA grants. As suggested by the Alaska Department of Education and Early Development and the US Department of Education, the district has reviewed the potential impact on future years' indirect cost rates by assessing the ARRA grants the State approved indirect cost rate. Future indirect cost rates are based on actual expenditures from prior years. It is estimated that by using the current approved indirect cost rate, the district would over-recover the amount of actual indirect costs incurred; therefore, the district will be assessing a lower indirect cost rate to ARRA grants rather than the State approved indirect cost rate. The district will continue to charge the approved indirect cost rate to other local, state and federal grants as previously budgeted. The additional amount of indirect cost that will be recorded in the General Fund (there will be no increase to the upper limit of the General Fund) will be used to

purchase an estimated five buses since vehicles are not an eligible expenditure under ARRA. The district currently has 22 buses that are older than 1994.

With \$75,953,289 increase in federal stimulus funding listed above, the State's on-behalf portion of the retirement costs for TRS and PERS in the amount \$3,561,871 and \$5,000,000 in contingency, the revised FY 2009-2010 Local/State/Federal Grants Fund will increase from \$62,200,000 to \$146,715,160.

FISCAL YEAR BUDGET COMPARISON

Upon approval of this request, the district's overall FY 2009-2010 Financial Plan will be \$847,918,050 and is summarized as follows:

REVENUE/EXPENDITURE BUDGETS

<u>Fund Description</u>	AO 2009 - 17 Approved Budget as of 3/30/09	Requested Revision	Revised Budget as of 6/22/09
General	\$598,467,232	\$ -0-	\$598,467,232
Food Service	16,259,000	569,000	16,828,000
Debt Service	85,907,658	-0-	85,907,658
Local/State/Federal Grants	<u>62,200,000</u>	<u>84,515,160</u>	<u>146,715,160</u>
All Funds	<u>\$762,833,890</u>	<u>\$85,084,160</u>	<u>\$847,918,050</u>

Local Taxes

<u>Fund Description</u>	AO 2009 - 17 Approved Taxes as of 3/30/09	Requested Revision	Taxes as of 6/22/09
General	\$191,913,748	\$ -0-	\$191,913,748
Debt Service	<u>41,033,834</u>	<u>-0-</u>	<u>41,033,834</u>
Total Local Tax Contribution	<u>\$232,947,582</u>	<u>\$ -0-</u>	<u>\$232,947,582</u>

CC/JS/MSL

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