

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #282 (2011-2012)

April 23, 2012

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2012-13 LEGISLATION AND BUDGET UPDATE

ASD Core Value: *The district will be open, transparent and accountable to the public*

PERTINENT FACTS:

Education funding was passed on the last day of the legislative session within two separate legislative bills. This funding, if signed by the Governor will affect the District's FY 2012-13 Financial Plan. Additionally, other significant changes have occurred and should to be addressed in the budget before the fiscal year starts. This memo will highlight both the recently passed legislation as well as updated budget assumptions as currently identified. The purpose of this is to inform the board and for planning an administrative recommendation based on board comments and direction in as timely a manner as possible. A best case scenario for school board and assembly action is also included.

Legislative changes

The total "new money" for operating funds for the District amount to approximately \$11.3 million for FY 2012-13 (*additionally, \$1.3 million was appropriated for the current fiscal year 2011-12, which upon Governor approval will be included in a final budget revision memo for FY 2011-12 in May or June.*) Capital grants amount to about \$24.8 million. A breakdown follows:

Bill	ASD Fund	Duration	Brief Description	FY 13 Dollar Amount	
SB 160	General	One-time, FY13 only	Inflationary adjustment	\$ 7.5	million
		\$1.3M in FY12. \$2M in FY13.			
SB 182	General	1.5 percent increases for FY14 and FY15.	Pupil Transportation	\$ 2.0	million
SB 182	General	Ongoing	Career and technical education	\$ 1.8	million
SB 182	General	Ongoing	Mill rate adjustment	\$ -	million
FY 2012-13 General Fund Subtotal				\$ 11.3	million
SB 160	Capital / Grant	Single appropriation. Five year period for expenditure	Various capital requests	\$ 24.8	million
TOTAL				\$ 36.1	million

SB160 - Capital Budget

The capital budget provided targeted grants in the amount of \$24.8 million to benefit the District. These grants are specific by name and purpose to fund capital work such as security camera upgrades, artificial turf, playground equipment, music instruments, computers and other technology upgrades. **These grants are not operational funds and can only be used for the purpose and intent within the specifically named projects.** A board memo will be provided for the board's approval of these projects upon Governor approval.

Additionally, the capital budget included one-time funds to be used for operating purposes in the amount of \$7.5 million. These are one-time funds intended to cover inflationary cost increases for District operating activity and they do not reoccur after FY 2012-13. Based on fiscal policy, the administration is only considering one-time uses for these funds currently.

SB182 - Education funding

The funds provided through SB182 are ongoing funds, either within the foundation formula or to be written into statute to continue beyond FY 2012-13.

Student Transportation - \$2.0 million increase

These are ongoing operating funds. Within the approved FY 2012-13 budget, student transportation is fully funded at FY 2011-12 service level, less fleet replacement costs. This occurred by supplanting other revenue sources to fill the transportation deficit. Therefore, this additional funding may be used to either supplement transportation beyond the current level or for another purpose.

Career and Technical Education (CTE) - \$1.8 million increase

All specific CTE funds can now be used for middle and high school programs. The FY 2012-13 budget currently has approximately \$1.4 million unallocated within the existing CTE allocation, so in total the District now has \$3.2 million to allocate to CTE ongoing expenditures. These funds are categorical to middle and high school students for CTE only.

Mill rate equalization funds- no additional funds

The state education foundation formula has minimums and maximums for local community contributions. This part of the legislation aims to create equity in the local contributions across the state. It assumes greater state responsibility and lowers local community responsibility in education funding by reducing the overall minimum and maximums for local property tax contributions, and backfilling those holes with state dollars.

As simplistically as possible, this legislative change reduces both the minimum and maximum contributions that the municipality can contribute to education. Anchorage and the District are already at the maximum cap of the current formula. If/when enacted, this legislation sets the District's property tax contribution over the new maximum cap.

This would mean the District has currently budgeted to “over collect” property taxes by about \$8 million. A net zero switch of funding will occur by reducing property taxes and increasing state funds in the same dollar amounts. The dollar amount of this adjustment will vary significantly based on enrollment of students in total, by building, and types of services necessary to provide.

Updated budget assumptions

A number of material projections and assumptions have changed since approval of the budget in February that should be addressed for a more accurate budget.

- Federal Impact Aid was funded this spring at 85 percent. Given possible additional Federal sequestration cuts next year, the allotment could be closer to 76 percent next year. Given this, a reduction is in order. The magnitude of this reduction is up to \$4 million.
- A savings of over \$2 million may become available through the District health insurance plan. The administration is watching and carefully projecting the fiscal health of the plan and will present a recommendation on this reduction in the budget revision.
- Other adjustments include updating other revenue sources, utility costs, and increasing enrollment based on updated information on the Youthful Offender Program, among other changes.
- Upon the Governor’s signature of the SB160 and SB182, the General Fund, Grant Fund and total District upper limit will likely need to be updated.

The best case scenario for including legislation and updated budget assumptions early to assist staffing before school starts looks like:

April 19	Bills not currently transmitted to Governor, who has 20 days (not including weekends) to sign or veto bills after receiving
April 23	Board discussion based on this memo. Board comments from meeting to be included in administrative proposal
April 30	Possible work session for additional guidance/discussion
May 21	Board Meeting - Budget Revision of ASD Financial Plan
May 25	Assembly Resolution on budget revision due to clerk’s office
June 5	Assembly introduction of AR 2012-116 ASD Budget Revision
June 19	Public hearing of AR 2012-116 ASD Budget Revision

A work session could be added before graduations, or after to provide more information to the board or feedback to the administration. Additionally, a delay to the June 11th meeting for board approval of the revision may still allow assembly approval within June.

CC/CS/MSL

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