

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #192 (2000-2001)

January 30, 2001

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2001-2002 PROPOSED FINANCIAL PLAN
(REVISED) (SECOND READING)

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2001-2002 Proposed Financial Plan as set forth in the projected revenue and expenditure schedules in this memorandum and the budget revisions made by the School Board during the first reading on January 24, 2001 (Attachment A). Projected revenues exceeded projected expenditures by \$83,714. The total budget recommendation of \$424,101,236 is based on approved revenues as of the first reading of the budget. This includes individual fund budgets currently projected as follows:

	<u>Proposed FY 2001-2002 Financial Plan</u>
General Fund	\$337,461,258
Food Service Fund	10,888,000
Debt Service Fund	47,751,978
Local/State/Federal Projects Fund	<u>28,000,000</u>
Total – All Funds	<u>\$424,101,236</u>

The total of local tax contribution to be requested is \$134,844,130.

It is further recommended that the School Board authorize the Superintendent to adjust the budget expenditure ceiling above in accordance with any education-related ballot proposition that may be approved in the April 3, 2001, Municipal Election.

PERTINENT FACTS:

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 students for success in life.

The initial FY 2001-2002 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

The Anchorage School Board has adopted goals that address the District's responsibility in the areas of academic excellence, supportive learning environment, and public accountability. Students are the focus of the goals:

- All students will show academic growth as indicated by performance on the State Benchmark Exams, Norm-Referenced Tests, Anchorage Writing Assessment and the High School Graduation Qualifying Exam.
- All students will acquire basic skills and strategies to read independently by the end of the third grade.
- The percentage of students who have taken and successfully completed Algebra I by the end of eighth grade will be increased from year-to-year.
- All students will demonstrate a high level of spelling skills or growth in spelling as demonstrated by their performances on a series of District-developed grade level tests of high frequency words administered on a pre- and post-test basis annually.

The expenditures in the FY 2001-2002 preliminary budget continue to provide the foundation to accomplish these goals.

BUDGET DEVELOPMENT

The budget development process for the District is an ongoing process that encompasses over six months of gathering and analyzing information. As the Administration and School Board proceeded through the budget development process for FY 2001-2002, it was evident that initial estimated expenditures exceeded initial estimated revenues. The unknown outcome of the Tax Cap Initiative (99PTAR) added to the uncertainty. The District convened 17 Budget Review Teams comprised of community, District staff and student volunteers who studied different portions of the budget. Due to projected revenue shortfalls and the potential of the Tax Cap Initiative passing which would further

restrict the Municipality's ability to assess local taxes, the Budget Review Teams were asked to make recommendations of 10 percent and 20 percent reductions. The School Board held a budget work session in October and subsequently provided the Administration guidelines in November for preparing the FY 2001-2002 budget.

Administrative reorganization and reductions are areas that have been reviewed and considered to assist in reducing expenditures. In the current year as administrative positions become vacant by retirement or resignation, each position is reviewed for possible elimination or combination with an existing position. Combining or sharing some support services with the Municipality is another area that is being investigated to generate cost savings. During each of the departmental budget presentations, positions that have been eliminated or consolidated were noted.

These projections for FY 2001-2002 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 School Board Goals. The budget development process is taking place keeping in mind the District's responsibility in designating financial and human resources within projected revenues.

The budget continues to realign the District's spending priorities in new directions, as budgeting is a progressive process. Departments and schools review their programs and responsibilities; assess what is being done during the current fiscal year; begin making plans for next year and future years; and then prepare budget requests based on their program requirements. Input from community members and staff members may result in change or elimination of existing programs or implementation of new ones. The focus is 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 sharing services 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.

The balanced budget concept, Alaska Public School Funding, and the local property tax limitation necessitate early predictions of both revenues and expenditures. Initially, schools and departments prepare budget requests based on their program requirements. Then, the total of all school and department budgets plus any new facilities or change in program requirements are compared to anticipated revenues.

The initial projected expenditures exceeded the initial projected revenues by approximately \$12.6 million. Schools and departments were requested to review their programs as they prepared their budget requests to determine where cost savings and program modifications could be made. Many meetings were held with various groups of employees, departments and bargaining groups. **One of the criteria when identifying the budget reductions was to minimize the impact on the direct instructional programs in the classroom. Reductions could not be in violation of any statute or State/Federal mandate.** As the Administration proceeded forward in preparing the FY 2001-2002 preliminary budget, the District's mission of educating students for success in life was always at the forefront. It was also recognized that this couldn't be accomplished without support and maintenance departments.

Student enrollments, 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 the FY 2001-2002 projections. Major revenue and expenditure considerations and budget development criteria are also included.

First Reading of FY 2001-2002 Proposed Financial Plan

The School Board considered the FY 2001-2002 Proposed Financial Plan at a special meeting on January 24, 2001. Revisions were made to the General Fund and Food Service Fund. No revision was made to the Debt Service Fund. Two motions were approved related to funding positions in the Local/State/Federal Projects Fund, but do not impact the total amount of the fund. The School Board's actions during the first reading of the proposed budget are summarized on Attachment A. Listed below is a brief description of the revisions made.

General Fund

Expenditure and revenue adjustments made during the first reading of the proposed budget resulted in the revenues exceeding expenditures by \$83,714. Budgeted revenues totaled \$337,461,258 and budgeted expenditures totaled \$337,377,544.

The General Fund expenditures were increased from \$337,266,258 to \$337,377,544. Increases and decreases during the first reading of the proposed budget include:

- Reduce School Board travel – decrease \$5,000
- Increase travel funds to high school State championships– increase \$5,000
- Reduce funds for National Board Certification for teachers – decrease \$100,000
- Increase travel funds to high school State championships and reinstate funds for varsity buses for in-town games – increase \$100,000

- Reinstate middle school interscholastic sports – increase \$268,786
- Eliminate team planning time for electives and PE teachers at Middle Schools – decrease \$680,400
- At the time of the motion, it was noted that the estimated amount of \$657,900 used from the Budget Review Team recommendations would need to be modified. The revised estimated amount is \$680,400.
- Add back to K-12 pupil/teacher ratio – increase \$680,400
- Based on the revised estimated amount for eliminating team planning time for electives and PE teachers at the middle schools, the equivalent number of FTE teachers that can be added back to the K-12 pupil/teacher ratio is 10.8 FTE.
- Reduce School Board Contingency account – decrease \$7,000
- Reinstate the High School Emergency Food account – increase \$7,000
- Eliminate the Re-Open program – decrease \$378,715
- Add back to the K-12 pupil/teacher ratio – increase \$378,715
- This equates to approximately 6 FTE.
- Adopt the reorganization plan for the Curriculum Department as described in Response #02-22 – decrease \$603,047
- Add back to the K-12 pupil/teacher ratio – increase \$603,047
- This equates to approximately 9.5 FTE.
- Eliminate 2.5 FTE Special Education teachers – decrease \$157,500
- These new Special Education teachers will be funded in the Federal Title VIB grant rather than in the General Fund.

The General Fund revenues were increased from \$337,266,258 to \$337,461,258. The revenue increase made during the first reading of the proposed budget is related to the reinstatement of middle school interscholastic sports. The \$75 fee currently being assessed for participation in each sport was also reinstated.

Food Service Fund

The Food Service Fund expenditures and revenues were decreased from \$11,088,000 to \$10,888,000. The \$200,000 of equipment purchases funded by the fund balance will be made in the current year rather than in FY 2001-2002.

Local/State/Federal Projects Fund

Two motions approved during the first reading of the budget will be funded by one of the grants in the Local/State/Federal Projects Fund. Two and one-half FTE Special Education teachers and .28 FTE nurse (Whaley School) will be funded in the Federal Title VIB grant. The Local/State/Federal Projects Fund total remains at \$28,000,000.

STUDENT ENROLLMENT PROJECTIONS

Student Enrollment—The most significant factor in the budget development process is the number of students served. The District's projected enrollment for September 30, 2001 is 49,703. This reflects an increase of 183 students from the September 30, 2000 official membership total of 49,520. 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 both half-day kindergarten and preschool students at one-half, 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 or projected student enrollment information for FY 1998-99 through FY 2001-2002 on both a full count and FTE basis. The enrollment includes the expansion of full-day kindergarten at 13 additional schools, which as shown below. This narrows the variance between the total number of students and FTE for FY 2001-2002.

	Actuals 1998-1999 <u>9/30/98</u>	Actuals 1999-2000 <u>9/30/99</u>	Actuals 2000-2001 <u>9/30/00</u>	Projected 2001-2002 <u>9/30/01</u>
Total Number	49,551	49,312	49,520	49,703
Change over previous year actual/projected enrollment		(239)	208	183
FTE (Full-Time Equivalent)	48,462	48,553	49,002	49,554
Change over previous year actual/projected FTE		91	449	552

GENERAL FUND

The General Fund, consisting of each school and department's budget, 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

Major changes to the revenue projections for FY 2001-2002 as compared to FY 2000-2001 are listed on Attachment B.

Alaska Public School Funding Program—The largest single revenue source to the District comes from the Alaska Public School Funding Program. This Program is expected to provide approximately 57 percent of the District's General Fund revenues. Based on current enrollment projections, including the expansion of the full-day kindergarten program at 13 additional schools, the amount of funding for FY 2001-2002 is \$194,060,000, which is \$6.1 million less than the current FY 2000-2001 budget. This is a result of the change in the Family Partnership's Charter School status from a regular charter school to correspondence school, larger deduction resulting from increased State assessed property valuation of \$914 million and the loss of the one-time Learning Opportunity Grant used in the Public School Funding formula calculation.

The Alaska Public School Funding program is based on the average daily membership (ADM)—determined by the District's enrollment and special education intensive ADM count—processed through a school size factor and special needs formulae to establish the District's "basic need." The required local share 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 Public School Funding formula defines the required local share as being the lesser of 45 percent of the preceding years "basic need" or 4 mills times the total State assessed full and true valuation of local real estate, inventory and other taxed personal property for the second preceding year. 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 \$15.661 to \$16.575 billion.

Local Property Taxes—Local property tax contribution is the District's second largest General Fund revenue source. **Projected local property tax revenue for FY 2001-2002 is based on requesting the full amount of taxes available under the local property tax limitation.** The local property tax limitation provides for an annual adjustment for inflation, five-year Anchorage population change and new construction.

The projected inflation rate used for planning purposes is 1.25 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 will not be available until February 2001. As determined by the State Department of Community and Regional Affairs, the five-year Anchorage municipal population change used for planning purposes is .33 percent. The projected combined rate of 1.58 percent for FY 2001-2002 is .31 percent less than the current rate of 1.89 percent for FY 2000-2001.

It is anticipated that this increase—and increased taxes allowed on new construction or property improvement—will increase the amount of taxes available in the General Fund by approximately \$4.011 million. This increase is based on the District receiving the additional \$5.047 million of taxes in the current year since Tax Cap Initiative (99PTAR) was not approved by the voters in November 2000. However, the Anchorage Assembly must first consider and approve the District's tax request for FY 2001-2002.

Federal Impact Aid—Since FY 1992-93, the District has been directly receiving all Federal funding appropriations related to students who reside on Federally-owned land—rather than having the funding allocated to the State and then reallocated to the District in the form of State Tuition and additional Alaska Public School Funding revenue.

The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated increase of \$.8 million from the FY 2000-2001 budget amount of \$8.7 million.

The amount of Federal Impact Aid revenue each year is uncertain because it is subject to proration 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, children educated at Mt. Edgecumbe and State correspondence (Alyeska)—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 Federal Impact Aid Program is subject to annual Congressional appropriation and should be monitored. We do not expect to know the funding level for FY 2001-2002 Federal Impact Aid until after October 1, 2002.

Fund Balance—The District's undesignated fund balance for the General Fund is a potential one-time source of revenue. Deciding 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.

The Administration is recommending the use of Fund Balance for the FY 2001-2002 Financial Plan. The undesignated fund balance as of June 30, 2000 was approximately \$12.43 million. Of this amount, \$2.2 million of the undesignated fund balance is being recommended to support the one-time expenditure of the Anchorage Education Association Service Recognition Program as approved in the current bargaining agreement. This will leave an approximate balance of \$10.23 million, which is 3.03 percent of the FY 2001-2002 General Fund budget as presented in this memorandum.

In the current year the District is receiving an additional \$5.047 million of taxes since Tax Cap Initiative (99PTAR) did not pass last November. At this time it cannot be determined what impact this additional revenue will have on the undesignated fund balance at June 30, 2001. It has not been determined how much of the funds will be used in support of increased spending in the current year or how much will be used for specific designations such as an Equipment Replacement Fund. **One of the means to bring the FY 2001-2002 budget into balance was to not include needed one-time expenditures for equipment and textbook adoptions in next year's budget. This is based on the anticipation that these items will be purchased in the current year using the additional taxes and spending authority resulting from the Tax Cap Initiative not passing.**

Pupil Transportation Reimbursement—The proposed FY 2001-2002 revenue projections for Pupil Transportation are based on full funding for the District and contracted routes, less mid-day kindergarten and one-half hazardous routes.

User Charges and Fees—For the FY 2001-2002 budget, fees will continue to be assessed for musical instrument usage, student transcripts, ASD documents, High School and Middle School Student Activity fees, summer school, rental fees and fees for Community Education. Included in these projections are fee increases for the K-12 summer school program from \$50/session to \$75/session and an increase from the FY 2000-2001 budgeted amount of \$380,000 to \$500,000 for facilities' rental. The recommended facilities' rental revenue increase is based on FY 1999-2000 actual receipts of \$444,835 being \$64,835 more than budgeted in FY 2000-2001, as well as the recommendation to increase rates

which was made by the Budget Review Team in this area. The Administration will be bringing forward recommended facility rental fee increases to the School Board for approval along with recommended changes to the 800 series in the School Board Policy at a later date. In addition, an increase in the credit course fee share to the District for courses provided by the Training and Professional Development Department from the current \$5 to \$20/person/course as recommended by the Budget Review Team in this area, is included. This Budget Review Team also recommended that the District be reimbursed \$10 per attendee for the Summer Academy, Reading and Writing Institutes, which is supported by the District through in-kind expenses for facility and staff time. Community School fees have also been increased from \$40,000 to \$90,000 based on the recommendation made by the Budget Review Team in this area.

Medicaid—Based on recent notification from the Alaska Department of Education and Early Development (DEED) regarding the current year's allocation, the District has increased the budget for Medicaid funding for next year from \$500,000 to \$800,000. This reflects increased participation in this program.

E-Rate—The District has received formal notification from the School and Libraries Division of the Universal Service Administrative Company that the District's application for E-rate funds for FY 2000-2001 school year was approved. This approval marks the third consecutive year in which the District's E-rate application has been approved. The District is expecting to receive a contribution of approximately \$1.1 million for FY 2001-2002. However, a change in the way the District reports the E-rate funds has been adopted by the State Board of Education and Early Development in the State Chart of Accounts' revisions. The District will be required to report E-rate funds as revenues rather than credit to expenditures. These funds are included in the budget as a revenue source, offset by a corresponding increase in communications expenditures.

Expenditures

Students and program needs, and a commitment to use the funds economically, drive expenditure projections primarily. All of the Budget Review Teams' recommendations (both Tier 1 and Tier 2) have been considered and are incorporated into the budget where appropriate. Both revenue enhancements and expenditure reductions have been incorporated to bring the budget into balance. The major changes in budgeted expenditures between FY 2001-2002 and FY 2000-2001 are included on Attachment C.

Salaries and Benefits—Employee salaries, wages, and benefits are projected to be approximately 87 percent of the operating cost of the District. The bargaining groups currently in negotiations for FY 2001-2002 are Local 71 (Custodians), TOTEM (Educational Support), and Teamster (Bus Drivers/Attendants). In addition, the Anchorage Principals Association and Anchorage Council of Education have reopeners for certain items. The Exempt group must also be considered. Compensation provisions for completed contracts and those under negotiations have been included in the projections. Funding for mandatory retirement and payroll tax adjustments known at this time is also included in the expenditure projections.

There was an error in the formula for calculating Social Security and Medicare for Bilingual Tutors in the Bilingual Education budget. An increase of \$137,248 to the Social Security and Medicare accounts needs to be made to cover these mandatory payroll taxes. The Administration is recommending that this increase be covered by available reductions that were discussed at last week's budget work sessions. These include the elimination of one Expeditor in the Purchasing Department budget and .5 FTE Home School Coordinator in the Middle Schools due to budgeting errors, and a decrease in the supply budget in the Music Department since this department had not taken the 10 percent reduction that most of the other departments had done. After further review and discussion with administrators, the additional required reduction amount may be able to be identified through additional transfers of equipment purchases from next year's budget to the current year.

Some members of the School Board have requested that we consider the feasibility of sponsoring a limited Service Recognition Program for the current year, using a portion of the additional tax appropriation and spending authority. These requests stem from input offered by employees during the budget review process. The District has undertaken Service Recognition Programs in the past as a way of offsetting planned budget reductions and limiting the number of employee layoffs required to balance the budget. Careful consideration of this option might prove very helpful, although there is always a concern that encouraging senior employees to leave the system may exacerbate recruitment problems in key areas and leave us short of the very talent and experience needed to fulfill our mission. However, our experience has been that Service Recognition Programs tend to attract those already preparing to leave, within a few years. By providing an incentive for an earlier decision, we protect our investment in the recruitment effort, which has attracted the talent, and enthusiasm we will need in the next decade and beyond. Offering special recognition to those senior employees who are ending their careers is a positive act, one that also benefits those who must meet the next generation of challenges and opportunities.

Average Teacher Salary—A review and analysis of the current teacher salaries along with other contributing factors and historical information has resulted in the Administration reducing the average teacher salary to be used in the budgeting process for FY 2001-2002 since the November projections. Contributing factors that were considered in determining the average teacher salary to be used included step increases, educational attainment and projected turnover. An analysis of the number of vacancies at any given time is also considered. This reduction in budgeted average teacher salary has contributed to lowering the expenditure level and has assisted in bringing the budget into balance.

Staffing—Staffing requirements have been adjusted based on the official projections set forth as of September 30. Official projections are based on actual enrollment throughout the month of September.

Certificated Teaching Positions—Even with the main objective of the budget reductions to minimize the impact on direct instruction to students, it still became necessary to increase the pupil to classroom teacher staff ratio. Kindergarten and grades 1 and 2 were increased by .5 FTE. Grades 3 to 6 and grades 9 to 12 were increased by 1 FTE. Middle level education, grades 7 and 8, chose to reduce one counselor at each middle school rather than increase class size. The resulting pupil to classroom teacher staff ratios prior to any revisions made by the School Board are as follows:

Kindergarten (FTE)	21 to 1
Grade 1	21.5 to 1
Grade 2	25.5 to 1
Grade 3	26 to 1
Grades 4-6	29 to 1
Grades 7-8	26.25 to 1
Grades 9-12	28.75 to 1
Special Education	Staffing is based upon demonstrated need and program (consistent with current year)

The actual pupil to classroom teacher staff ratios will be adjusted after the second reading of the budget.

Indirect Cost—Based on a Budget Review Team recommendation, three positions (2 FTE) will be transferred from the Food Service Fund to the General Fund. In exchange, the Food Service Fund will be charged the State approved indirect cost rate. This will more accurately reflect the cost of services provided the Food Service Fund by various departments budgeted in the General Fund.

The financial impact will be increased expenditures in the Food Service Fund and reduced expenditures in the General Fund.

Contracted Services—Where appropriate, an inflationary adjustment to contracts has occurred. A very close review of actual contracted services has determined if inflationary increases are warranted. If other known rate increases are warranted, they have been included in the budget. Utilities are budgeted based on analysis of usage and are adjusted according to projected rate increases and/or decreases as announced by the utility agencies. The District has been notified of 2 to 30 percent rate increases for the utilities. Adjustments have also been made to the utility accounts due to the Municipality of Anchorage's agreement to assume responsibility for six of the District's swimming pools. The District is also currently in the process of negotiating the building rental lease for the Curriculum and Instructional Support Center.

Pupil Transportation—All contracted pupil transportation routes for FY 2001-2002 are up for re-bidding. The School Board approved a new five-year contract on January 22, 2001.

Major Maintenance—The Administration recommends reducing the funding level for major maintenance projects from \$2,195,000 to \$1,878,000 for some of the District's more than 80 school facilities as part of the required budget reductions. 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—Most departments have taken a 10 percent reduction in their Office Supply budget. Where appropriate, an inflationary adjustment to certain supply appropriations has been allowed. Some departments, however, may show an increase in supplies based on departmental need to service the total District program requirements (i.e., fuel requirement to run District vehicles). The current projections also include a 10 percent reduction to the school supply and equipment per pupil allocation at the elementary, middle and high school levels and for the special education programs.

Equipment—A majority of the equipment purchases that normally would have been budgeted in the FY 2001-2002 budget have not been included with the anticipation that this equipment will be purchased this year using the spending authority and tax support that was appropriated this year since Tax Cap Initiative (99PTAR) was not passed. Equipment budgets that are part of the school supply and equipment per pupil allocation remain unless impacted by the 10 percent reduction mentioned in the prior paragraph.

McLaughlin Youth Center Summer School—An extended summer school at McLaughlin Youth Center has been requested. The Administration would like to extend the McLaughlin school year to include an eight-week summer term as part of the school's long-range plan to have year-round school. This extension concept is fully supported by juvenile probation and corrections at the local and State level; however, State funding is tentative. The year-round school program was one of the strong recommendations made by the ten-year school improvement evaluation team. The program is currently budgeted for 23 days between June and July and is requesting 17 extra days of funding to run the program. This extension would add three more weeks to the summer program. The corresponding expenditures and revenues are included in the projections within this memorandum. If the State will not provide additional funding to support the extension of the summer school program at the McLaughlin Youth Center, the District will not offer the program.

Charter Schools—Village Charter School has requested an increase in enrollment from 120 students to 144 students for FY 2001-2002, which was approved by the School Board on November 20, 2000. Due to the recent closure of Walden Pond Charter School, the staff and supplies for the 154 originally projected students have been transferred to appropriate accounts in the unallocated high school budget pending determination as to what school the students transfer to.

OTHER FUNDS

Food Service Fund—This fund is used to budget and account for operations of the Student Nutrition Program. Employee benefits and payroll taxes (as required by contract), personnel costs, indirect charges, food and materials costs, equipment repair and replacement, and incremental costs to provide additional meals for students have been included in the budget projections for FY 2001-2002. Based on a Budget Review Team recommendation, the Food Service Fund will be charged the State approved indirect cost rate to more accurately reflect the cost of services provided the Food Service Fund by various departments budgeted in the General Fund. In exchange, three positions (2 FTE) that perform work for the Student Nutrition Program, but that work out of other departments, will be transferred from the Food Service Fund to the General Fund.

Sales revenue and federal reimbursement will balance Food Service revenues with expenditures. **The price of fully-paid lunches and breakfasts for elementary students, middle school students and adults are being increased \$.10 per meal in order to balance the budget.** The last price increase was in FY 1998-1999 when fully-paid lunches increased \$.15 and fully-paid breakfasts

increased \$.10. These projections are based on the most recent information; and it is projected that **no local tax support will be required for the Food Service Fund in FY 2001-2002.**

Based on a School Board revision made during the first reading of the budget, the total amount of the Food Service Fund budget for FY 2001-2002 has been reduced from \$11,088,000 to \$10,888,000. Equipment purchases in the amount of \$200,000 originally requested in the FY 2001-2002 budget will be made in FY 2000-2001 using fund balance in the Food Service Fund as the funding source.

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 sale was approved. **The projections include the anticipated sale of \$65 million of bonds in the spring of 2001 related to the April 1999 voter-approved propositions.** Potential bond propositions for April 2001 have not been included in the projections.

Local / State / Federal Projects Fund—Expenditures in the Local/State/Federal Projects 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 federal and State annual appropriations. **It is projected that budgets for FY 2001-2002 grants will increase approximately \$2 million based on the favorable receipt of grants in FY 2000-2001.** All indicators point to a strong national economy in the future; therefore, the District should continue to receive the same or greater level of funding for the Local/State/Federal programs.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2001-2002 projected revenue/expenditures as of the first reading of the budget with those currently approved for FY 2000-2001.

EXPENDITURE BUDGETS

<u>Fund</u>	1/8/01 Revised Expenditure Budget <u>FY 2000-2001</u>	First Reading Proposed Expenditures <u>FY 2001-2002</u>	% Over /(Under) <u>Prior Year</u>
General	\$339,176,879	\$337,377,544	(.53)%
Food Service	10,650,000	10,888,000	2.23 %
Debt Service	42,377,520	47,751,978	12.68 %
Local/State/Federal Projects	26,000,000	28,000,000	7.69 %
Unallocated Spending Authority	<u>8,026,075 *</u>	<u>-0-</u>	
All Funds	<u>\$426,230,474</u>	<u>\$424,017,522</u>	(.52)%

* Includes \$8,000,000 increased upper limit spending authority based on the Tax Cap Initiative (99PTAR) not being approved by the voters on November 7, 2000. The School Board has not taken action as to where the additional spending authority will be utilized.

REVENUE BUDGETS

<u>Fund</u>	1/8/01 Revised Revenue Budget <u>FY 2000-2001</u>	First Reading Proposed Revenues <u>FY 2001-2002</u>	% Over /(Under) <u>Prior Year</u>
General	\$344,224,653 **	\$337,461,258	(1.96)%
Food Service	10,650,000	10,888,000	2.23 %
Debt Service	42,377,520	47,751,978	12.68 %
Local/State/Federal Projects	<u>26,000,000</u>	<u>28,000,000</u>	7.69 %
All Funds	<u>\$423,252,173</u>	<u>\$424,101,236</u>	.20%

** Includes \$5,047,774 of taxes based on the Tax Cap Initiative (99PTAR) not being approved by the voters on November 7, 2000.

Taxes

<u>Fund</u>	<u>1/8/01 Revised Budget FY 2000-2001</u>	<u>First Reading Proposed FY 2001-2002</u>	<u>% Over /(Under) Prior Year</u>
General	\$102,613,029 **	\$106,624,624	3.91 %
Debt Service	<u>23,986,502</u>	<u>28,219,506</u>	17.65%
All Funds	<u>\$126,599,531</u>	<u>\$134,844,130</u>	6.51%

** Includes \$5,047,774 of taxes based on the Tax Cap Initiative (99PTAR) not being approved by the voters on November 7, 2000.

Student Enrollment Projections

	<u>FY 2000-2001 Actuals Sept. 30, 2000</u>	<u>FY 2001-2002 Projected Sept. 30, 2001</u>	<u>Change Over Prior Year's Actual</u>
Enrollment	49,520	49,703	183
Full Time Equivalent (FTE)	49,002	49,554 ***	552

*** Includes thirteen more schools recommended for expansion of full-day kindergarten. In these projections, two schools (Sand Lake Elementary and Northern Lights ABC) will still have half-day kindergarten.

In preparing the FY 2001-2002 Financial Plan, many budget development uncertainties face the District.

- Projected enrollment
- FY 2001-2002—Contract negotiations for Local 71, TOTEM and Teamster Bus/Attendants or for agreements that contain re-openers for certain items (APA and ACE)
- CPI and 5-year average population growth used for local tax limitation not finalized until February 2001
- New construction and assessed valuation amounts used for local tax limitation not finalized until March/April 2001
- State funding subject to legislation
- Federal Impact Aid subject to annual appropriation

SUMMARY

Our assumptions in preparing the initial FY 2001-2002 projections were based on, but not limited to, the following criteria:

- Balanced budget for presentation to the Anchorage Assembly—Expenditures equal Revenues
- Local Property Taxes—Full amount available under the property tax limitation
- Fund Balance as revenue source—\$2.2 million of Fund Balance was used in the projections for FY 2001-2002. Including the recommendations contained in this memorandum, the amount of undesignated fund balance that may be available as of the end of June 30, 2001 is projected to be \$10.23 million or 3.03 percent of the initial expenditure budget of \$337.3 million. The amount of undesignated fund balance may vary depending upon the amount that is designated for an Equipment Replacement Fund.
- Budget Review Teams' recommendations where appropriate
- Increase to current User Fees where appropriate
- Potential adoption or expansion of programs must be funded within existing resources
- Maintain current Family Cap on High School and Middle School Activity Fees

CC/JS/MSL
Attachments

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