

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #310 (1999-2000)

May 10, 2000

TO: SCHOOL BOARD
FROM: OFFICE OF THE SUPERINTENDENT
SUBJECT: FY 2000-2001 BUDGET REDUCTIONS

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to reduce the Anchorage School District's FY 2000-2001 Financial Plan from \$418,505,754 to the reduced amount of \$413,230,474, as approved by the Anchorage Assembly. This includes individual fund budgets in the following amounts:

General Fund	\$334,202,954
Food Service Fund	10,650,000
Debt Service Fund	42,377,520
Local/State/Federal Projects Fund	<u>26,000,000</u>
Total - All Funds	<u>\$413,230,474</u>

It is further recommended that the School Board approve and authorize the Superintendent to make the necessary revenue adjustments and expenditure reductions in the General Fund to bring the budget in balance.

PERTINENT FACTS:

On April 4, 2000, the Anchorage Assembly approved AO 2000-39 (S-1) as amended, to adopt and approve the Anchorage School District's FY 2000-2001 Financial Plan with an upper limit spending authority in the amount of \$410,505,754 which is \$8,000,000 less than the amount requested and with a local tax appropriation of \$119,492,622 which is \$5,047,774 less than the amount requested by the Anchorage School District.

Also on April 4, 2000, the qualified voters of Anchorage approved Proposition 13 for \$77,900,000 for education-related capital construction/renewal projects. With voter approval and subsequent Assembly approval on April 25, 2000, an increase of \$2,724,720 to the upper limit of the budget and an increase of

\$2,059,135 in local property taxes was authorized for the Debt Service Fund. This approval increased the total budget to \$413,230,474 with a local tax appropriation of \$121,551,757.

The reduction of \$8,000,000 in the upper limit of the budget and the reduction of \$5,047,774 in local property taxes made by the Assembly on April 4, 2000 has been applied to the General Fund since the District is obligated to pay principal and interest on its outstanding bonded indebtedness.

General Fund Revenue Budget Revisions

The current revenue estimates indicated below include approximately \$8.1 million of revenue reductions. In order to maintain the upper limit of the budget approved by the Assembly, \$114,440 of additional revenue or fund balance will need to be identified.

Local Property Taxes--In addition to the Assembly action indicated above to reduce property taxes by \$5,047,774, the actual Consumer Price Index (CPI) was lower than originally estimated which lowered the local tax cap limitation by \$975,653. The combination of the Assembly action and the lower CPI results in a reduction of approximately \$6.02 million less in taxes than was included in the FY 2000-01 Proposed Budget approved by the School Board in January.

Alaska Public School Funding Program--The State Public School Funding Program formula is based on the average daily membership - determined by the District's enrollment and special education intensive count - processed through school size factors and a special needs formula. The formula contains a required local effort and is also impacted by the amount of taxes that is contributed above the required local effort. The greater the amount of local contribution above the required local effort, the greater the amount of State revenue. The reduction in local property taxes as approved by the Assembly results in a loss of approximately \$300,000 in State Public School revenue. Subsequent to approval of the budget by the School Board in January, the Administration has recommended not renewing a contract with the University of Alaska, Anchorage to operate the High School Completion Program. The elimination of the High School Completion Program is partially offset by a projected increase of 30 students to the District's regular high school program and will result in approximately \$660,000 less in State Public School funding. The total amount of the State Public School Program revenue reduction will be approximately \$960,000 due to the reduction in local tax contribution and the elimination of the High School Completion Program.

Pupil Transportation Reimbursement--During discussions with the School Board on April 6, the budgeted amount of State reimbursement for pupil transportation was revised to reflect the then current discussions occurring at the School Board and Legislative level. The FY 2000-01 Proposed Budget approved

by the School Board in January included transportation for five additional school days that was included in the District's proposal to the Anchorage Education Association. Subsequently, the District withdrew this proposal and now has a tentative agreement with the Anchorage Education Association that does not include the additional five school days; therefore, State reimbursement will be reduced approximately \$288,800 since costs will not be incurred for the additional five days. In addition, in early April the Legislature was discussing funding pupil transportation only at the same level as the current year that would result in an estimated shortfall of \$5.1 million statewide. This would have resulted in the District receiving \$1.9 million less than budgeted for next year. During the final days of the legislative session in the first week of May, the Legislature approved statewide pupil transportation funding in the amount of \$44.7 million. Based on information received from the Department of Education and Early Development and projected costs provided by the four school districts that incur about 75 percent of the State's pupil transportation costs, we have revised our estimated pupil transportation revenue. The total revised State Pupil Transportation revenue shortfall for Anchorage is approximately \$1.18 million including the reduction resulting from five less days of service.

Community Education Grant--Based on Legislative action, it is anticipated that the District will receive \$145,000 in FY 2000-01, an increase of \$45,000 above the amount included in the proposed budget.

General Fund Expenditure Budget Reductions

The District has entered into a tentative agreement with the Anchorage Education Association for increases that total approximately \$3.1 million more than budgeted in the FY 2000-01 Proposed Budget. The \$3.1 million of increased expenditures combined with the anticipated reduction of revenues of \$8.1 million will require budget reductions and/or revenue increases of approximately \$11.2 million.

On May 3, the Administration provided a list of approximately \$12.262 million of expenditure reduction and net increases of \$60,000 in revenues based on the best information known at that time. Due to the action taken by the Legislature last week regarding funding for pupil transportation, it is now anticipated that \$11.2 million of budget reductions and/or revenue increases will be required in order to bring the General Fund into balance and within the upper limit approved by the Assembly.

To close the projected FY 2000-2001 fiscal gap, the Administration has been in the process, over the past several weeks, of identifying potential program reductions and efficiencies throughout the District. Also in the process, programs have been identified that cannot continue to be offered due to the District's revenue shortfall. In considering these reductions, every effort has been made to minimize the impact on instructional programs and existing staff.

In developing the reductions, I determined that it was important to establish some basic guidelines that would allow us to determine some priorities. The following guidelines were used in our budget review:

1. Reductions would not put the District in a situation of violating accreditation standards nor knowingly create legal issues for us to defend.
2. Wherever possible we would limit or avoid impacting programs that provide direct instructional services to students.
3. No one District employee group or department would be the sole provider of budget reductions.
4. All aspects of the District would be given careful review to determine potential cost savings and increased efficiencies.

In addition to the above guidelines, it is important for the School Board and the community to know other factors that have entered into deciding what to recommend for budget reductions.

The list of recommended expenditure reductions and brief descriptions is shown on Attachment A. The reductions are categorized by: (1) employee reductions; (2) service reductions; and (3) contracted services/supplies/equipment reductions. Attachment B summarizes the fee adjustments.

Summary

The Administration is recommending a net reduction to the total General Fund budget of \$8,000,000 and an increase to the Debt Service Fund of \$2,724,720, as approved by the Anchorage Assembly on April 4, 2000 and April 25, 2000. Upon approval of this request, the District's FY 2000-2001 Revised Budget will total \$413,230,474. The net decrease to the General Fund will be made through a variety of increases and decreases approved by the School Board. The schedule below summarize the necessary revisions by fund:

REVENUE/EXPENDITURE BUDGETS

<u>Fund Description</u>	FY 2000-01 Proposed Budget <u>As of 1/24/00</u>	Adjustments Required Due To Assembly <u>Action</u>	FY 2000-01 Revised Budget <u>As of 5/10/00</u>
General	\$342,202,954	\$(8,000,000)	\$334,202,954

Food Service	10,650,000		10,650,000
Debt Service	39,652,800	2,724,720	42,377,520
Local/State/Federal Projects	<u>26,000,000</u>	<u> </u>	<u>26,000,000</u>
Total Budget - All Funds	<u>\$418,505,754</u>	<u>\$(5,275,280)</u>	<u>\$413,230,474</u>

TAXES

<u>Fund Description</u>	<u>FY 2000-01 Proposed Budget As of 1/24/00</u>	<u>Adjustments Required Due To Assembly Action</u>	<u>FY 2000-01 Revised Budget As of 5/10/00</u>
General Fund	\$103,588,682	\$(6,023,427)	\$ 97,565,255
Debt Service Fund	<u>21,927,367</u>	<u>2,059,135</u>	<u>23,986,502</u>
Total Local Taxes	<u>\$125,516,049</u>	<u>\$(3,964,292)</u>	<u>\$121,551,757</u>

BC/JS/MSL
Attachments

Prepared by: Marie S. Laule, Budget Director
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