

STANDARD 5: A School System Has Improved Productivity.

Productivity refers to the relationship between system input and output. A school system meeting this standard of the PDK-CMSi Curriculum Management Audit is able to demonstrate consistently improved pupil outcomes, even in the face of diminishing resources. Improved productivity results when a school system is able to create a consistent level of congruence between major variables in achieving enhanced results and in controlling costs.

What the Auditors Expected to Find in the Anchorage School District

While the attainment of improved productivity in a school system is a complex process, caused in part by the lack of a tight organizational structure (referred to as “loosely coupled”), common indicators of a school system meeting this audit standard are:

- Planned and actual congruence among curricular objectives, results, and financial allocations,
- A financial data base and network that are able to track costs to results, provide sufficient fiduciary control, and is used as a viable data base in making policy and operational decisions,
- Specific means that have been selected or modified and implemented to attain better results in the schools over a specified time period,
- A planned series of interventions that have raised pupil performance levels over time and maintained those levels within the same cost parameters as in the past,
- School facilities that are well-kept, sufficient, safe, orderly, and conducive to effective delivery of the instructional program, and
- Support systems that function in systemic ways.

Overview of What the Auditors Found in the Anchorage School District

This section is an overview of the findings that follow in the area of Standard Five. The details follow within separate findings.

After examining fiduciary documents and interviewing appropriate personnel, the auditors concluded that the current fiscal situation in Anchorage School District remains tenuous. A review of the independent auditors’ records show that there could be a threat to the fiscal health of the district in the future if certain revenue and expenditure trends continue. While the budgetary process is quite comprehensive, it is connected to neither student achievement data nor explicit curricular priorities at the present time. In general, school facilities are excellent and in good condition. There is a school facilities plan.

Finding 5.1: The District’s Independent Auditors’ Analysis of Past Financial Trends Reveals Fiduciary Soundness. However, if a Projected Trend of Revenues and Expenditures Is Realized, the District’s Financial Condition Will Be Compromised.

A balance between revenues and expenditures, with adequate controls in place and close monitoring of this relationship at regularly established intervals, is critical to the financial health of an organization. In school districts, if expenditures exceed revenues or if revenue is uncertain or fluctuates substantially from year to year, the ability to provide quality educational services to students is compromised.

To determine the financial trends of the district, auditors reviewed board policies; budget documents; annual financial statements that include the independent auditors’ reports with accompanied associated management letters that detail findings and recommendations to the school regarding improved fiscal management; newspaper clippings; general obligation bond planning documents; and staff memoranda

to determine the fiscal soundness of the Anchorage School District. Interviews of key personnel, including principals and finance department staff, were used to corroborate the documents.

The auditors expected to find a system in sound financial condition, with a close and continuous monitoring of expenditures and revenues throughout the fiscal year and a history of projected financial stability. Although brief, *Board Policy 727.4 Internal Controls* provides clear direction to the superintendent to establish internal controls to “ensure the safeguard and management of district assets” and to “establish a control environment which shall include a reliable and accurate accounting system.” *Board Policy 722.72* directs the superintendent to “submit to the Board a summary statement of revenues and expenditures, bank balances, and report of investments on a monthly basis.” The auditors found the district’s immediate past and present financial status to be sound, but projections regarding revenue generation and expenditures indicate a fiscal gap of almost \$20 million in two years without successful intervention to increase revenue and/or decrease expenditures.

School district boards, taxpayers, the superintendent, and financial staff depend upon an independent auditor’s annual evaluation of the system to provide an expert and objective opinion of fund management and the overall fiduciary soundness of the district. *Board Policy 727.32 Annual Independent Financial Audit* requires this service, and the superintendent has historically secured it each year and published the results. In fact, the district received awards of Excellence in Financial Reporting for fiscal year 2000 from the association of School business Officials International (ASBOI) and the Government Finance Officers Association of the United States and Canada (GFOA) for publishing “an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to principles and standards as recommended and adopted by ASBOI and GFOA.”

In addition to the independent auditors’ numerical report of their findings that includes combined statements of revenues, expenditures, and changes in fund balances as well as other pertinent financial data, they also provide the district with a management letter that identifies potential and actual problems related to the district’s internal control as well as observations and recommendations on other accounting, administrative, and operating matters. The auditors reviewed the FY 1999, 2000, and 2001 management letters from the KPMK, LLP firm. The FY 1999 management letter included eight recommendations; the 2000 letter, one; and the 2001 management letter, two. None of the findings/recommendations were repeated beyond the initial year of note, indicating that the district has taken action to rectify potential problems in a timely fashion.

The Anchorage School District receives revenue from three major sources: state, local, and federal. The largest percentage of funds has traditionally come from the state via the Alaska Public School Funding Program. The current formula provides a base allocation of \$4,010 per Average Daily Membership (ADM) and incorporates district cost factors as well as other variables in calculating the final allocation. Local revenue is the next largest component of the annual budget and is generated by taxation of real and personal property. Federal sources of revenue include competitive discretionary as well as entitlement funds for specific groups of students (i.e., Title 1, special education). The district operates a July 1-June 30 fiscal year.

The Anchorage School District is a dependent school district in that it does not have taxing authority and must have approval of its annual budget by the Anchorage Assembly (subsequent to Board approval) and the mayor (who has veto power). In addition to approving the district’s annual budget, the Assembly approves, levies, and collects taxes; approves the borrowing of funds and issuance of general obligation bonds; and sets the upper limits of local funding. Although this approval process has run smoothly for the past two years because of improved school and city relationships, the process by nature creates a sense of unknown and uneasiness regarding the year-to-year reliability of adequate revenue. The current status is exacerbated by the fact that the district has reached its voter-approved “tax cap” that limits tax increases to inflation, population growth, and new construction and leaves

approximately \$18-\$20 million of state funds on the table each year due to the state funding formula. The following quotes capture the frustration and concern regarding the district’s current funding:

- “We are struggling to get balanced on our funding. We have problems with oil and we are trying to get long-range stability on our finances” (board member).
- “Financial challenges are another big challenge—our legislature is pretty much dysfunctional. This makes funding ‘iffy’” (board member).
- “The budget cycle here is a little troubling, unlike business where you have control over your income. When we develop a budget we don’t know what we will have as income. It hasn’t been consistent over time” (board member).
- “We have zero growth [in the budget] when we’re not cutting. We’ve not seen new money in a long time” (administrator).
- “We’re always in somewhat of a shortfall (regarding budget)” (administrator).

The district’s budget is divided into five separate funds for organizational purposes: (1) general fund—the operation budgets for all schools and most of the district’s departments, (2) food service fund—a special purpose fund used exclusively for the district’s Student Nutrition Program, (3) debt service fund—a special purpose fund for the principal and interest paid on school bonds for capital improvements, (4) local, state, and federal projects fund—a fund for all categorical (entitlement) grants and contracts to provide for specific instructional programs, and (5) facilities management/capital projects fund—the fund for administrative costs related to capital construction projects.

The general fund is the largest component of the overall budget and provides the most flexibility of use. [Exhibit 5.1.1](#) provides a comparison of the actual total general fund revenues for the past three years (FY 1999-2001) and projected revenues for fiscal years 2002 and 2003.

Exhibit 5.1.1								
Five-year Trend in General Fund Revenue Sources Excluding Fund Balance								
Anchorage School District								
Fiscal Years 1999 - 2003								
Fiscal Year	Local	%	State	%	Federal	%	Total	% Annual Increase
1999	95,991,362	30.50	211,258,145	66.16	10,623,599	3.34	317,873,106	NA
2000	103,089,040	31.24	215,874,479	65.43	10,963,758	3.33	329,927,277	3.8
2001	108,806,461	32.28	217,111,852	64.42	11,131,412	3.30	337,049,725	2.2
*2002	112,484,218	31.60	228,537,939	64.21	9,885,000	2.78	350,907,157	4.1
*2003	118,952,551	33.01	225,008,584	63.41	10,885,000	3.07	354,846,135	1.1
*Projected								
Data Sources: ASD Comprehensive Annual Financial Report, FY 1999, FY 2000, FY 2001 (KPMG, LLP), ASD Proposed Financial Plan, 2002-2003								

As noted in [Exhibit 5.1.1](#), past and future general fund revenue trends indicate annual increases ranging from one to four percent. Both local and state revenue sources reflect an increase with the exception of a slight decrease in the 2003 state projection. However, the local revenue percentage of the total general fund budget has increased at about the same degree as the percentage of state revenue to the total budget has decreased (approximately three percent) within the four-year period. The amount of federal funds has remained relatively static, with the percentage of the total budget decreasing only slightly. The anticipated proportionate contributions to the fiscal year 2002 general fund budget are 32 percent local, 64 percent state, and three percent federal.

[Exhibit 5.1.2](#) presents a comparison of the year-end general fund unreserved, undesignated fund balance for the past four fiscal years. An unreserved, undesignated fund balance represents

unallocated funds that the district has available to handle cash flow needs as well as unexpected one-time expenditures. Although most of these funds are in short and long-term investments, some are held as cash. For example, the district maintains a \$985,000 non-interest bearing certificate of deposit as a compensatory balance in return for zero-balance banking services at its depository bank.

Exhibit 5.1.2			
Comparison of End of Year, Unreserved, Undesignated Fund Balance to General Fund Operating Budget Anchorage School District Fiscal Years 1998 - 2001			
Fiscal Year	End of Year Unrestricted, Unreserved GF Fund Balance	General Fund	% of Fund Balance
1988	15,113,502	301,916,256	5%
1999	17,616,997	317,873,106	6%
2000	12,428,233	329,893,038	4%
2001	17,171,678	337,049,725	5%
Data Source: ASD Comprehensive Annual Financial Report, FY 1999; FY 2001(KPMG, LLP)			

As noted, the district's unreserved, undesignated fund balance has fluctuated from four to six percent of the general fund budget for the past four years. According to district financial personnel statements and published documents, the industry standard in the state of Alaska is five percent. According to an explanation provided to the auditors, state and local funds flow to the district in equal monthly installments beginning in September.

Exhibit 5.1.3 illustrates the anticipated shortfall of revenue over the next two years if projections made by district financial personnel are correct.

Exhibit 5.1.3					
Actual, Revised, Proposed, and Projected Financial Data Anchorage School District Fiscal Years 2001 – 2005					
Element	2000-2001 Audited Actual	2001-2002 Revised	2002-2003 Proposed	2003-2004 Projected	2004-2005 Projected
Total Revenues	412,525,896	448,655,706	454,862,275	460,080,293	466,575,500
Total Expenditures	408,021,944	448,655,706	454,862,275	474,623,685	486,558,820
Fiscal Gap	4,503,952	0	0	(14,543,392)	(19,983,320)
Total Cost per Student FTE	8,326	8,971	9,139	9,551	9,836
G.F. Cost per Student FTE	6,794	7,116	7,130	7,482	7,728
Total Student FTEs*	49,002	50,020	49,766	49,694	49,470
*FTE considers half-day kindergarten and pre-kindergarten children at one-half, consistent with their programs. Data Source: ASD Proposed Financial Plan 2002-2003					

Projections in Exhibit 5.1.3 assume continuation of current formulas for local and state revenue and student enrollment as projected by the district demographer using the cohort-survival formula. Assumptions for expenditures are:

- Operating costs will continue to rise according to the projected Consumer Price Index.
- Current programs will be maintained.
- The district will settle future labor obligations/contracts at current best estimates.

Other points to note in Exhibit 5.1.3 include:

- The projected student FTE (full-time equivalent) is approximately 500 less than the audited FY 2001 number, reversing an upward swing over the past decade.
- The general fund cost per FTE increases approximately 14 percent over the four-year period, while the total cost per FTE increases slightly more than 18 percent, due primarily to the increase in bonded indebtedness for capital improvements.
- Total revenues are expected to increase approximately 13 percent over the four-year period.
- Total expenditures are expected to increase approximately 19 percent.
- Anticipated expenditures and revenues are balanced for FY 2002 and 2003.
- The district will experience a \$20 million fiscal gap between revenues and expenditures at the end of FY 2005 if the above assumptions are met.

Although the projected FY 2004 and 2005 expenditures and revenues reflected in [Exhibit 5.1.3](#) do not include the sale of bonds for capital improvements as approved by the voters in April 2002, both would increase proportionately, maintaining a similar fiscal gap for the two years.

As a result of steady enrollment gains over the past few years, district personnel have been aggressive in planning and recommending major capital improvements to accommodate the growth and keep existing facilities in operable condition. The annual requirements to amortize all general obligation bond debt outstanding at the end of FY 2001 are provided in [Exhibit 5.1.4](#). Additional bond indebtedness information is provided in [Exhibit 5.1.5](#). Neither exhibit includes \$73,150,000 in previously authorized but un-issued general obligation bonds or the \$99 million approved by the voters in April 2003. Data do represent a July 2001 “refund” of approximately \$52 million worth of authorized bonds to a lower interest rate in place when bonds were actually issued, resulting in lower debt service payments totaling \$2,445,039 over the subsequent 12 years, with a net economic gain of \$1,745,275.

Exhibit 5.1.4			
Annual Payments of Principal and Interest for			
General Obligation Bonds Outstanding as of June 30, 2001			
(Rounded to the Nearest Thousand)			
Anchorage School District			
Fiscal Year	Principal	Interest	Total
2002	21,655,000	24,783,000	46,438,000
2003	23,300,000	24,724,000	48,024,000
2004	24,555,000	23,490,000	48,045,000
2005	25,885,000	22,151,000	48,036,000
2006	24,400,000	20,761,000	45,161,000
2007-11	136,945,000	83,411,000	220,356,000
2012-16	152,060,000	44,034,000	196,094,000
2017-21	87,755,000	10,720,000	98,475,000
Total	496,555,000	254,074,000	750,629,000
Data Source: ASD Comprehensive Annual Financial Report, FY 1999; FY 2001(KPMG, LLP)			

As noted in [Exhibit 5.1.4](#):

- The district’s total 20-year general obligation indebtedness is three-quarters of a billion dollars.
- Approximately one-third (\$254,074,000) of the total 20-year debt is interest.
- The annual debt (principal and interest) ranges from a high of approximately \$48 million (FY 2003-2005) to a low of approximately \$20 million during the last five years of the schedule.

As authorized in House Bill 281 (approved by the Alaska Legislature in 2000), the state provides a 70 percent debt reimbursement for bonds authorized by voters after June 30, 1998. Debts since that date

combined with prior bonded indebtedness yielded total state revenues at 41 percent (\$17,023,000) of the district's total FY 2001 debt service revenues.

Exhibit 5.1.5					
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Student Anchorage School District Fiscal Years 1998 - 2001					
Fiscal Year	ADM	Assessed Valuation	Gross Bonded Debt	Net Bonded Debt	Net Bonded Debt Per Student
1998	47,316	13,095,347,728	323,175,000	318,193,682	6,725
1999	48,116	13,331,562,133	358,840,000	352,783,299	7,332
2000	48,157	14,546,572,224	337,530,000	333,046,894	6,916
2001	48,856	14,939,812,371	496,555,999	490,689,818	10,044
Data Source: ASD Comprehensive Annual Financial Report, 2001 (KPMG, LLP)					

The variance between the gross and net bonded debt displayed in Exhibit 5.1.5 is the debt service fund balance on hand during the respective year to defray a portion of the debt. As noted in exhibit:

- The average daily membership has risen by 1,540 students (3.3 percent) over the past four years.
- The assessed valuation (of real and personal property) has increased by approximately 14 percent.
- The gross and net bonded debt have risen by approximately 54 percent.
- The net bonded debt per student has risen approximately 50 percent over the four-year period, with a jump of 45 percent during the last year.

Summary

In summary, the auditors found the Anchorage School district in sound financial condition as per independent auditors' analysis. However, the current local funding scenario coupled with a projected shortfall of approximately \$20 million at the end of FY 2005 places the district in jeopardy for future fiduciary problems.

Finding 5.2: The Budget Development Process Is Comprehensive in Nature But Lacks Procedures for Considering Assessment Data and Curriculum-related Priorities.

The budget is a quantifiable representation of a school district's priorities, whether the result of a conscious decision or not. It reflects what the Superintendent and Board have determined as worthy of funding among the fierce competition from myriad interests and distracters. High performing school districts have a tight, formal linkage between curricular priorities and funding choices, with decisions made in respective order. Fidelity to allocating funds in such a way as to maximize attainment of established district goals is the capstone of the budgeting process. Hence, the Board and Superintendent embrace and promote what is known as a "curriculum-driven budget."

The auditors reviewed documents and interviewed staff and board members regarding the Anchorage School District budget development process. Major documents included budget documents from past years, the *2002-2003 Proposed Financial Plan*, several budget development manuals (elementary, secondary, special education, administrative), and the following school board policies:

- *Board Policies 721.1, 721.2, and 721.3 Financial Management Responsibility* outline the specific budgetary responsibilities of the Board, Superintendent, and chief financial officer. The Superintendent will "direct the development of the annual budget"; the Board shall submit the budget to the Municipal Assembly for review and approval; and the chief financial officer "shall be responsible for seeing that adequate records of all expenditures and revenues are maintained,

controlling the major budget categories, and providing information required for the annual budget preparation.”

- *Board Policy 722.2 Budget Contents* specifies that the budget will “be based on the educational needs...and as expressed by the annual statement of Board priority goals for instructional improvement.”
- *Board Policy 722.3 Planning and Compilation* addresses campus budget development, requiring “building administrator(s) [to] review their proposed budget plan with their parent and staff groups,” be based on a “needs assessment conducted at the unit level,” and submitted to the Budget Director prior to November 15 for the next fiscal year.”
- *Board Policy 722.5* requires that the Board hold public hearings “and approve the proposed Financial Plan prior to submission to the Municipal Assembly on the first Monday in March of each year.”

Auditors found that the board policies are inadequate to support a curriculum-driven budgeting process. The policies do not include adequate direction regarding the role of a clinical needs assessment, rank ordering of program components, cost benefit analysis, and establishment of district-wide priority programs and initiatives in development of the budget. They also found that the budget process itself is not driven by curricular priorities.

The Anchorage School District administrators currently utilize a detailed, prescriptive budget development process that is initiated in August of the previous year and involves a series of budget document submission, review, and approval steps with the final budget approved by the Anchorage Assembly no later than the first Monday in March. Budget center managers first submit their proposed unit budgets to the superintendent and financial division staff. Although a document entitled *Budget Basics* indicates that managers are to submit prioritized lists of changes “that would help achieve the district’s goals of improving academic achievement,” auditors determined that the current practice of budget development is actually driven by strict allocations to campuses and “maintenance level” budgeting for central office budget centers. Campuses are given two major allocations. The first one is for supplies and materials over which the principals and staff have discretion over assignment of funds. Elementary campuses are provided \$90 per student; middle schools, \$98; and high schools, \$100. Additional allocations are provided for special-needs students. Student counts are based on October (of the current year) projections. The other major allocation is for personnel, over which almost all principals interviewed on this issue reported having little “arrangement authority.” Central office budget managers are directed to hold total expenditures to that of their current year’s budget.

The auditors assessed the budget documents and development process using six components of curriculum-driven budgeting. The results of this assessment are provided in [Exhibit 5.2.1](#).

Exhibit 5.2.1		
Components of Curriculum-driven Budgeting and Ratings of Adequacy		
Anchorage School District		
May 2002		
Criterion	Ratings	
	Adequate	Inadequate
1. Tangible, demonstrable connections are evident between assessments of curriculum effectiveness and allocations of resources.		X
2. Rank ordering of program components is provided to permit flexibility in budget expansion, reduction, or stabilization based on critical needs or priorities.		X
3. Cost benefits of curriculum program components are delineated in budget decision-making.		X

Exhibit 5.2.1 (continued)		
Components of Curriculum-driven Budgeting and Ratings of Adequacy Anchorage School District May 2002		
Criterion	Ratings	
	Adequate	Inadequate
4. Each budget request or submittal is described in terms of performance or results, which permit evaluation of consequences of funding or non-funding.		X
5. Budget requests compete with each other for funding based upon the evaluation of criticality of need and relationship to achievement of curriculum effectiveness.		X
6. Key educational staff participating in the decision-making process sets priorities in budget allocations.		X
7. Teacher and principal suggestions and ideas for budget priorities are incorporated into the decision making process.	X	

As indicated in Exhibit 5.2.1, auditors determined that the Anchorage School District budget development process is inadequate to support the design and delivery of curriculum. Explanations of the component ratings are as follows:

1. **Tangible, demonstrable connections:** *Board Policy 722.2 Budget Contents* specifies that the budget will “be based on the educational needs...of the district,” and the superintendent’s *2002-2003 Proposed Financial Plan* cover memo to the Board-referenced budget development that included an assessment of “what is being done during the current fiscal year and what progress is being made.” Further, in the introductory section of the *2002-2003 Proposed Financial Plan*, preliminary budgets are described as the first stage of budget development in which “each school and department develops a budget after analyzing expenditures and programs in previous and current fiscal years.” Although each of these references addresses the desired connection, the auditors were unable to document through interviews of budget managers and review of budget related documents that adequate linkage between assessment data (i.e., student achievement, program evaluation) and budget priorities/requests actually occurs in practice.
2. **Rank ordering of program components:** This component involves the breakdown of a particular program or initiative into logical components that can be considered separately or cumulatively for funding considerations. The auditors found no reference of this criterion in budget-related documents or interviews of staff.
3. **Cost benefits:** This criterion addresses the formal or informal quantitative analysis of what the district receives from a particular cost investment. The auditors found no reference of this criterion being used in decision making at the individual budget center or overall district level.
4. **Evaluation of consequences of funding or non-funding:** A summary of major budgeted expenditure increases and reductions (from the 2001-2002 budget) is provided in *Budget Basics* and Attachment B of the *2002-2003 Proposed Financial Plan*. Data are provided for each of the major budget centers (i.e., district-wide, elementary, middle school, high school, special education). Reductions and additions are presented as line items that include the category and amount (i.e., Masters Degree Bonus [reduction of \$182,900], Equipment Replacement Fund [increase of \$266,758]) and overall result by budget center and the total district budget. However, an explanation of the consequences or impact of the reductions or increases was not provided in either document, and budget department personnel were unable to provide the auditors with supporting or back-up documents.
5. **Competition of budget requests based on connection to need:** During review of documents, auditors found implied evidence of competition for funds in the budget development process. Approximately two months prior to the final budget adoption by the Board, projected expenditures

in the 2002-2003 budget exceeded anticipated revenues by approximately \$3.7 million. In the superintendent's memorandum that accompanied a proposed balanced 2002-2003 budget without the use of fund balance as a source of revenue, the Board was advised that "all departments' requests and needs were not able to be met...[but] some program improvements...have been addressed." However, an explanation regarding how the competition for funds is addressed was not provided in the budget documents or to the auditors via staff interviews.

6. **Priorities set by key educational staff:** General priorities of the Board, Superintendent, and district staff are referenced in the introductory section of the *2002-2003 Proposed Financial Plan* under the mission statement, goals, commitments, and areas of focus. However, these priorities address desired outcomes (ends) rather than district-wide program/initiative priorities for how to accomplish the outcomes (means). During document review and interviews, the auditors found no evidence of such priorities.
7. **Teacher and principal input regarding budget priorities:** The current budget development process incorporates numerous opportunities for teacher and principal as well as other stakeholder input into budget decisions from October to June of the budget development cycle. Formal input is available via 17 budget review teams that involve approximately 200 community members, public forums, the district website, a suggestion box, board hearings, and budget readings, and at assembly review. Principal interviews indicated that teacher input is considered in identifying priorities that are included in the campus budgets; however, the degree of input varies widely from campus to campus.

The following comments from principals, central office administrators, and board members were typical of opinions expressed to the auditors regarding the district's current budgeting process:

- "Fiscal accountability gets more play than academic accountability" (central office administrator).
- "I can't recall any funding that was stopped because something wasn't working—a general lack of wanting to have any criticism" (board member).
- "Test scores do not drive budget development specifically" (board member).
- "Budget is not data driven. We don't have the evaluation setup. It's really kind of 'seat of the pants'" (board member).
- "We tend to determine where we'll put money based on who's there [as the budget manager]" (central office administrator).
- "Principals can do the same thing (request funding beyond allocations), but they're pretty much told they'll be held to maintenance" (central office administrator).
- "When we are building our budget at the building, I have my own little formula for plugging in what I think we should do" (principal).
- "Lot of times we still look at the budget we had before" (principal).
- "I go to the teachers and ask them what their classroom needs are."
- "I divide the money up among departments" (principal).
- "Each program has "True Believers" and we get 500 e-mails when we try to cut something. So we have gut level feelings when you can't pull out data" (board member).
- "There's no process for asking for more money in my budget than what I'm allocated" (principal).
- "The budget for curriculum is always up and down" (central office administrator).
- "It doesn't" (when asked how curriculum drives budget decisions) (central office administrator).

Summary

The auditors found little connection between district determined curricular priorities, “results for the money,” student assessment and program evaluation data, and ultimate budget decisions. Although a few district documents reference such linkage, actual budgeting is primarily a function of fixed allocations and program/initiative continuance practices.

Finding 5.3: School Facilities Are in Generally Good Condition, Well-maintained, Clean, and Safe. There Is a Long-range Facilities Plan.

The physical condition of a school district’s facilities is an important indicator in its ability to deliver the curriculum. Facilities that are well maintained, clean, and safe create a learning environment that does not interfere with the learning process. The availability of usable instructional space is critical for the delivery of the curriculum. Inadequate space hinders effective instructional delivery and therefore negatively impacts learning.

The auditors visited every school in the district. While at the school, the auditors made note of any facility deficiencies that would likely inhibit or restrict effective teaching and learning. Specifically, the auditors considered the adequacy of the size of the instructional spaces for the numbers of students currently being served in those areas. In addition, the auditors looked for potential safety hazards, the physical atmosphere including lighting, air conditioning, or heating. The auditors noted the appearance of the facilities in terms of the overall building maintenance and cleanliness. While at the schools, the auditors interviewed the principals regarding the level of support and response time provided by the district in the areas of maintenance and custodial needs.

The auditors visited a total of 84 schools in the Anchorage School District. The audit team made observations in 2,139 classrooms during their campus walk-through visits. Overall, the auditors found that the district’s facilities were in good condition. Some of the buildings were undergoing renovations during the time of the school visits. In most cases where facility needs were noted, the district has addressed those needs in its current capital improvement plan. The auditors received a copy of the district’s long-range facility planning document entitled, *Six-year Capital Improvement Plan*. The plan spans the timeframe of *July 1, 2002-June 30, 2008*. The plan was dated March 11, 2002.

An analysis of the *Six-year Capital Improvement Plan* was completed. The results of that analysis are shown in Exhibit 5.3.1.

Exhibit 5.3.1 Comparison of District Facility Planning Efforts to Components of a Comprehensive Long-range Facilities Plan Anchorage School District May 2002	
Components of a Comprehensive Long-range Facilities Plan	District Planning Efforts
1. Philosophy statements that review the community aspirations and the educational mission of the district and their relationship to short- and long-range facilities goals.	No philosophy statements were contained the district’s document. The document did contain eight “Capital Improvement Goals.” These goals were not linked to the educational mission of the district.
2. Enrollment projections which take into account any known circumstances which may change the pupil population.	Enrollment projections for each campus through the year 2007-08 were included in the plan. Although specific numerical impacts were not shown, the plan made reference to circumstances that are known to impact school populations. The references included: the construction of a natural gas pipeline, oil exploration, and the closure of military installations.

Exhibit 5.3.1 (continued)
 Comparison of District Facility Planning Efforts to Components of a
 Comprehensive Long-range Facilities Plan
 Anchorage School District
 May 2002

Components of a Comprehensive Long-range Facilities Plan	District Planning Efforts
3. The current organizational patterns of the district and identification of possible organizational changes necessary to support the educational program.	The current organizational patterns were included, and there was a reference regarding the identification of organizational changes approved by the Board to support the educational program at some individual schools.
4. Identification of educational program needs to be considered by designers of capital projects for renovation or addition of school facilities.	No reference to educational programs needs to be considered by designers of capital projects for renovation or addition of school facilities.
5. A detailed evaluation of each facility including assessment of structural integrity, mechanical integrity and efficiency, energy efficiency, operations and maintenance, and health and safety requirements.	Detailed evaluations of individual facilities were not included in the district's planning document.
6. Prioritization of needs for renovation of existing facilities and the provision of additional facilities.	The district's plan included a listing of capital improvement projects to be done by year.
7. Cost analysis of potential capital projects to meet the educational needs of the district, including identification of revenues associated with capital construction.	The total projected cost for each capital improvement project was included; however, the revenue sources were not specified. Funding for much of the Anchorage School District's capital improvement projects is dependent upon the approval of funding by other government agencies; therefore, the level of funding can change from one year to the next.
8. Procedures for involvement of stakeholders of the school community in the development and evaluation of the long-range facilities plan.	The district's planning document outlines ten steps taken in preparing the capital improvement plan. Although none of the ten steps specifically speak to the involvement of stakeholders, step seven does refer to the Capital Request Advisory Committee. Through staff interviews, the auditors determined that this committee does include some of the stakeholders.

As described in [Exhibit 5.3.1](#), the district's facility planning documents do not adequately satisfy the criteria for a comprehensive, long-range facilities master plan. Although some of the elements are addressed, the plan does not provide a linkage to the district's mission or to the educational program needs. Goal number two of the capital improvement goals listed in the district's planning document states, "The following goals guide decision-making with respect to school facilities in the Anchorage School District: 2. To provide the necessary facilities for programs that support the standard school." The auditors interviewed district administrative staff regarding a "cookie cutter" approach to addressing campus facility needs. The administrator responded with the statement, "Each elementary school is figured as having 26 classrooms...and the district uses district-wide staffing ratios for allocating funding for teachers." The auditors found that the Anchorage School District is a large and diverse district that includes schools located in the center of the city and schools located several miles outside of the city. The auditors found that while some elementary schools had vacant classrooms, others were using every possible space for instruction. The auditors found that although some of the older schools have smaller-size classrooms than the newer schools in the district, these older schools

are allocated teaching positions using the district-wide staffing ratio. The result is that some campuses have to squeeze students into smaller instructional spaces than the newer or recently renovated schools.

The auditors also found that some of the district's special program campuses lack adequate facilities to meet the needs of their students. Most of these needs are scheduled to be addressed in the district's six-year capital improvement plan; however, the plan fails to take into account, as far as prioritizing projects is concerned, health and safety issues that exist in some of these special program facilities. For example, according to the district's capital improvement plan, Whaley School is scheduled for "Assessment" in 2002-2003 with "Renewal, Programmatic, and Code Upgrades" in 2003-2004. The auditors noted during the walk-through of Whaley that the building was not originally built to be a school, and there are portions of the building that cannot be adequately monitored. This is a health and safety issue due to the type of program being housed at Whaley. The "library" at the Whaley campus consists of shelves of library books stacked in the hallway because the room previously used as the library had to be converted to a classroom for autistic children. A second example of a lack of responsiveness regarding some safety issues was noted at Girdwood Elementary. The school's playground is located on top of a former landfill site. Although the district administration has been aware of this issue, the remediation has been slow in coming.



Portable classrooms at Wendler Middle School without ADA access



Broken seats in the auditorium at West High School.



Teacher conducting a reading assessment in a closet at Wonder Park Elementary School.



A school shower used as a storage area at Girdwood Elementary School.



Shared library between West High School and Romig Middle School.



Exterior paint peeling at Rabbit Creek Elementary School.

Summary

The auditors found school facilities in the Anchorage School District in very good condition as a rule. There were some exceptions. Facilities were safe and clean. The landfill at Girdwood Elementary has been addressed. The Anchorage voters approved a \$1.5 million bond project in April of 2002 to excavate and remediate the playground situation. The contract has been managed by the Municipality of Anchorage and will be completed prior to the beginning of the 2002-2003 school year.