

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

Prepared by: Anchorage School District
For Reading: March 07, 2017

Municipal Clerk's Office
Approved
Date: 3/21/2017

ANCHORAGE, ALASKA
AO No. 2017-39

AN ORDINANCE DETERMINING AND APPROVING THE TOTAL AMOUNT
OF THE ANNUAL OPERATING BUDGET OF THE ANCHORAGE SCHOOL
DISTRICT FOR ITS FISCAL YEAR 2017-2018 AND DETERMINING AND
APPROPRIATING THE PORTION OF THE ASSEMBLY APPROVED BUDGET
AMOUNT TO BE MADE AVAILABLE FROM LOCAL SOURCES

THE ANCHORAGE ASSEMBLY ORDAINS:

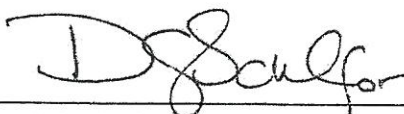
Section 1. That the FY 2017-2018 Proposed Anchorage School District
Financial Plan in the amount of \$789,688,247 has been approved by the Anchorage
Assembly and that, of said amount, the amount of \$248,611,584 is the amount of
money to be contributed from local property taxes or other local sources and is
hereby appropriated for school purposes to fund the School District for its
2017-2018 fiscal year.

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

PASSED AND APPROVED by the Anchorage Assembly, this 21st day of March,
2017.

ATTEST


Chair



Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 157-2017

Meeting Date: March 07, 2017

FROM: ANCHORAGE SCHOOL DISTRICT

SUBJECT: AO 2017-39 ANCHORAGE SCHOOL DISTRICT
FY 2017-2018 FINANCIAL PLAN**PROPOSED FINANCIAL PLAN**

The Anchorage School Board has approved the Proposed Financial Plan and Budget for FY 2017-18 in the amount of \$789,688,247. The total proposed Anchorage School District budget by individual funds is projected as follows:

Municipal Upper Limit Summary

Table 1. Individual Fund Budget Summary (in millions \$)

Individual Funds	Actual [1] FY 2014-15	Actual [1] FY 2015-16	Adopted Budget FY 2016-17	Preliminary FY 2017-18	FY 18 Prelim vs FY 17 Adopted	
					\$	%
General Fund	\$ 547.368	\$ 555.161	\$ 560.271	\$ 563.571	\$ 3.300	0.6%
Project Carryover [3]	-	-	-	19.000	19.000	100.0%
Transportation Fund	22.441	31.487	24.192	24.911	0.719	3.0%
Grants Fund	46.165	41.928	58.090	57.307	(0.783)	-1.3%
Debt Service Fund	86.763	84.743	84.634	82.780	(1.854)	-2.2%
Capital Projects Fund	1.376	-	7.797	10.000	2.203	28.3%
Food Service Fund	22.850	21.745	25.517	24.220	(1.297)	-5.1%
Student Activities Fund	7.726	7.904	7.900	7.900	-	0.0%
ASD Managed Total	734.689	742.968	768.401	789.689	21.288	2.9%
SOA PERS/TRS On-behalf	721.619 [2]	47.347	46.000	46.000	-	0.0%
Total All Funds	\$ 1,456.308	\$ 790.315	\$ 814.401	\$ 835.689	\$ 21.288	2.6%

[1] GAAP basis expenditures with on-behalf pension payments removed from individual funds

[2] PERS and TRS on-behalf has been updated for FY 2014-15 due to SB 119 appropriations of \$3B into PERS/TRS

[3] Change in accounting practice for transparency and efficiency only - not additional funding

It is requested that the Anchorage Assembly approve local property taxes in the amount of \$248,611,584 and the upper limit spending authorization of \$789,688,247 for FY 2017-18.

The associated mill rate is expected to remain flat at 6.73 for calendar year 2017.

Summary of Changes by Fund

General Fund:

Revenues

Anchorage schools are primarily funded through the State of Alaska Foundation Funding Formula and local property taxes, with additional Federal revenues coming from Federal Impact Aid (FIA). FIA is a program to help offset lost local tax revenue for students living on Joint Base Elmendorf Richardson and other federally connected students. Other reimbursements for JROTC instructors and Medicaid are also included in Federal revenue. Other local revenues include interest earnings, user fees, facility rentals, and E-rate, a program which reimburses some costs of telecommunications. The following changes are expected in General Fund revenue:

- **State Revenue**

The Base Student Allocation (BSA) within the foundation formula is expected to remain flat at \$5,930 per adjusted average daily membership (AADM). Other changes within the formula affects changes in the amount the district will receive:

- Enrollment - an overall reduction in enrollment means less funding. The District is anticipating a loss of about 270 students which results in about \$0.32 million less in State revenue after adjusting for an increase in the Special Education intensive needs count and creating a new school site for Alaska Middle College School.
- Required local taxes - local taxpayers are required to pay 2.65 mills of property values which reduce state revenue on a dollar-for-dollar basis. The property values went up 4.12 percent to \$40.67 billion in the FY 2017-18 formula, resulting in a shift of \$4.27 million from State funding to local taxpayers.
- Federal Impact Aid deduction - the State also reduces District revenue based on funding received from the Federal Impact Aid program. For FY 2017-18 the amount of the deduction increased by about \$0.215 million.

- **Local Property Tax Revenue**

Local funding primarily consists of tax appropriations. The amount of the appropriation is set by the State with the required local contribution being the minimum amount local government has to contribute, and a maximum amount that is determined by the additional allowable

1 contribution. The additional allowable contribution is calculated as 23
 2 percent of the basic need (BSA multiplied by the AADM). For FY 2017-18,
 3 the additional allowable contribution is expected to decline by \$0.07
 4 million due to lower enrollment. With the increase in the required
 5 amount, the total amount of property taxes is projected to increase by
 6 about \$4.2 million.

7
 8 • Other Local Revenues

9 The District's other local revenues are projected to stay consistent with the
 10 current year, with the exception of:

- 11
 12 ○ E-rate – the District is anticipating an increase in E-rate revenue in
 13 FY 2017-18 due to reimbursements for a wireless modernization
 14 project to install higher density wireless connectivity in schools
 15 which has become necessary as instruction and testing is
 16 increasingly technology based. For FY 2017-18, the District is
 17 projecting an increase of \$2.752 million for E-rate.
 18
 19 ○ Fund balance – the School Board approved the use of \$1.938 million
 20 in fund balance for FY 2016-17 to offset vetoes made by the
 21 Governor in June 2016. While this veto was eventually rolled back
 22 after the budget was adopted, the year-over-year change reflects a
 23 reduction in the use of fund balance. The preliminary budget is
 24 predicated on the use of \$4 million in fund balance to support
 25 General Fund and Pupil Transportation activities, with \$1.71
 26 million being invested in the General Fund and \$2.29 million
 27 invested in transportation. Funds which are currently encumbered
 28 for lower-priority projects will be redirected to fund FY 2017-18
 29 expenditures and help reduce the overall amount of FTE losses.

30
 31 • Federal Revenues

32 Federal Impact Aid is the only material change expected in federal
 33 revenues with a projected decline of \$0.573 million. Funding for Federal
 34 Impact Aid is mostly based on the students living on JBER, and as the
 35 number of students has declined, the associated revenue has declined as
 36 well.
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 39
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 41
 42

1 Table 2 below shows total General Fund revenue by funding source for FY 2017-
 2 18.

3

Table 2. General Fund Revenue Budget

	Adopted FY 2016-17	Preliminary FY 2017-18	FY17 Adopted vs. FY18 Pro Forma	
			\$	%
Local Revenue				
Property taxes	\$ 205,283,878	209,478,622	\$ 4,194,744	2.04%
Fund balance	1,938,150	1,710,047	(228,103)	-11.77%
E-rate	1,355,176	4,107,004	2,751,828	203.06%
Interest earnings	1,000,000	1,000,000	-	0.00%
Facility rentals	725,000	725,000	-	0.00%
User fees	1,404,000	1,404,000	-	0.00%
Other local	390,000	390,000	-	0.00%
Total local revenue	212,096,204	218,814,673	6,718,469	3.17%
State Revenue				
Foundation funding	328,729,441	325,866,369	(2,863,072)	-0.87%
Operating grants outside BSA	-	-	-	0.00%
Quality School Grant	1,191,056	1,189,986	(1,070)	-0.09%
State tuition reimbursement	405,000	408,484	3,484	0.86%
Total state revenue	330,325,497	327,464,839	(2,860,658)	-0.87%
Federal Revenue				
Federal Impact Aid	16,589,000	16,016,033	(572,967)	-3.45%
JROTC instructor reimbursement	760,000	775,000	15,000	1.97%
Medicaid reimbursement	500,000	500,000	-	0.00%
Total federal revenue	17,849,000	17,291,033	(557,967)	-3.13%
Total Budgeted Revenue	\$ 560,270,701	\$ 563,570,545	\$ 3,299,844	0.59%

4

5

6 For FY 2017-18, the District is requesting additional upper limit spending
 7 authority to account for prior year, ongoing projects being carried into the next
 8 fiscal year. This does not change the total dollars available to spend; it only
 9 changes the accounting practice of managing multiple budget years. This change
 10 in practice will increase transparency, reduce accounting, budget, and IT staff
 11 time spent on managing multiple budgets. In alignment with the Board's
 12 Destination 2020 goal of efficiency this change will substantially increase
 13 efficiency for end-users at schools and in departments. Projects carried over
 14 include:

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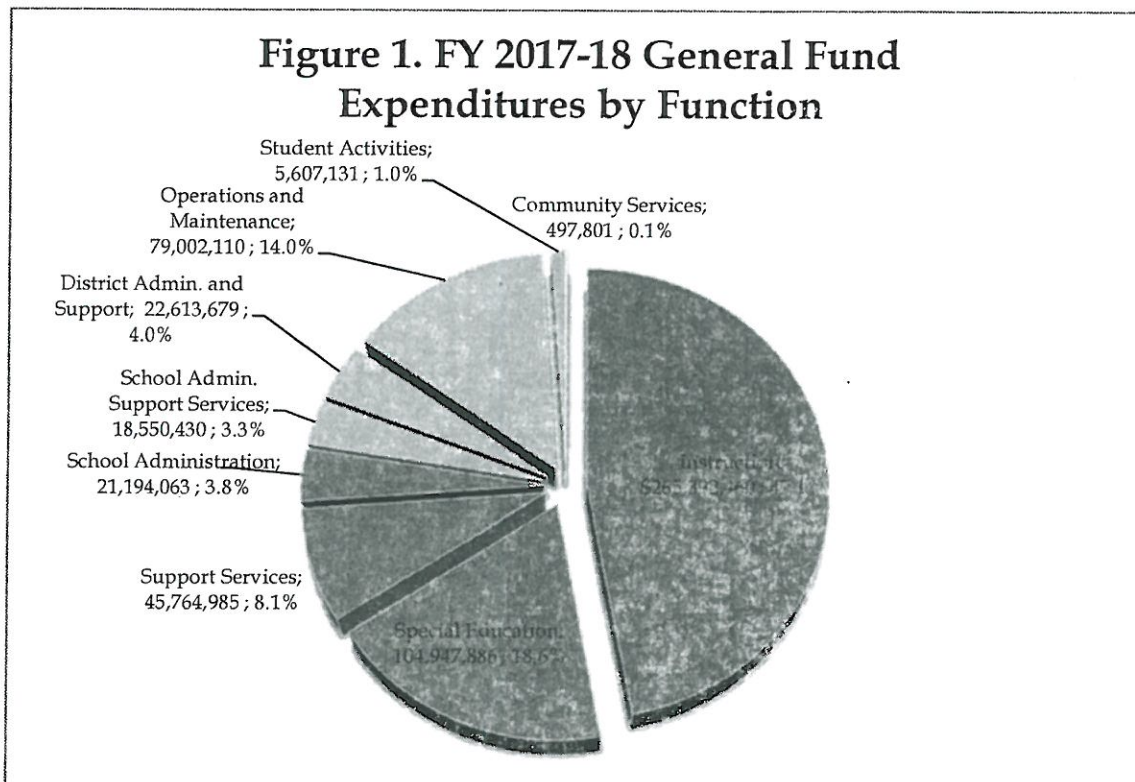
21

- Charter schools - \$8 million
- Career Technical Education - \$0.6 million
- Curriculum/Instruction - \$2.7 million
- IT - \$6.3 million
- Maintenance projects and ADA compliance - \$1.4 million

Expenditures

The District has created a balanced budget where revenues equal expenditures. With flat revenues and increasing inflationary costs, the District has created a budget that puts student instruction as a priority, with nearly 78 percent of funding directed to instructional categories as defined by the State Department of Education and Early Development. A summary of what types of expenditures are included in each State Function code can be found in Appendix E - State Chart of Accounts Function Summary of the Attached School Board memorandum.

Figure 1 below shows the breakout of expenditures by function with the blue representing instructional categories and grey being non-instructional.



In order to provide responsive, relevant, and rigorous instruction, as well as a clean and safe learning environment, the District made deliberate changes during the budgeting process to increase student outcomes next year. The Administration is instituting metrics-based staffing models to provide a more equitable, transparent process to allocate resources to schools. In addition to new standards for staffing, the District prioritized the following modifications for FY 2017-18:

- 1 • Instructional Coaches for elementary schools
 2 The Administration realigned staffing between the General Fund and
 3 grants to place 48 Instructional Coaches in elementary schools. These
 4 coaches will provide job-embedded professional development and
 5 improve the use of data to guide instruction for increased student
 6 performance.
 7
- 8 • Capturing Kids' Hearts school climate/safety program
 9 This program for secondary schools provides professional development
 10 for teachers on how to create high-achieving classrooms. This program
 11 helps strengthen students' connectedness to others through enhancing
 12 healthy relationships with their teachers and establishing collaborative
 13 agreements of acceptable behavior.
 14
- 15 • Alaska Middle College School (AMCS)
 16 AMCS will be a school choice where students in grades 11-12 can take
 17 University of Alaska college courses while simultaneously earning high
 18 school credit. By creating AMCS as a separate school site, this school will
 19 offset the cost by increasing revenue associated with the school size
 20 adjustment in the State Foundation Formula.
 21
- 22 • Computers for instructional staff
 23 The District is replacing and standardizing its aging school-based
 24 computers. Many staff computers have not been updated since the last
 25 large computer replacement cycle in 2008.
 26
- 27 • ADA compliance and clean schools
 28 As a top priority of the community the District is investing in clean and
 29 safe schools. This includes adding funding to meet emergent ADA
 30 requirements as well as investing in custodial and maintenance work to
 31 ensure adequate resources are available to meet District needs.
 32

33 Additional information for General Fund revenues, expenditures, and changes in
 34 personnel can be found in the appendices of the attached School Board
 35 Memorandum and FY 2017-18 Preliminary Budget document.
 36

37 Pupil Transportation:

38 The District is anticipating an increase in State revenue of approximately \$1.3
 39 million or about 6 percent. The increase is due to adding back transportation

1 formula funding that was previously vetoed by the Governor, partially offset by
2 a reduction in revenue due to decreased enrollment. The District is currently
3 budgeting for State funding of \$481 per Average Daily Membership (ADM).
4

5 As state revenues have stagnated or been reduced through veto, and costs have
6 substantially increased, the District has backfilled the gap in revenues and
7 expenses with contributions from the General Fund. For FY 2017-18, the District
8 is anticipating using \$2.29 million to close the gap while keeping the same level
9 of Pupil Transportation service currently available.
10

11 Local/State/Federal Grants:

12 The District anticipates receiving \$57.3 million in grants in FY 2017-18, a decrease
13 of about 1.3 percent. An increase in Federal Title grants is offset by reductions in
14 other Federal grants and contingency as well as slight decreases in anticipated
15 local grants.
16

17 Federal Title grants constitute approximately 69 percent of the Grants Fund with
18 other Federal grants and contingency for awards which have not yet been
19 received providing another 27 percent. State and local grants make up the
20 remaining 4 percent of expected grants.
21

22 Debt Service Fund

23 The Debt Service Fund is used to pay expenses associated with voter-approved
24 bonding for the purpose of major capital outlay relating to acquisition,
25 construction, and renovation of capital facilities. Annual debt service payments
26 used to pay long-term bonded debt principal, interest and related costs are
27 expected to be \$82.780 million, about \$0.195 million less than the current year.
28 The District's total gross bonded debt as of June 30, 2016 is \$625.012 million,
29 down from \$786.336 million a decade ago.
30

31 Funding for repayment of principal, interest, and other expenses comes
32 primarily from the State Capital Debt Reimbursement program and local
33 property taxes. The calendar year tax assessment for the repayment of bonds is
34 estimated at 1.075 mills for 2017, down .04 mills from the prior year or about 2.5
35 percent. [See page 2, ASD 2017-18 Preliminary Budget]
36

37 Capital Projects Fund

38 The Capital Projects Fund is used to account for State Legislative capital grants
39 and has varied widely from year to year. The District is budgeting for a \$2.203
40 million increase over the current year, consistent with the Board's pro forma
41 guidance. There were no Legislative grants issued during the 2015 or 2016
42 sessions and the total of \$10 million is included to preserve upper limit spending
43 authority within the fund if any grants are received.
44

Food Service Fund

The Food Service Fund is slated to decrease by \$1.297 million, or about 5.1 percent. Decreases in meal sales and the anticipated number of meals served, eligible for Federal reimbursement, are salient factors to the decline of Food Service revenue.

In accordance with USDA rules, Student Nutrition is currently required to increase the cost of meals next year. The initial planned increase is \$0.25 per meal but efforts are being made to increase revenue in order to avoid the Paid Lunch Equity requirement. USDA Regulations at 7 CFR 210.14(e) "require school food authorities (SFAs) participating in the National School Lunch Program to ensure sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced price meals."

The Community Eligibility Provision (CEP) program continued to expand in FY 2016-17 with the addition of six new schools. This brings the total number of schools receiving no-cost meals from 30 to 36. The Administration is currently planning to add additional CEP schools next year.

Appendix D of the attached School Board Memorandum shows revenue by source and expenditures by organization for the Food Service Fund. More detailed information can be found in the Preliminary Budget for FY 2017-18.

Student Activities Fund

The Student Activities Fund is used to account for revenues and expenditures generated from student body organizations. For FY 2017-18, no material change is expected from the current year.

PROPERTY TAXES

	Approved Budget FY 2016-2017	Proposed Budget FY 2017-2018	Increase/ (Decrease)	Percent Change
Total (FY)	246,003,265	248,611,584	2,608,319	1.06%
Estimated Assessed Valuation (CY)	36,063,931,160	36,244,250,816	180,319,656	0.50%
Estimated Mill Rate (CY)	6.73	6.73	-	0.00%
	Actual FY 2016-2017 Sept. 30, 2016	Projected FY 2017-2018 Sept. 30, 2017	Increase/ (Decrease)	Percent Change
Student Enrollment	48,340	48,183	(157)	-0.32%

The FY 2017-18 Proposed Financial Plan and Budget continues the Anchorage School Board's commitment to improving the education of all students.

1 The Anchorage School District requests the full support of the Anchorage
2 Assembly for this budget and in the ongoing efforts to continue a community
3 dialogue that focuses on building on the momentum ASD has started to
4 achieve.
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10 Respectfully submitted,
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14 Dr. Deena Bishop
15 Superintendent
16

17 DB/JA/AR
18

19 Attachments include:
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21 February 21, 2017 Preliminary Budget Memo (Revised) – with attachments
22

23 Comb Bound / PDF Proposed FY 2017-18 Budget under separate cover