

CLERK'S OFFICE

APPROVED

3-26-13

Date:

Submitted by: Chairman of the Assembly
at the request of the
School Board

Prepared by: Anchorage School District
For Reading: March 12, 2013

ANCHORAGE, ALASKA

AO NO. 2013-39

AN ORDINANCE DETERMINING AND APPROVING THE TOTAL AMOUNT
OF THE ANNUAL OPERATING BUDGET OF THE ANCHORAGE SCHOOL
DISTRICT FOR ITS FISCAL YEAR 2013-2014 AND DETERMINING AND
APPROPRIATING THE PORTION OF THE ASSEMBLY APPROVED BUDGET
AMOUNT TO BE MADE AVAILABLE FROM LOCAL SOURCES

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. That the FY 2013-2014 Proposed Anchorage School District
Financial Plan in the amount of \$837,098,347 has been approved by the Anchorage
Assembly and that, of said amount, the amount of \$233,419,669 is the amount of
money to be contributed from local property taxes or other local sources and is
hereby appropriated for school purposes to fund the School District for its
2013-2014 fiscal year.

Section 2. That this ordinance is effective upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly, this 26th day of
March 2013.

Euna Hare
Chair of the Assembly

ATTEST

Barbara A. Jones
Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM 112-2013

Meeting Date: March 12, 2013

FROM: ANCHORAGE SCHOOL DISTRICT

SUBJECT: AO 2013-39 ANCHORAGE SCHOOL DISTRICT
FY 2013-2014 FINANCIAL PLAN

PROPOSED FINANCIAL PLAN

The Anchorage School Board has approved the Proposed Financial Plan and Budget for FY 2013-2014 in the amount of \$837,098,347. The total recommended budget by individual fund projected is as follows:

Fund	FY 2013-2014 Financial Plan	Percent of Funding			
		Local		State	Federal
		Taxes	Other		
General	\$ 572,624,180	34	1	62	3
Food Service	19,417,637		25		75
Debt Service	86,314,465	47		53	
Grants	<u>41,742,065</u>		1	3	96
Total	<u>\$ 720,098,347</u>				
Percent of Revenue Sources to Total		28	1	62	9
State of Alaska TRS/PERS On-Behalf Allocations				\$117,000,000	
Total ALL FUNDS				<u>\$837,098,347</u>	

It is requested that the Anchorage Assembly approve local property taxes in the amount of \$233,419,669 and the upper limit spending authorization of \$837,098,347 for FY 2013-2014.

THE STRATEGIC GOALS

The Anchorage School Board has set high performance expectations for our students, parents, teachers, administrators, policy makers, and community which are embodied in the goals set for 2020 in the strategic plan described in "Destination 2020" including:

- 90 percent of students will be proficient in reading, writing, and mathematics
- Every student will show one year or greater growth in reading, writing, and mathematics
- 90 percent of students will graduate high school
- Every student will attend school at least 90 percent of the time
- 90 percent of parents recommend their child's school to others
- 100 percent of staff and students feel safe at school
- The district will rate in the top 25 percent of urban schools in *every* key performance indicator

To stretch to reach these high performance goals by 2020, the Board looks forward to working with the Assembly, Mayor, Governor, Legislature, students, parents, teachers, administrators, business leaders and concerned citizens across our community to realign the district on high standards, high quality instruction and shifting resources from support to direct classroom instruction.

THE LONG RANGE FISCAL OUTLOOK

After a decade of funding increases from State, Local and Federal sources, the fiscal outlook for the next six years appears likely to shift to flat to declining funding in nominal terms.¹

The resulting challenge is succinctly stated in the State of Alaska Office of Management and Budget 10-year plan,

Anticipated growth in areas such as Medicaid, employee health care costs and retirement systems costs also drive up the budget over time. The Administration engages in discussions with legislators on how best to control these costs, recognizing that downward adjustments to statutory formulas will be necessary as oil revenues decline. [emphasis added]²

As the District moves into a future with a flat to declining revenue outlook, we are challenged by the past trend of providing salary and especially benefit increases that typically exceeded inflation -- increases made possible by increased funding from State, Local and Federal sources. The increased funding not only enabled salary and benefit increases in excess of inflation, but also enabled the District to increase employee levels by around 13% while enrollment declined 1%. Much of the increase in employees was in support functions, including teaching assistants, information & technology support

¹ Please see Board Memo #90, November 5, 2012, and Board Memo #54, November 15, 2012, for an in-depth discussion of the long range fiscal challenges faced by the District.

² State of Alaska Office of Management & Budget, Ten Year Plan, January, 2013, page 5.

positions. Some of the increase can be attributed to increases in spending on a variety of support programs.

Under flat funding projections and trend line increases in salary and benefits, the district will need to reduce spending on the order of \$25 million a year over the next six years, requiring a workforce reduction on the order of 250 positions per year [~4% each year].

Even if salary and benefit increases can be brought down to inflation, the continued prospects for declining funding from federal and state sources, and potential declines in the local property tax base associated with federal sequestration present a combination of circumstances that will require large and continued reductions in workforce.¹

The near term and long term challenge is how to fashion staffing levels and a total compensation package that will provide high quality instruction, attract and retain quality employees, while balancing the budget in a flat to declining revenue environment.

LONG RANGE PLAN

The District commissioned the Council of Great City Schools (CGCS) to conduct a study of its staffing levels that was completed in June, 2012. The staffing level review indicates that the District is overweight in support functions.

EXHIBIT 26. Staffing Categories as a Percentage of Total Staff in Anchorage, selected LEAs, Great City Schools, and School Districts with 15,000 or more Students

Description	Anchorage	Great City	Pct
Library & media support	0.58%	0.09%	644%
Instructional coordinators & supervisors	0.97%	0.46%	211%
Librarians & media specialists	1.24%	0.83%	149%
Instructional Aides	15.31%	10.76%	142%
Guidance Counselors	2.02%	1.67%	121%
School Administrative Support	4.78%	3.97%	120%
Student support and all support services	23.01%	23.40%	98%
Total Teachers	47.95%	50.24%	95%
School Administrators	2.25%	2.69%	84%

Source: Council of Great City Schools, Final Draft, Anchorage School District Review, June 25, 2012

¹ See for example, Board Memo #54, November 15, 2012, Appendix 5, where holding salaries and benefits to inflation still requires a 1% per year reduction in TRS positions and a 4% per year reduction in PERS positions in order to balance the budget over six years.

1 In addition, the staffing level review of central support functions, identified
2 areas where the District needed to reduce and realign staffing levels.¹

3
4 After the review of peer group staffing levels, the Board determined that the
5 District needed to increase overall proportion of resources to classroom
6 instruction in a flat to declining revenue environment by reducing support
7 functions and preserving direct classroom instruction to the extent possible.

8
9 Furthermore, the Board reaffirmed its commitment to develop *differentiated*
10 classroom instruction across the district by providing training and professional
11 development and new streamlined technology for assessment and formative
12 evaluation of students so that students receive instruction targeted toward their
13 particular challenges rather than assuming one size fits all.

14
15 In short, the Board is realigning the District on more direct classroom
16 instruction, more targeted classroom efforts and high quality instruction. The
17 challenging fiscal environment heightens the need to move quickly, but not
18 precipitously, toward realignment over the next three to five years.

19 20 21 FY2013-2014 BUDGET DEVELOPMENT PROCESS

22
23 On July 1, 2012, the Superintendent began a process to review all open positions
24 and new hires for alignment with District goals and consistency with the long
25 range plan to reduce support functions and increase the proportion of resources
26 targeted to direct classroom instruction. Many positions were eliminated and
27 responsibilities consolidated or reassigned. The “managed attrition” resulted in
28 an annualized savings of roughly \$4 million by October. Shortly thereafter, the
29 District initiated its formal budget development process with a pair of memos
30 describing the revenue and expense outlook for FY2013-2014, the salary and
31 benefit cost drivers, staffing levels and the long term challenge to bring reduce
32 the expense trend line by \$25 million in order to balance the budget to the
33 revenue projections. The Board reaffirmed its alignment on direct classroom
34 instruction, providing a slight increase in teaching staffing levels, and reducing
35 support functions.

36
37 The Superintendent and management team consulted with principals, teachers,
38 and various stakeholders, reviewed peer group comparisons and provided the
39 School Board with a balanced preliminary budget on January 17th. The
40 balanced budget was achieved through a combination of 215 position
41 reductions in support functions and a 20% reduction in supplies and materials
42 across the district.

¹ See Attachment C, Board Memo #54, November 15, 2012, Appendix 4b3.

The School Board reviewed the budget and asked a series of questions on a wide range of issues. The Board was provided a response to their questions at the early meeting of February 4th [see Attachment B].

After public hearings on the budget and in consultation with the principals, the Superintendent's recommended budget was revised to slow the rate of reduction in counseling services in order to provide a less disruptive transition toward staffing levels more reflective of peer group comparisons. The preliminary budget reduced the number of positions in the counseling suite by 21%, the revised recommendation reduced the number of positions in the counseling suite by 15%.

The net result is the proposed *direct school district* budget of \$720.1 million - a reduction of roughly 6% from the current year's budget.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2013-2014 projected revenue/expenditure budgets with those currently approved for FY 2012-2013.

REVENUE/EXPENDITURE BUDGETS (millions of \$)

<u>Fund</u>	<u>Revised Budget FY 2012-2013</u>	<u>Proposed Budget FY 2013-2014</u>	<u>Over/(Under) Amount</u>	<u>Percent</u>
General	\$577.995	\$572.624	\$ (5.371)	(0.9%)
Food Service	19.043	19.418	0.375	2.0%
Debt Service	86.611	86.314	(0.343)	(0.3%)
Local/State/Federal Grants	81.500	41.742	(39.758)	(48.8%)
Total District Budget	<u>\$765.149</u>	<u>\$720.098</u>	<u>\$(45.051)</u>	(5.9%)

TAX ESTIMATES (millions of \$)

	<u>Revised FY 2012-2013</u>	<u>Proposed Budget FY 2013-2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent</u>
Total Municipal Support (FY)	<u>\$239.963</u>	<u>\$233.420</u>	<u>\$(6.543)</u>	(2.8%)
Est. Assessed Valuation (CY)	\$31,529.3	\$32,252.9	\$723.6	2.3%
Estimated Mill Rate (CY)	7.57	7.30	(0.27)	(3.6%)

1 STUDENT ENROLLMENT PROJECTIONS

	FY 2012-2013	FY 2013-2014	Change Over
	<u>Sept. 30, 2012</u>	<u>Sept. 30, 2013</u>	<u>Prior Year</u>
Enrollment (ADM)	48,734	48,816	+82 +0.2%
Total District Budget (\$ per ADM)	\$15,701	\$14,751	\$(950) (6.1%)

9 SUMMARY

11 Anchorage faces a tough challenge - how to support its students, parents,
12 teachers, principals, administrators, and public leaders in their efforts to stretch
13 to achieve higher performance under flat to declining revenues. It is a challenge
14 that has been faced by many communities around the country since the economic
15 downturn in 2008. The communities who have risen to the challenge have
16 combined a focus on data-driven management for results, a steadfast desire to
17 continuously improve, and a passion to make education a top priority.

19 The FY 2013-2014 Proposed Financial Plan and Budget continues the Anchorage
20 School Board's commitment to improving the education of all students in a
21 challenging fiscal environment.

23 **The Anchorage School District requests the full support of the Anchorage
24 Assembly for this budget and in the ongoing efforts to generate a community
25 dialogue that focuses on building one of the best school districts in the
26 country.**

28 Respectfully submitted,

32 Jim Browder
33 Superintendent

36 JB/CS/MF

38 Attachments:

40 Board Overview, February 21 (Attachment A)

41 Board Overview and Summary of Major Variances, February 4 (Attachment B)

42 November 15, 2012 Pro Forma Budget Memo (Attachment C)