

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #23 (2003-2004)

August 25, 2003

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

TOPIC: FY 2004-2005 BUDGET DEVELOPMENT PROCESS

PERTINENT FACTS:

During the past three years the Anchorage School District has actively sought community input in the budget development process. In preparing the FY 2001-2002 budget, the District engaged 200 community members, employees and students in budget review teams. The FY 2002-2003 budget was prepared after contact with the budget review team members and gathering input from four community forums and online and written suggestions.

In preparing the FY 2003-2004 budget, the Superintendent and the administration conducted four town meetings to review the status of District programs, advise the community on the curriculum review audit recommendations conducted by Phi Delta Kappa and the requirements of the re-authorized federal Elementary and Secondary Act, dubbed the "No Child Left Behind Act" (NCLB), and to gather community and employee input. Input was also solicited from the Minority Education Concerns Committee (MECC), various advisory committees, and the Anchorage Council of PTAs. Online and written suggestions were also gathered from employees and the community.

The community plays a significant role in the development of the preliminary budget prepared by the administration, in the approval of the budget by the School Board and Anchorage Assembly, and in our efforts to secure additional funding from the Alaska Legislature.

An outline of the Budget Review Team portion of the budget development process for FY 2004-2005 follows the section in this memorandum on the General Fund budget projections. It embodies suggestions received from previous budget review team participants and is based on the General Fund budget projections described below.

General Fund Budget Projections for FY 2004-2005

The budget development process is an ongoing process that encompasses many months of gathering and analyzing information. The budget continues to realign the District's priorities, as budgeting is a progressive process. Throughout the process, assumptions, enrollment, revenues, and expenditures are constantly being reviewed and assessed in order to provide the most current information. The current year Anchorage School District's General Fund budget of \$367.6 million was developed with the School Board and Administration knowing that the use of \$5 million of fund balance non-recurring revenues to fund the FY 2003-2004 budget would necessitate future reductions if additional revenues were not obtained from the State. The projected revenues and expenditures for FY 2004-2005 done in February coupled with the recent notification of contribution rate increases for Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) effective July 1, 2004, and the State revenue reductions approved by the Legislature and Governor during the last legislative session, the District is now estimating there will be a \$26.2 million revenue shortfall in FY 2004-2005. These projections are still in the early stage and will change throughout the budget development process.

The major increases/decreases projected for FY 2004-2005 compared to FY 2003-2004 are as follows:

Estimated Revenue Increases/(Decreases):

• Increased local taxes to maximum under tax limitation	\$9.6 million
• Increased other local revenues	.1 million
• Reduced State Foundation revenue due to estimated increased assessed valuation and slight enrollment decrease	(1.7) million
• No use of fund balance as revenue source	(5.0) million
• State revenue reductions due to Legislative action	<u>(1.6) million</u>
Total Estimated Revenue Increase	<u>\$1.4 million</u>

Estimated Expenditure Increases/(Decreases):

• Increased expenditures for program/services in order to meet State and federal mandates to increase student achievement, costs related to employee contracts, and inflation/rate increases	15.4 million
• Increased expenditures related to new high school and two school additions	3.1 million
• Elimination of transportation in FY 2003-2004 only from Wendler Middle School to Dimond High School	(.8) million
• TRS and PERS retirement rate increases	<u>9.9 million</u>
Total Estimated Expenditure Increase	<u>\$27.6 million</u>
FY 2004-2005 Estimated Revenue Shortfall	<u>\$26.2 million</u>

The above projections assume the Assembly and Mayor allow the District to go to the tax cap, an estimated increase of \$9.6 million, and there are no new revenues or a reduction in revenues from the State.

At this time, the General Fund revenues for FY 2004-2005 are estimated to be \$371.1 million. The expected expenditures total \$397.3 million. To achieve a balanced budget, the District must reduce expenditures by \$26.2 million. This amount will significantly impact District programs and services.

Throughout the budget development process many parameters and assumptions change. The above projections have not been refined since last February except for specific items that have come to our attention, mainly the retirement rate increases and legislative action. Depending on the actual enrollment for this year as of September 30, 2003, the enrollment projections for FY 2004-2005 may change from the 50,156 students that we are currently using. Further discussions with the Office of Management and Budget at the Municipality of Anchorage regarding the estimated Consumer Price Index, five-year population change, and new construction amount may result in a change to the local tax cap limitation. These examples along with other assumptions are subject to change as we progress through the budget development cycle.

Budget Review Team Process for FY 2004-2005

The purpose of the Budget Review Team process is to solicit recommendations from the community, Anchorage School District staff, and students in order to prepare the budget for the FY 2004-2005 that focuses on improving student achievement in safe and barrier-free schools and reflects a balance between revenues and expenditures. In order to achieve this balance, the District must identify approximately \$26.2 million in reductions to programs/services in the General Fund. Although the primary focus of reductions will be in the General Fund, we are requesting that the Budget Review Teams review all of the District's funds (Food Service, Debt Service, Local/State/Federal Projects, Capital Projects Administration) and programs to determine if improvements/efficiencies can be made.

The Superintendent and School Board will use these recommendations to prepare the FY 2004-2005 budget.

Budget Review Teams will be formed, but they will be fewer in number than in past years. This is to reflect the desire of previous participants to look at a broader scope of the budget than the one or two departments assigned to team in the past. This year teams will be established based, for the most part, into major functions.

The Budget Review Teams will be asked to do the following:

- Look for economies.
- Find duplication of efforts or services.
- Look for program alternatives that can provide services to students in more effective ways.
- Provide appropriate recommendations; i.e., reductions cannot violate the law or terms of existing contracts.
- Provide the impact on services that will result from the recommendations made.
- Identify revenue enhancements to support programs.
- Identify reductions that equal to 7 percent of the portion of the General Fund budget being reviewed – prioritized for potential reductions.

Budget Review Team Composition

Each of the four Budget Review Teams will be composed of a minimum of 12 volunteers. The intent is to have eight community members and four District employees on each team. It is possible the number of members could increase or decrease for specific teams but the ratio will be maintained if possible. Due to

the scope of coverage and limited time for the review, it may be decided by some of the teams to meet in sub-committees during part of the review process.

Efforts are underway to solicit participation to include:

- Chamber of Commerce (Anchorage and Chugiak/Eagle River)
- Anchorage Council of PTAs and other parent organizations
- Minority Education Concerns Committee (MECC)
- Community Councils
- Special Education Advisory Committee
- Capital Request Advisory Committee
- Bridge Builders of Anchorage
- Employee Bargaining Groups
- Individual Community Members
- Individual Employees (Classified and Certificated)
- Students

A community member will facilitate each Budget Review Team with assistance from District administrative staff. In order for the process to be effective, team members must be willing to actively participate for approximately six to seven weeks. The goal will be to complete the reports by October 24, 2003.

Budget Review Teams

Four teams are established in the following areas:

1. **Instruction** (Elementary Education, Middle School Education, High School Education, Special Education/Related Services, Charter Schools, Art, Music, Bilingual/Multicultural Education)
2. **Instructional Support** (Curriculum, Training/Professional Development, Assessment/Evaluation, Community Resources, Library Resources, Community Education)
3. **Support Services** (Purchasing, Warehouse, Risk Management, Pupil Transportation, Custodial Services, Security/Emergency Preparedness, Maintenance, Food Service Fund, Capital Projects Administration)
4. **General Administration** (School Board, Superintendent, Business Services, Human Resources, Demographics, Public Affairs, Technology/MIS, Audio Visual Services, Community Services, Grant Writer Services, Association Benefits, Sick Leave Bank, Non-Departmental, Debt Service Fund)

Timeline

In order to accomplish the required task by October 24, it is necessary to spend six to seven weeks in the process. The goal is to begin on September 16. The Superintendent will provide an overview and the tasks to be achieved at a Kick-off meeting at September 16. Teams will meet between September 17 and October 21 to develop their recommendations. On or before October 24, recommendations will be presented to the Superintendent. The Superintendent will review the reports with the District leadership and incorporate recommendations into the FY 2004-2005 budget. The Budget Review Team recommendations will be presented to the Superintendent, School Board and public at a meeting on October 30.

CC/JS

Attachment: Budget Review Team Timeline

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

Approved by: Janet Stokesbary, Chief Financial Officer

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA
BUDGET REVIEW TEAM TIMELINE
FISCAL YEAR 2004-2005 BUDGET DEVELOPMENT PROCESS

1. Aug. 26: Media Announcement: Budget Review Team Process
2. Aug. 26 – Sept. 10: Application period for Budget Review Teams
3. Sept. 11 - 15: Team assignments/notification of Kick-off Meeting on Sept. 16
4. Sept. 16: Kick-off meeting involving all Budget Review Team members,
Tuesday, Sept. 16, 6:30 p.m. - Dimond High School Auditoria
 - ◆ Overview of process by Superintendent
 - ◆ Divide into Budget Review Teams: (Facilitators establish future meeting location and times with team members)
5. Sept. 17 – Oct 24: Budget Review Team Process
 - ◆ Sept. 17 – Oct. 21: Weekly meetings of BRT
 - ◆ Friday, Oct. 24, 4:00 p.m.: BRT Reports due to Chief Financial Officer's office
5. Oct. 30: Wrap-up meetings with Budget Review Teams
Thursday, Oct. 30, 6:30 p.m. - Dimond High School Auditoria
 - ◆ Budget Review Teams recommendations released
 - ◆ Each Budget Review Team through their selected spokesperson will give a fifteen-minute presentation on their recommendations to the Superintendent and the School Board
7. Nov. 3: School Board Budget Work Session
8. Nov. 10: FY 2004-2005 Proforma Budget – School Board sets upper limit & assumptions
9. Nov. 11 – Jan. 12: Preparation of FY 2004-2005 Preliminary Budget
 - ◆ Superintendent reviews Budget Review Team recommendations
10. Jan. 13 & Jan. 15: FY 2004-2005 Preliminary Budget – Public Hearings
9:30 to 4:00
11. Jan. 22 & Jan. 29: FY 2004-2005 Proposed Budget – First and Second Readings
6:30