

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #170 (2002-2003)

February 6, 2003

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2003-2004 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 2003-2004 Proposed Financial Plan as set forth in the projected revenue and expenditure schedules included in the Preliminary Financial Plan and budget revisions made by the School Board during the first reading on January 23, 2003 (Attachment A). The total budget recommendation is \$481,137,785. This includes individual fund budgets currently projected as follows:

	<u>Proposed FY 2003-2004 Financial Plan</u>
General Fund	\$ 369,700,400
Food Service Fund	13,043,000
Debt Service Fund	58,394,385
Local/State/Federal Projects Fund	<u>40,000,000</u>
Total - All Funds	<u>\$ 481,137,785</u>

The total of local tax contribution to be requested is \$142,804,000.

It is further recommended that the School Board authorize the Superintendent to adjust the budget expenditure ceiling and taxes above in accordance with any change to additional Charter Schools, State approval of debt retirement projects, the upper limit of the local tax cap limitation and any education-related ballot proposition that may be approved in the April 1, 2003, 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 FY 2003-2004 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

These projections for FY 2003-2004 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 in the areas of academic excellence, supportive learning environment, and public accountability. The budget development process is mindful of the District's responsibility in designating financial and human resources within projected revenues.

BUDGET DEVELOPMENT

The budget development process for the District is an ongoing process that encompasses over six months of gathering and analyzing information. 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. Throughout the process, assumptions, enrollment, revenues, and expenditures are constantly being reviewed and assessed in order to provide the most current information. 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 are evaluated for their impact on the budget.

Departments and schools review their programs and responsibilities; assess what is being done during the current fiscal year and what progress is being made; continue updating 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."

The District continues with its efforts to seek input from the community, employees and students in the development of its preliminary budget

recommendation. Input relative to economies and efficiencies in delivery of programs and services as well as additions and reductions in programs and services are sought. The Superintendent and Administration conducted four town meetings – one in Eagle River, one in Girdwood and two in the Anchorage Bowl – to gather additional community, employee and student input. The District’s web site also carried a suggestion box to which community members could submit recommendations, and suggestions forms were available at all of the schools and at the Public Affairs Department. Input was also solicited from the Minority Education Concerns Committee (MECC), various advisory committees and the Anchorage Council of PTAs.

On November 4, 2002 a School Board FY 2003-2004 financial planning work session was held. A pro forma revenue and expenditure budget was presented based on current information known at that time. Assumptions used for projection purposes were reviewed with the School Board. The Administration gathered suggestions and changes that the majority of the School Board members wanted the Administration to further investigate including any suggestions submitted by staff and community members. At that work session the School Board also provided guidance to the Administration to include \$5.0 million of Fund Balance as a revenue source to reduce the fiscal gap and to avoid some reductions in various District activities when bringing the Preliminary FY 2003-2004 Financial Plan forward in January 2003.

On November 11, 2002, the School Board authorized the Superintendent to prepare the Anchorage School District’s FY 2003-2004 Preliminary Financial Plan in accordance with the financial projections set forth at that time. Authority to adjust the budget expenditure ceiling in accordance with any negotiated contract adjustments and other associated cost increases, School Board requests, Administration, community, staff and students’ budget review recommendations were also given to the Superintendent. In addition, flexibility was given to allow for adjustments based on updated demographics and/or economic information, as well as staffing based on review of student enrollment projections. The total of all department budgets plus any new facilities or change in program requirements are compared to anticipated revenues. At that time, it was projected that expenditures would exceed projected revenues by approximately \$3.4 million.

As the Administration proceeded forward in preparing a FY 2003-2004 Preliminary Financial Plan in which expenditures would equal revenues, the District’s mission of educating all students for success in life was always at the forefront. It was also recognized that this could not be accomplished without support and maintenance departments. Review and reassessment of assumptions and parameters were made again. Updated and new information

was incorporated. Assessment of workload and reorganizations within departments to improve efficiencies were made. Community, staff and student suggestions were considered and implemented where appropriate. **After a great deal of review, consideration and discussion, the Superintendent presented to the School Board a balanced FY 2003-2004 Preliminary Budget totaling \$481,093,785. Expenditures were brought into balance with revenues without making major cuts and by realigning program requirements and funding. All departments' requests and needs were not able to be met; some program improvements such as the continuing commitment of fulfilling Title IX in girls' hockey, counselors for the "Creating Successful Futures" elementary education preventative program, and certain management audit recommendations and mandated requirements such as disposal costs for surplus computers and monitors have been addressed through reallocation of resources. School Board approved increases for additional bus routes to transport Wendler Middle School students to Dimond High School during the renovation of Wendler Middle School have also been included.**

The Administration presented the FY 2003-2004 Preliminary Financial Plan to the School Board on January 14 and 16, 2003. A general overview was given by the Superintendent and then each administrator presented his/her budget identifying any major changes, including the program improvements.

First Reading of FY 2003-2004 Proposed Financial Plan

The School Board considered the FY 2003-2004 Proposed Financial Plan at a special meeting on January 23, 2003. Revisions were made to the General Fund and Food Service Fund. The revisions made to the Food Service Fund do not impact the total amount of the fund. No revisions were made to the Local/State/Federal Projects and Debt Service Funds. The School Board's revisions during the first reading of the proposed budget are summarized on Attachment A. Listed below is a brief description of the revisions.

General Fund

Revenue Revision

The General Fund Revenue Budget increased from \$369,656,400 to \$369,700,400, for an increase of \$44,000. The \$44,000 increase to the revenues during the first reading will come from the undesignated fund balance. The total amount of undesignated fund balance to be used to support the FY 2003-2004 Proposed Financial Plan is \$5,044,000.

Expenditure Revisions

The General Fund Expenditure Budget increased from \$369,656,400 to \$369,700,400, for a net increase of \$44,000. The increase made during the first reading of the budget was:

- Add one (1) FTE assistant principal for Wendler Middle School to provide administrative support during school construction period and with transporting students to Dimond High School during this period with an expenditure of \$79,500.

Decreases made in the General Fund during the first reading of the proposed budget include:

- Reduce the computer disposal fees by \$23,500. The District does not have confirmed disposal fee amounts or the number of computer and TV monitors that may need to be disposed of. By reducing the Refuse account by \$23,500, \$65,000 will still be available to meet the need of this mandated requirement.
- Reduce Contracted Services-Instructional under High School Administration by \$12,000. This will leave \$72,000 available in contracted services to meet the needs in this area.

Food Service Fund

The adjustments made to the Food Service Fund during the first reading did not change in total, but rather in the distribution of revenue sources. The School Board approved a \$.10 increase for fully-paid breakfasts and lunches for elementary and middle level students instead of the \$.15 increase proposed by the Administration. The \$.20 for fully-paid breakfast and the \$.15 for fully-paid lunch increases for adult meals, remain as the Administration proposed. To balance the loss of revenues from the reduction of the fully-paid student breakfast and lunch prices, the School Board approved using \$74,265 of fund balance to support the FY 2003-2004 Food Service Fund.

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 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's data. The following schedule summarizes the actual or projected student enrollment information for FY 2000-2001 through FY 2003-2004 on both a full count and FTE basis.

	Actuals 2000-2001 <u>9/30/00</u>	Actuals 2001-2002 <u>9/30/01</u>	Actuals 2002-2003 <u>9/30/02</u>	Projected 2003-2004 <u>9/30/03</u>
Total Number	49,520	49,676	50,029	50,222
Change Over Previous Year Actual		156	353	193
FTE (Full-Time Equivalent)	49,002	49,441	49,791	49,926

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 2003-2004 as compared to FY 2002-2003 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. The School Board and the Administration appreciate the past increases in revenue funding to the Alaska Public School Funding Program. Hopefully, the Legislature will continue to advocate for the students in our communities, by funding an increase in revenues supporting public education.

This Program is expected to provide approximately 53.2 percent of the District's General Fund revenues. This is based on continuing the same per pupil amount for the base student allocation (\$4,010), and the Quality School Grant allocation (\$16) per adjusted average daily membership (ADM). Based on current enrollment projections, the amount of funding for FY 2003-2004 is \$196.7 million, which is \$3.9 million less than the current FY 2002-2003 budget. This is a result of the projected special education intensive enrollment for FY 2003-2004 being less than projections and actual identification for the current year. Also Whaley School falls into a different funding category based on next year's projections of serving less than 200 students. In addition, the State assessed property valuation

for the Municipality increased \$942 million, which results in a larger required deduction causing a loss of approximately \$2.0 million in the Public School Funding formula calculation.

The *Alaska Public School Funding* program is based on the (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 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 one-half of the annual increase in 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 required local effort. **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 \$18.262 to \$19.204 billion.

Learning Opportunity Grant (LOG)—The projections include continuation of LOG funding approved by the Legislature. The amount included in these projections is \$8,711,750, based on the projected ADM for FY 2003-2004.

Section 93 of Senate Bill 2006—The Twenty-second Alaska State Legislature and the Governor approved \$1.922 million of additional funding to be used for programs and services. The projections included in this memorandum assume the continuation of this funding for FY 2003-2004.

Local Property Taxes—Local property tax contribution is the District's second largest General Fund revenue source. **Projected local property tax revenue for FY 2003-2004 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 2.0 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 2003. As determined by the State Department of Community and Regional Affairs, the five-year Anchorage municipal population change used for planning purposes is .78 percent. The projected combined rate of 2.78 percent

for FY 2003-2004 is .49 percent less than the current rate of 3.27 percent for FY 2002-2003.

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 \$6.575 million. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

Federal Impact Aid—The revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated increase of \$1.3 million from the FY 2002-2003 budget amount of \$10.5 million for a total of \$11.8 million based on FY 2001-2002 actuals.

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, 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 Program is subject to annual Congressional appropriation and should be monitored. We also do not know, for example, if the District will receive prior year adjustment payments during FY 2003-2004.

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. As of June 30, 2002, the undesignated fund balance was approximately \$23.574 million or 6.38 percent of the FY 2003-2004 Financial Plan of \$369.7 million.

At this time, based on approval from the School Board in November and during the First Reading on January 23, 2003, the Administration has included \$5.044 million of Fund Balance as a revenue source to reduce the fiscal gap and to avoid some reductions in various District activities. Using \$5.044 million of Fund Balance will provide an undesignated fund balance of

\$18.530 million or 5 percent of the FY 2003-2004 projected budget of \$369.7 million.

Pupil Transportation Reimbursement—The FY 2003-2004 revenue projections for Pupil Transportation are based on full funding for the District and contracted routes, less hazardous routes. The projections include State reimbursement for the additional twenty bus routes to transport Wendler Middle School students to Dimond High School during the renovation of Wendler Middle School.

User Charges and Fees—For the FY 2003-2004 budget, fees will continue to be assessed for musical instrument usage, ASD documents, High School and Middle School Student Activity fees, High School parking fees, summer school, credit course training fees, rental fees and fees for Community Education. Based on input from the School Board, rate increases have not been incorporated in these projections.

Medicaid—Based on FY 2001-2002 actual revenues and current year projections, it is estimated that the District will receive approximately \$900,000 in Medicaid funding based on information from the Alaska Department of Education and Early Development (DEED).

E-Rate—The District has not received notification from the School and Libraries Division of the Universal Service Administrative Company if the District's application for E-rate funds for school facility communication upgrades for FY 2002-2003 school year has been approved for all eligible services. Included in these projections for FY 2003-2004 is the same revenue of \$1.148 million anticipated for FY 2002-2003. These funds are included in the budget as a revenue source, offset by corresponding communications expenditures.

Expenditures

Primarily student and program needs and a commitment to use the funds economically drive expenditure projections. Recommendations submitted from the community town meetings, other interested community members who submitted suggestions by e-mail or by regular mail, staff, students, and the administration, were considered and incorporated into the budget where appropriate. The major changes in budgeted expenditures between FY 2003-2004 and FY 2002-2003 are included on Attachment C.

Salaries and Benefits—Employee salaries, wages, and benefits are projected to be approximately 85 percent of the operating cost of the District. The projections include a full contract opener for Anchorage Council of Education (ACE), a salary re-opener including the minimum wage requirement for

Teamsters 959 (Bus Drivers and Attendants) and compensation consideration for Exempt personnel. Depending upon the settlement parameters defined by the School Board for collective bargaining for these contracts, the total revenue needed to support the programmatic assumptions discussed herein may be revised. Compensation provisions for completed contracts 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.

Average Teacher Salary—Further review and analysis of the current teacher salaries over the last two months, allowed for the average teacher salary used in the previous projections to be reduced. Contributing factors that determined the average teacher salary used included the salary schedule increase, projections of current staff step increases, historical information of educational attainment, projected turnover and vacancies at any given time. As a result, the fiscal gap has been reduced.

Staffing—Staffing requirements have been adjusted based on the official student projections set forth for September 30, 2003. Official projections are based on actual enrollment throughout the month of September.

Certificated Teaching Positions—Budgeted teaching staff is based on the FY 2002-2003 PTR (pupil to classroom teacher staff ratios). Adjustments have been included for staffing based on enrollment changes and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of opportunities with 92 languages spoken in the Anchorage schools.

Kindergarten (FTE)	20.5 to 1
Grades 1	21 to 1
Grade 2-3	24 to 1
Grades 4-6	27 to 1
Grades 7-8	25.54 to 1
Grades 9-12	27.08 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 for charging the Food Service Fund the State approved indirect cost rate. This more accurately reflects the cost of services provided the Food Service Fund by various departments budgeted in the General Fund.

Contracted Services—Where appropriate, an inflationary adjustment to contracts were allowed. A very close review of actual contracted services

determined if inflationary increases are warranted. If other known rate increases were warranted or new mandated requirements, such as the disposal costs for surplus computer monitors and televisions, they were 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. With rate adjustments and review of actual expenditures, 2 percent to 8 percent increases for the utilities are projected.

Pupil Transportation—Contracted pupil transportation routes for FY 2003-2004 include an estimated increase based on COLA and the minimum wage adjustments for drivers, three and one half special education routes for Whaley School and pre-school. Also included in the projections are the expenditures associated with the closing of Wendler Middle School and transporting the students to Dimond High School while Wendler is under construction.

Major Maintenance—The Administration recommends maintaining the funding level for major maintenance projects of \$2.674 million for some of the District's more than 89 school 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—Where appropriate, an inflationary adjustment to supply appropriations were 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, Great Body Shop books). The current projections include the same school supply and equipment per pupil allocation as in the current year. Also included is the continuation of emergency shelter supplies for schools serving as shelters in the event of a major emergency.

Equipment—Replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund. The projections in this memorandum do not include funds for the purchase of ten buses or any maintenance vehicles. The replacement of ten buses is included in the April 2003 bond proposal as approved by the School Board in December. The FY 2003-2004 Proposed Financial Plan includes only a small amount of funds for replacement or new equipment other than the amount included in the student supply/equipment allocation. It is anticipated that the current year's budget has sufficient upper limit spending authority to allow for some additional one-time equipment purchases to be made this year.

New Positions—The following positions have been included in the FY 2003-2004 budget to sustain the District's ability to meet its operational obligations:

- One (1) FTE Director of Security and Emergency Preparedness position is being added to focus on a coordinated effort relating to school district crisis planning, security management and reporting and emergency preparedness and training.
- One (1) FTE Administrative Assistant position is being added to provide clerical support to the Director of Security and Emergency Preparedness.
- One (1) FTE Testing and Program Evaluation Coordinator position is being added to focus on the disaggregation of data to provide teachers with a tool to identify which students require additional assistance, to assist with the evaluation of various programs, to address the recommendation in the curriculum audit, and No Child Left Behind (NCLB) mandate.
- One (1) Senior Clerk position is being added to provide clerical assistance in Pupil Transportation to assist with the additional logistics of the Wendler to Dimond transport of students due to construction at Wendler and special education routing.
- Fourteen (14) bus driver positions are being added to serve pupil transportation. Ten (10) of the positions are for the bus routes to transport Wendler students to Dimond and four (4) positions are added as backup for districtwide routes.
- One (1) Auditorium Technician position is being added to eliminate the 900 hours of overtime for the current staff and the opening of the new Dimond High School auditorium.
- One (1) FTE co-principal position is being added to Central to support the school functions while the principal serves as President of the National Association of Secondary School Principals (NASSP). NASSP will be reimbursing the Anchorage School District two-thirds of the President's salary.
- Three (3) FTE counseling positions have been added at the elementary level using Learning Opportunity Grants funds. Two of these positions are currently funded by a grant through the end of the 2002-2003 school year.
- Two (2) FTE counseling positions and two teacher assistant positions are being added at the elementary level using Learning Opportunity Grant funds. These positions will continue supporting the "Creating Successful Futures" program at Williwaw Elementary School. The grant that currently supports this program ends June 2003.
- One (1) FTE assistant principal for Wendler Middle School was added to provide administrative support during the school construction period and with transporting students to Dimond High School during this period.

OTHER FUNDS

Food Service Fund— This fund is used to budget and account for operations of the Student Nutrition Program. 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 indirect overhead charges. The FY 2003-2004 budget has been increased from \$12.200 million to \$13.043 million to accommodate the employee-negotiated contracts, the contract openers for Food Service and Anchorage Council of Education (ACE) personnel, upward movement in food costs, and increase in the indirect costs. The custodian position was increased from one-quarter (.25) FTE to a one-half (.5) FTE position. The Central Kitchen Personnel increased one and one third (1.3) FTE due to an increase in the hours for the catering position (.55 FTE) and the extra kitchen help for the new doughnut operation (.75 FTE). The Middle School Kitchens have added staff (1.625 FTE) due to the projected increases in meal participation at the Middle Schools. The staffing at all High School Kitchens is increasing (2.213 FTE) to provide faster service during meal serving time. A Craft Specialist (plumber) position (1.0 FTE) was added to Food Service – Maintenance/Delivery.

The revenue sources for the Food Service Fund budget includes revenue from meal sales, and Federal reimbursement for meals served. Based on a School Board revision during the first reading of the budget, the price of fully-paid lunches for elementary and middle school students, are being increased \$.10 per meal instead of \$.15 as recommended by the Administration. The price increase of an adult fully-paid breakfast by \$.20, the price increase for the adult fully-paid lunch by \$.15, and the price increase for the student fully-paid breakfast by \$.10 remained the same as proposed by the Administration. The following schedule shows the price increases for FY 2003-2004 as compared to the current year.

	<u>FY 2002-2003</u>	<u>FY 2003-2004</u>	<u>Increase</u>
Fully-Paid Breakfast			
Elementary	\$.85	\$.95	\$.10
Middle Level	.85	.95	.10
Adult	1.05	1.25	.20
Fully-Paid Lunches			
Elementary	\$2.20	\$2.30	\$.10
Middle Level	2.60	2.70	.10
Adult - Elementary	2.60	2.75	.15
Adult - Middle	2.80	2.95	.15

The last price increase was in FY 2001-2002 when fully-paid breakfasts and lunches were increased \$.10.

In addition, the School Board recommended using \$74,265 of Fund Balance for the FY 2003-2004 Food Service Fund budget to balance the revenues with expenditures. The undesignated fund balance for the Food Service Fund as of June 30, 2002 was approximately \$462,000. The use of \$74,265 of fund balance

will reduce the undesignated fund balance amount to approximately \$387,735, which is 2.97 percent of the FY 2003-2004 Food Service Fund budget as presented in this memorandum. It is projected that no local tax support will be required for the Food Service Fund in FY 2003-2004.

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. Based on statewide voter approval of Proposition C on November 5, 2002, taxes for the Debt Service Fund will decrease beginning FY 2003-2004. The reduction will be determined by which voter-authorized bonds since June 30, 1999 are approved for 60 percent or 70 percent State debt reimbursement. Upon approval from DEED, the administration will bring forward, revisions to the Debt Service Fund incorporating necessary adjustments to taxes and State debt reimbursement funding.

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, thereby reducing the amount of local taxes. Potential bond propositions for April 2003 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 2003-2004 grants will remain the same until further acknowledgement from federal legislation.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2003-2004 projected revenue/expenditures with those currently approved for FY 2002-2003.

REVENUE/EXPENDITURE BUDGETS

<u>Fund</u>	<u>Revised Budget FY 2002-2003</u>	<u>Proposed Budget FY 2003-2004</u>	<u>% Over /(Under) Prior Year</u>
General	\$360,368,861	\$369,700,400	2.59%
Food Service	12,200,000	13,043,000	6.91%
Debt Service	51,038,651	58,394,385	14.41%
Local/State/Federal Projects	40,000,000	40,000,000	
Contingency	<u>610,655</u>	<u> </u>	(100.00%)
All Funds	<u>\$464,218,167</u>	<u>\$481,137,785</u>	3.64%

TAXES	<u>Revised FY 2002-2003</u>	<u>Proposed Budget FY 2003-2004</u>	<u>Increase (Decrease)</u>
General Fund	\$114,373,207	\$120,948,393	\$6,575,186
Debt Service	<u>28,581,375</u>	<u>21,855,607</u>	<u>(6,725,768)</u>
All Funds	<u>\$142,954,582</u>	<u>\$142,804,000</u>	<u>\$ (150,582)</u>

The decrease of overall taxes being requested for FY 2003-2004 will result in a reduction in taxes per \$100,000 of assessed valuation. When combined with the estimated 2003 total assessed valuation received from the Municipality on November 5, 2002, the mill levy is being reduced from 7.81 mills in 2002 to 7.62 mills for 2003.

Based on statewide voter approval of Proposition C on November 5, 2002, the taxes for the Debt Service Fund will decrease beginning FY 2003-2004. The reduction will be determined by what voter authorized bonds since June 30, 1999 are approved for 60 percent or 70 percent State debt reimbursement. If approval from DEED is received prior to the budget being submitted to the Assembly in March, the Administration will revise the local and state support in the Debt Service Fund.

STUDENT ENROLLMENT PROJECTIONS

	FY 2002-2003 Actuals <u>Sept. 30, 2002</u>	FY 2003-2004 Projected <u>Sept. 30, 2003</u>	Change Over Prior <u>Year's Actual</u>
Enrollment	50,029	50,222	193
Full Time Equivalent (FTE)	49,791	49,926	135

In preparing the FY 2003-2004 Financial Plan, many budget development uncertainties still face the District.

- School Board areas of interest
- Projected enrollment
- FY 2003-2004 – Contract for Anchorage Council of Education (ACE), Teamsters 959 (Bus Drivers and Attendants) contract a with salary re-opener and minimum wage requirements, Food Service contract and Exempt personnel
- ESEA-No Child Left Behind requirements
- Approval of more charter schools
- Expansion of summer school
- Class size reduction
- Community, staff, and students' recommendations
- Additional positions other than class size reduction
- Implementation of Curriculum Audit recommendations
- CPI and 5-year average population growth used for local tax limitation not finalized until February 2003
- New construction and assessed valuation amounts used for local tax limitation not finalized until March/April 2003
- Federal Impact Aid subject to annual appropriation
- Medicaid reimbursement
- Legislative action

SUMMARY

Our assumptions in preparing these FY 2003-2004 projections are 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
- Use of Fund Balance as a revenue source – the undesignated fund balance as of June 30, 2002 was \$23.574 million or 6.38 percent of the

\$369.7 million. Using \$5.044 million will bring the undesignated fund balance to \$18.530 or 5 percent of \$369.7 million

- State Public School Funding - no formula change and no increase to per pupil allocation of \$4,010
- Quality Schools Grant - no increase to per pupil amount of \$16
- Learning Opportunity Grant - same level as FY 2002-2003
- Section 93 of Senate Bill 2006 - same level as FY 2002-2003
- State Transportation - Assumes closing Wendler Middle School and transporting students to Dimond High School during construction. Also assumes three and one half new special education routes for special education pre-school and Whaley school; adjusted minimum wage increase for bus drivers, and COLA for the contracted transportation routes
- Potential adoption or expansion of programs must be funded within existing resources
- Maintain current family cap on High/Middle School Activity Fees
- Maintain current user fees

CC/JS/MSL

Prepared by: Marie S. Laule, Budget Director
Approved by: Janet Stokesbary, Chief Financial Officer

**Anchorage School District
School Board Approved Budget Revisions
FY 2003-2004**

Attachment A

Item	PROGRAM DESCRIPTION	FTE	Expenditures Amount	Revenues Amount
<u>General Fund</u>			\$ 369,656,400	\$ 369,656,400
<u>Revenue Revision</u>				
1.	Fund Balance to support Wendler Middle School Assistant Principal			\$ 44,000
<u>Expenditure Revisions</u>				
1.	Add Wendler Middle School Assistant Principal	1.0	79,500	
2.	Reduce Computer/TV monitor Disposal Fees		(23,500)	
3.	Reduce Contracted Services-Instructional in High School Administration		(12,000)	
<i>Total Net Revisions</i>		1.0	\$ 44,000	\$ 44,000
General Fund Total		1.0	\$ 369,700,400	\$ 369,700,400
<u>Food Service Fund</u>			\$ 13,043,000	\$ 13,043,000
<u>Revenue Revisions</u>				
1.	Use Fund Balance to offset decrease of student breakfast and lunch price increase			74,265
2.	Reduce the initial amount of student breakfast and lunch price increase from \$.15 to \$.10 per meal leaving an increase of \$.10 over FY 2002-2003			(74,265)
<i>Total Net Revisions</i>			\$ 0	\$ 0
Food Service Fund Total			\$ 13,043,000	\$ 13,043,000
General Fund			\$ 369,700,400	\$ 369,700,400
Food Service Fund			13,043,000	13,043,000
Debt Service Fund			58,394,385	58,394,385
Local, State, and Federal Projects Fund			40,000,000	40,000,000
<i>Interim Total as of 1/23/2003</i>			\$ 481,137,785	\$ 481,137,785
Total Taxes Requested			\$ 142,804,000	

ANCHORAGE SCHOOL DISTRICT
GENERAL FUND
SUMMARY OF MAJOR BUDGETED EXPENDITURE INCREASES AND REDUCTIONS
AND SCHOOL BOARD ACTIONS DURING FIRST READING JANUARY 23, 2003
FY 2003-2004 COMPARED TO FY 2002-2003

FY 2002-2003 Revised Budget	\$	360,368,861
Major Budgeted Revenue Reductions:		
Alaska Public School Funding Program		(3,915,319)
Learning Opportunity Grant		(14,278)
Facilities Rentals		(15,000)
Total Major Budgeted Revenue Reductions		(3,944,597)
Adjusted Revenues After Reductions		356,424,264
Major Budgeted Revenue Increases:		
* Use of Fund Balance		5,044,000
Tax Appropriation		6,575,186
Federal Impact Aid		1,300,000
Tuition		100,000
Pupil Transportation		75,900
McLaughlin Youth Detention Grant		44,000
R.O.T.C.		30,000
Interest Earnings		25,000
National Association of Secondary School Principals (NASSP) reimbursement		37,000
Other Local Revenues		45,050
Total Major Budgeted Revenue Increases		13,276,136
FY 2003-2004 Proposed Revenue Budget	\$	<u><u>369,700,400</u></u>
 Summary Totals:		
FY 2002-2003 Revised Revenue Budget, August 26, 2002	\$	360,368,861
Net Change (total of revenue reductions and increases)		9,331,539
FY 2003-2004 Proposed Revenue Budget	\$	<u><u>369,700,400</u></u>

* School Board adjustment during First Reading January 23, 2003
An additional \$44,000 of Fund Balance was approved

ANCHORAGE SCHOOL DISTRICT
GENERAL FUND
SUMMARY OF MAJOR BUDGETED EXPENDITURE INCREASES AND REDUCTIONS
AND SCHOOL BOARD ACTIONS DURING FIRST READING JANUARY 23, 2003
FY 2003-2004 COMPARED TO FY 2002-2003

FY 2002-2003 Revised Budget	\$	360,368,861
Major Expenditure Increases & Decreases:		
<u>Districtwide</u>		
Pending Negotiations		1,865,000
Previously Settled Employee Contracts		6,110,310
Teacher's Retirement System Increase from 11% to 12%		1,530,944
Workers' Compensation Rate Increases		106,463
Property Insurance		153,000
* Computer/TV Monitors Disposal Fee (Reduced from \$88,500)		65,000
Utility Rate Increases (2% to 8%)		258,499
	Total Districtwide Increases:	10,089,216
Personal Leave (Mandated Reporting Change)		(404,931)
Unemployment Rate Decrease from .1092% to .1028%		(14,873)
PERS Rate Decrease from 9.35% to 9.25%		(60,949)
Indirect Cost		(234,674)
Equipment Replacement Fund		(213,964)
Redemption of Principal on Long-Term Debt		(37,572)
Liability Insurance (Mandated Reporting Change)		(53,000)
	Total Districtwide Decreases:	(1,019,963)
	Total Districtwide Changes:	9,069,253
<u>Elementary</u>		
Elementary School Counselors - Creating Successful Futures (5.0 FTE)		319,000
Teacher Aides - Creating Successful Futures (2-3.5 hour assistants - .875 FTE)		19,659
Full Day Kindergarten Aides - Various schools (1.658 FTE)		17,194
Textbooks - The Great Body Shop		170,000
	Total Elementary Increases:	525,853
Elementary & Secondary Classroom Teachers - Enrollment Reduction (10 FTE)		(638,000)
Recruitment Incentive - Unallocated		(4,000)
Bus Stop Monitors for transporting Denali Students to Kennedy Elementary School		(15,000)
Unallocated Adjustments (Converted to FTE staff for Creating Successful Futures)		(337,500)
New Equipment (One-time computer purchase for teachers)		(1,100,000)
	Total Elementary Decreases:	(2,094,500)
	Total Elementary Change:	(1,568,647)
<u>Charter Schools</u>		
Family Partnership Enrollment Adjustment		34,852
	Total Charter Increases:	34,852
Other Charter School Reductions (largely due to change in indirect cost rate)		(41,191)
	Total Charter Decreases:	(41,191)
	Total Charter Change:	(6,339)

Special Education

Special Service Teacher - Pilot Gifted Program at Chugach Optional Transferred from Deaf Program (.5 FTE)	31,900
Special Service Teacher - Pilot Gifted Program at Rogers Park (1.0 FTE)	63,800
Related Services Specialists - Speech/Language (10.6 FTE)	505,095
Behavior Strategists - Psychology (3.0 FTE)	142,869
Occupational Therapist Aide - OT/PT Transferred from Deaf Program (.5 FTE)	20,906
Building Rental - Crossroads Program	25,550
Total Special Education Increases:	790,120

Special Service Teacher - Deaf Transferred to Gifted (.5FTE), O.T/P.T (.5FTE,) Psychology (1.0 FTE)	(127,600)
Special Service Teachers - Speech/Language to pay for Related Services Specialists (8.5 FTE)	(542,300)
Supplies for Mt. Iliamna Students Transferred to Elementary Schools	(18,000)
Substitute Teachers - Classified/Certificated (Gifted, Blind/Visually Impaired, OT/PT, Psychology)	(50,861)
Total Special Education Decreases:	(738,761)
Total Special Education Change:	51,359

Bilingual Education

Additional Bilingual Tutors (10 positions - 8.75 FTE)	259,342
Total Bilingual Increases:	259,342

Middle Schools

Middle School Classroom Teachers Based on Enrollment & Middle School Concept (12 FTE)	765,600
* Assistant Principal - Wendler (1.0 FTE)	79,500
Assistant Principal - Polaris (1.0 FTE)	79,500
Co-Principal - Central (1.0 FTE)	85,000
Supply/Equipment Allocation Based on Student Enrollment and Emergency Funds	30,495
Total Middle School Increases:	1,040,095

Counselor - Polaris (1.0 FTE) (Reallocated to Assistant Principal)	(63,800)
Recruitment Incentive - Unallocated	(4,000)
On-Line Testing	(50,000)
Leadership In-Service	(50,000)
Middle School Data	(52,000)
Total Middle School Decreases:	(219,800)
Total Middle School Change:	820,295

High Schools

High School Classroom Teachers (8.0 FTE) for Enrollment	510,400
Supply/Equipment Allocation Based on Student Enrollment	20,700
Principal - Continuation School (1.0 FTE)	86,769
Administrative Assistant - Continuation School (Increase from 1/2 year to full year)	26,847
ROTC Instructor Salaries (Determined per Agreement w/Department of Defense)	54,258
Neighborhood Patrol Officer for 6 High Schools (2.628 FTE) (transferred from Unallocated)	79,730
Girls Hockey Officials, Uniforms, Safety Gear, Ice Time	74,500
ASAA Dues (Increase of \$1 per student and student participation)	23,704
Total High School Increases:	876,908

High School Continued

Textbooks - Alaska Studies Supplies & Materials	(50,000)
* Contracted Services - Instructional	(12,000)
Recruitment Incentive - Unallocated	(4,000)
Contracted Services - Northwest Accreditation School Team Visits	(15,500)
Building Rent - Continuation School	(30,000)
Activity/Field Trips (Transferred to Girls Hockey Ice Time)	(16,200)
Unallocated Adjustments for Neighborhood Patrol Officers (transferred to positions)	(100,000)
LOG funds transferred to the Continuation School to Support FTE positions	(59,350)
Supplies & Equipment - Continuation School	(52,500)
New Equipment (One-time purchase of computers)	(255,000)
	Total High School Decreases: (594,550)
	Total High School Changes: 282,358

Instructional Support

Testing & Program Evaluation Coordinator - Assessment & Evaluation (1.0 FTE)	79,633
Curriculum & Instructional Services - Alaska Studies Program (Added Days)	50,000
	Total Instructional Support Increases: 129,633

Curriculum & Instructional Services - Science Kits	(200,000)
Curriculum & Instructional Services - Textbook Adoptions	(285,000)
Training & Professional Development - Contracted Services Administration (Teacher Induction Module)	(75,000)
Training & Professional Development - Added Days (Cooperative Teacher Training) Reduced by 1/2	(38,000)
Training & Professional Development - Learning Through Performance	(25,000)
Assessment & Evaluation - Local Writing Assessment	(131,000)
Curriculum & Instructional Services - AKCIS Software License (\$8,000) Contracted Services (\$10,000)	(18,000)
	Total Instructional Support Decrease: (772,000)
	Total Instructional Support: (642,367)

Administration/Support Services/Community Education & Community Services

Director - Security/Emergency Preparedness (1.0 FTE)	97,243
Administrative Assistant - Security/Emergency Preparedness (1.0 FTE)	39,507
Auditorium Technician - Community Services (1.0 FTE)	62,190
Senior Clerk - Pupil Transportation (1.0 FTE)	27,800
Wendler to Dimond - District (7.5 FTE)/Contracted Routes	761,000
4 Standby Bus Drivers - Pupil Transportation (3.0 FTE)	97,128
Recruitment - Human Resources	30,000
Mandated Requirements - Increased Cost Cesspool Pumping, Quarterly Groundwater Monitoring, Sprinkler System Testing, Relocatable Zoning Permits, etc.	148,000
Camper Host Program, Security Services, False Alarms Charges	35,500
Utility Monitoring of Pools	20,000
Fuel	32,991
Legal Fees	50,000
Custodial Supplies	36,740
	Administration/Support Services/Community Education & Community Services Increases: 1,438,099

Administration/Support Services/Community Education & Community Services Continued

Contracted Transportation	(233,820)
4 Bus Attendants - Pupil Transportation (2.275 FTE)	(65,007)
Unallocated Adjustments	(62,000)
New, Expendable & Replacement Equipment	(17,946)
Total Administration/Support Services/Community Education & Community Services Decreases:	<u>(378,773)</u>
Total Administration/Support Services/Community Education & Community Services Change:	1,059,326
Total Major Budgeted Expenditure Increases	15,184,118
Total Major Budgeted Expenditure Reductions	<u>(5,859,538)</u>
Net Change	<u>9,324,580</u>
Rounding	6,959
FY 2003-2004 Proposed Budget	<u><u>\$ 369,700,400</u></u>

The amount of previously settled employee contracts is listed under Districtwide on this schedule. In the actual budget document, these increases have been distributed to the appropriate department budgets.

* School Board adjustments during First Reading January 23, 2003.