

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #167 (2000-2001)

January 8, 2001

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: STATUS REPORT ON BUDGET AND TAX APPROPRIATION  
FOR FY 2000-2001

PERTINENT FACTS:

On December 14, 2000 the Anchorage School District wrote to the Municipality's Office of Management and Budget to confirm our understanding of the effect on the District's budget and local tax contribution for FY 2000-2001 resulting from Sections 2 and 3 of AO 2000-39(S-1) As Amended, approved by the Anchorage Assembly on April 4, 2000, and the Tax Cap Initiative (99PTAR) not being approved by the voters on November 7, 2000. It was our understanding that in combination with other actions taken by the Assembly, the local tax appropriation would increase \$5,047,774 and the upper limit of the budget would increase \$3,000,000 since the Assembly had already increased the budget \$5,000,000 in June 2000. This would result in the FY 2000-2001 Anchorage School District budget to be \$421,230,474 and the total amount of local tax support to be \$126,599,531. A summary of the chronological events impacting the FY 2000-2001 budget and the District Administration's logic used to determine the revised upper limit of the budget and the revised local tax support previously indicated is provided as Attachment A. The Municipal Administration has provided an alternative interpretation for the revised upper limit of the budget and is described below.

**Upper Limit Spending Authorization**

On December 22, 2000 the Budget Director for the Municipality contacted the District indicating that another interpretation of AO 2000-39(S-1) As Amended could be to increase the upper limit of the budget at this time by \$8,000,000 for a grand total of \$426,230,474. This interpretation does not take into consideration the \$5,000,000 increase to the budget already approved by the Assembly on

June 13, 2000, AR 2000-141(S), as an offset to the \$8,000,000 referenced in AO 2000-39(S-1) As Amended.

Based on the most recent action taken by the School Board relative to the FY 2000-2001 budget (ASD Memorandum #66, approved September 11, 2000), the total amount of the School Board approved budget is \$418,204,399. This was \$26,075 less than the amount authorized by the Assembly prior to the Tax Cap Initiative (99PTAR) not passing. Using the Municipality's interpretation of the impact on the upper limit of the budget resulting from the Tax Cap Initiative not passing, the School Board, at its discretion, has the ability to increase the combined spending authority of the four funds - General Fund, Food Service Fund, Debt Service Fund, Local/State/Federal Projects Fund - in an amount not to exceed \$8,026,075. Based on the District's interpretation, the combined total could increase up to \$3,026,075. The Municipality's interpretation allows the School Board more flexibility to increase its spending for FY 2000-2001.

The School Board is not required to incur the additional expenditures if it chooses not to or if there are insufficient revenues to support the additional spending. It does allow the District to accept more grants than originally anticipated without going back to the Assembly. A potential use of the additional spending authority that would also assist in the budget reductions for next year is to make additional equipment purchases this year that are not currently budgeted rather than including them in next year's budget.

### **Local Tax Appropriation**

The District receives its local tax support in six equal payments on the first working day of December, January, March, April, May and June of each year. The additional \$5,047,774 of tax contribution is being paid to the District in six equal payments along with the rest of the tax appropriation for FY 2000-2001. On December 1, 2000 and January 2, 2001, the District has received two payments of \$21,099,922 each which includes a portion of the additional tax contribution.

The additional \$5,047,774 of local tax support, appropriated by the Municipality since the Tax Cap Initiative (99PTAR) did not pass, is not included in the current year's budgeted revenues approved by the School Board at this time. It cannot be determined at this time what impact it will have on the undesignated fund balance at June 30, 2001. There are many unknowns and uncertainties at this time. It is unknown whether all currently budgeted revenues will be received or if all currently budgeted expenditures will be spent. The District has received written notification from the State of an approximate \$785,000 pupil transportation revenue shortfall that will be recorded this year resulting from insufficient funding last year. Another unknown that impacts the amount of

undesigned fund balance is the potential changes in reserves and designations. The District is in the beginning discussion stage regarding the feasibility of establishing a major equipment replacement fund. Also, the District has not finalized how much fund balance will be used as a funding source to support the FY 2001-2002 budget. Another uncertainty that would impact the undesigned fund balance is whether or not the School Board chooses to use some of the additional taxes as the revenue source to support increased spending in the current year. All of these uncertainties and unknowns, some under the District's control and many that are not, will all impact the amount of undesigned fund balance at June 30, 2001.

As the District is going forward in the development of the FY 2001-2002 budget, the Administration has used the additional \$5,047,774 of taxes in the base to calculate the local tax cap limitation for next year in order to maximize the amount of local support available.

At this time we are currently in the process of analyzing the various available options. After further discussion and input from the School Board at the January 8 meeting, the Administration will bring back our recommendations for School Board approval.

CC/JS  
Attachment

Prepared and Approved by: Janet Stokesbary, Chief Financial Officer