

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #184 (2004-2005)

January 13, 2004

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2004-2005 PRELIMINARY FINANCIAL PLAN

PERTINENT FACTS:

The accompanying budget document contains the Anchorage School District's FY 2004-2005 Preliminary Financial Plan. The total budget recommended is \$499,890,875. This includes individual fund budgets currently projected as follows:

	FY 2004-2005 <u>Financial Plan</u>
General Fund	\$376,846,065
Food Service Fund	13,785,312
Debt Service Fund	68,259,498
Local/State/Federal Projects Fund	<u>41,000,000</u>
Total - All Funds	<u>\$499,890,875</u>

**THE BUDGETING PROCESS**

The budget provides a blueprint for the Anchorage School District's educational goals. When developing the budget, the Anchorage School District has an obligation to its many stakeholders—the students, parents, employees, and community members—to consider each group's priorities and balance them with the District's stated mission of educating students for success in life. The FY 2004-2005 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

These projections for FY 2004-2005 are prepared using the most current information available. Existing funds and cost savings are directed to District programs to ensure that progress is made in achieving School Board Goals in the areas of academic achievement, supportive and effective learning environment, and public accountability. The budget development process is mindful of the

District's responsibility in designating financial and human resources within projected revenues.

## **BUDGET DEVELOPMENT**

The budget development process for the District is an ongoing process that encompasses over six months of gathering and analyzing information. The budget continues to realign the District's priorities, as budgeting is a progressive process. The balanced budget concept, Alaska Public School Funding, and the local property tax limitation necessitate early predictions of both revenues and expenditures. Throughout the process, assumptions, enrollment, revenues, and expenditures are constantly being reviewed and assessed in order to provide the most current information. Federal, State or local mandates may necessitate the District to incorporate additional responsibilities and/or initiate new programs within the District. Various demographic and economic factors are evaluated for their impact on the budget. This is especially true this year as a result of the federal No Child Left Behind (NCLB) and Individuals with Disabilities Education Act (IDEA), and the State mandated High School Graduation Qualifying Exam (HSGQE).

Departments and schools review their programs and responsibilities; assess what is being done during the current fiscal year and what progress is being made; continue updating plans for next year and future years; and then prepare budget requests based on their program requirements and how they support the Goals and Mission of "educating all students for success in life."

The District continues with its efforts to seek input from the community, employees and students in the development of its preliminary budget recommendation. Input relative to economies and efficiencies in delivery of programs and services as well as additions and reductions in programs and services are sought.

This year the budget development process involved public participation through the formation of Budget Review Teams. Each team reviewed one of four broad areas of the budget—General Administration, Instruction, Instructional Support and Support Services. The four teams were each composed of one community facilitator and approximately forty volunteers representing various advisory committees, business and labor organizations, community members, parents, students and District employees. Each team was responsible for identifying reductions or revenue enhancements equal to 7 percent, economies and more effective program alternatives, duplication of efforts/services, and reviewing all funding sources. The teams presented their recommendations at a public meeting on October 30. In addition to the teams, opportunities for budgetary

input are accessible through the District Web site and suggestion forms available from schools and at Assembly and School Board hearings. Input was also solicited from the Minority Education Concerns Committee (MECC), various advisory committees and the Anchorage Council of PTAs. All District employees were sent staff comment/question/suggestion forms asking for their suggestions. Each department supervisor was asked to identify 7 percent reductions from their departments and/or revenue enhancements related to their area. All of the recommendations from these sources were reviewed and considered as the Administration developed the preliminary budget being presented. Every program and department was thoroughly scrutinized and many items were eliminated and/or reduced. Programs were reviewed from their base and services reorganized and eliminated to help with closing the fiscal gap. The need to focus on providing core educational services was a primary concern when reviewing and making recommendations in both the instructional and support areas.

On November 3, 2003, a School Board FY 2004-2005 financial planning work session was held. A pro forma revenue and expenditure budget was presented based on the current information known. At that time the Administration projected that the District faced a \$26.2 million fiscal gap for FY 2004-2005. Assumptions used for projection purposes were reviewed with the School Board. The Administration gathered suggestions and changes that the School Board members wanted the Administration to further investigate including any of the suggestions submitted by the staff and community members. At that work session the School Board provided guidance to the Administration to include \$4.5 million of fund balance as a revenue source to reduce the fiscal gap and to avoid some reductions in various District activities when bringing the FY 2004-2005 Preliminary Financial Plan forward in January 2004.

On November 10, 2003, the School Board authorized the Superintendent to prepare the Anchorage School District's FY 2004-2005 Preliminary Financial Plan in accordance with the financial projections set forth at that time. Authority to adjust the budget expenditure ceiling in accordance with any negotiated contract adjustments and other associated cost increases, School Board requests, and Administration, community, staff and students' budget review recommendations given to the Superintendent. In addition, flexibility was given to allow for adjustments based on updated demographics and/or economic information, as well as staffing based on review of student enrollment projections. The total of all department budgets plus any new facilities or change in program requirements were compared to anticipated revenues. Including the use of \$4.5 million of fund balance as a revenue source, it was projected at that time that expenditures would exceed projected revenues by approximately \$19.4 million.

During this past two months as the Administration proceeded forward in preparing a FY 2004-2005 Preliminary Financial Plan in which expenditures would equal revenues, the District's mission of educating all students for success in life was always at the forefront. It was also recognized that this could not be accomplished without support and maintenance departments. Review and reassessment of assumptions and parameters were made again. Updated and new information was incorporated. Assessment of workload and reorganizations within departments to improve efficiencies were made. Community, staff and student suggestions were considered and implemented where appropriate. **After a great deal of review, consideration and discussion, the Superintendent is presenting to the School Board a balanced FY 2004-2005 Preliminary Financial Plan totaling \$499,890,875. Expenditures have been brought into balance with revenues by making major reductions and increasing fees. Some reductions were made as a result of efficiencies through better resource management, but eliminating the large fiscal gap was not accomplished without directly impacting instructional programs. As the Administration presents the budget to the School Board on January 13 and 15, program reductions and realignments will be identified.**

Student enrollments, revenues, and expenditures are projected on a preliminary basis. The following sections on Student Enrollment Projections, General Fund Revenues and Expenditures, and Other Funds summarize the principal financial planning factors involved in preparing the FY 2004-2005 projections. Major revenue and expenditure considerations and budget development criteria are also included.

## STUDENT ENROLLMENT PROJECTIONS

**Student Enrollment**— The most significant factor in the budget development process is the number of students served. Enrollment projections are based on enrollment history, profile, and both demographic and economic considerations. The General Fund budget is developed using the FTE (full-time equivalent) student count, weighting both half-day kindergarten and preschool students at one-half, which is consistent with their programs.

In order to project student enrollment, District staff works closely with the Municipality of Anchorage in utilizing the Municipality's Geographic Information System's data. The following schedule summarizes the actual or projected student enrollment information for FY 2001-2002 through FY 2004-2005 on both a full count and FTE basis.

Actuals	Actuals	Actuals	Projected
2001-2002	2002-2003	2003-2004	2004-2005
<u>9/30/01</u>	<u>9/30/02</u>	<u>9/30/03</u>	<u>9/30/04</u>

Total Number	49,676	50,029	49,663	49,499
Change Over Prior Year's Actuals		353	(366)	(164)
FTE (Full-Time Equivalent)	49,441	49,791	49,431	49,274

## GENERAL FUND

The General Fund, consisting of each school and department's budget, accounts for the majority of the District's operations and activities. Therefore, this memorandum and most of the subsequent discussion and decisions on balancing the budget for next year will focus primarily on estimated revenues and expenditures of the General Fund.

### Revenues

**Alaska Public School Funding Program**— The largest single revenue source to the District comes from the Alaska Public School Funding Program. The School Board and the Administration appreciate the past increases in revenue funding to the Alaska Public School Funding Program. Hopefully, the Legislature will continue to advocate for the students in our communities by funding an increase in revenues supporting public education. It is essential that school districts receive adequate funds to meet the required mandates and public expectations.

This Program is expected to provide approximately 54 percent of the District's General Fund revenues. This is based on continuing the same per pupil amount for the base student allocation (\$4,169), that includes the roll up of the Learning Opportunity Grant and Section 93 of Senate Bill 2006, approved during the Legislative session, and the Quality School Grant (\$16). Based on current enrollment projections, the amount of funding for FY 2004-2005 is estimated to be \$202.6 million, which is \$3.7 million less than the current FY 2003-2004 budget. This is a result of lower anticipated enrollment, (49,900 budgeted for FY 2003-2004 and 49,499 projected for FY 2004-2005) and the State assessed property valuation for the Municipality increasing \$2 billion. **This increase in assessed valuation results in a larger required local effort causing a loss of approximately \$4.0 million in the Alaska Public School Funding formula calculation.**

The Alaska Public School Funding program is based on average daily membership (ADM)—determined by the District's enrollment and special education intensive count—processed through school size factors and special needs formulae to establish the District's "basic need." The required local share and a percentage of the Federal Impact Aid funding that the District receives for federally-connected students is then subtracted from the "basic need" to determine revenue. The Alaska Public School Funding formula defines the required local share as being the lesser of 45 percent of the preceding years "basic

need" or 4 mills times one-half of the annual increase in assessed valuation compared to the 1999 base year of the total State assessed full and true valuation of local real estate, inventory and other taxed personal property for the second preceding year, added to the prior year's required local effort. **An increase to the assessed valuation reduces the potential amount of Alaska Public School Funding revenue.** The Alaska Department of Community and Economic Development notified the District that the assessed valuation for Anchorage has increased from \$19.204 billion to \$21.215 billion.

**Local Property Taxes**— Local property tax contribution is the District's second largest General Fund revenue source. **Projected local property tax revenue for FY 2004-2005 is based on requesting the full amount of taxes available under the local property tax limitation.** The local property tax limitation provides for an annual adjustment for inflation, five-year Anchorage population change and new construction.

The projected inflation rate used for planning purposes is 2.29 percent. This preliminary estimate is the rate being used by both the District and the Municipality of Anchorage in the property tax limitation calculations. The official Consumer Price Index (CPI) will not be available until February 2004. As determined by the State Department of Community and Regional Affairs, the five-year Anchorage municipal population change used for planning purposes is 1.1 percent, with the official percentage growth not available until January 2004. The projected combined rate of 3.39 percent for FY 2004-2005 is .39 percent more than the current rate of 3.00 percent for FY 2003-2004.

Included in the revenue projections are taxes associated with the opening of South Anchorage High School, and the completion of the addition/renovation to Ptarmigan Elementary and Wendler Middle Schools.

It is anticipated that this increase—and increased taxes allowed on new construction or property improvement—will increase the amount of taxes available in the General Fund by approximately \$12.4 million. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

The District has been notified that the Mayor is proposing transferring \$1 million of Municipal taxing authority to the District under the property tax limitation in order to assist the District with our fiscal difficulties. As part of the approval of the 2004 Municipal operating budget, the Assembly approved a change in the calculation method related to the funding that the Municipality receives from the Municipal utilities. Subject to approval of utility rate increases by the Regulatory Commission of Alaska (RCA) in March 2004, the Municipality anticipates

receiving more funding from the Municipal utilities using the new calculation method. The Mayor is proposing sharing a portion of the increased funding with the District by transferring funds to the District's tax base under the property tax limitation formula. Since this process has not been completely finalized and the rate increases are still subject to approval by the RCA, the District has not included the additional \$1 million of tax revenue in the FY 2004-2005 Preliminary General Fund Financial Plan. **At a later date when the Municipal process is complete, the District will request the \$1 million of additional taxes and the increased upper limit spending authority.**

**Federal Impact Aid**— The revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement and at the same amount budgeted in FY 2003-2004 based on FY 2002-2003 actual revenues. Uncertain at this time is the formation of the Stryker Brigade that may have an impact on future funding.

The amount of Federal Impact Aid revenue each year is uncertain because it is subject to pro-ration based on the annual funding appropriated by Congress. In addition, the percentage of the total number of federally-connected students to the total number of students the State has direct responsibility for—including military students, children educated at Mt. Edgecumbe and State correspondence (Alyeska)—and potential formula changes, could result in fluctuations in Federal Impact Aid funding to the District. This coupled with the fluctuation from year-to-year in the number of students living on military land, which can partially result from on base/post housing renovations, adds to the uncertainty of Federal Impact Aid revenue during the budget process. This Program is subject to annual Congressional appropriation and should be monitored. We also do not know, for example, if the District will receive prior year adjustment payments during FY 2004-2005.

**Fund Balance**— The District's undesignated fund balance for the General Fund is a potential one-time source of revenue. Deciding the appropriate level of fund balance required for a contingency reserve requires an exercise of judgment. Industry standards recommend undesignated fund balances or contingency reserves remain between 3 to 5 percent of the budget. The undesignated fund balance needs to be maintained to protect against shortfalls in revenue collection, to allow for adequate cash flow management, and to provide the financial ability to meet emergencies. As of June 30, 2003, the undesignated fund balance was approximately \$26.665 million or 7 percent of the FY 2004-2005 Financial Plan of \$376.8 million.

**At this time, based on approval from the School Board in November, the Administration has included \$4.5 million of fund balance as a revenue source**

**to help reduce the fiscal gap. Using \$4.5 million of fund balance will provide an undesignated fund balance of \$22.165 million or 5.9 percent of the FY 2004-2005 projected budget of \$376.8 million.**

**Pupil Transportation Reimbursement—** The preliminary FY 2004-2005 revenue projection for Pupil Transportation is based on full funding for the District using the formula for State funding of pupil transportation approved by the Governor and the Legislature during the last Legislative session. There is no provision for an increase in State funding of transportation that is required to meet the individual educational plan (IEP) of a student with disabilities. This will be discussed with the Legislature and the Governor’s staff during the legislative session.

**User Charges and Fees—** Fees will continue to be assessed for musical instrument usage, ASD documents, High School and Middle Level Student Activity fees, High School parking fees, summer school, credit course training fees, and rental fees. Based on input from the School Board and Budget Review Teams, rate increases have been incorporated in these projections. The following schedule shows the adjustments:

	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>
Graduation Support Services	\$50 per course	\$75 per course
Summer School	\$50 per course	\$75 per course
Music Instrument Usage Fee	\$10 per instrument	\$15 per instrument
Middle Level Activity Fees	\$50 per activity	\$75 per activity
High School Activity Fees	\$75 per activity	\$125 per activity
High School Parking Fees	\$25 per semester	\$50 per semester
Facility Rental Fees	\$435,000	\$552,500
Family Cap for Activity Fees	\$225	\$300

Revenues generated from Community Schools Fees have been eliminated due to the recommended elimination of the Community School program in FY 2004-2005.

**Medicaid—** Based on FY 2002-2003 actual revenues and current year projections, it is estimated that the District will receive approximately \$1,100,000 in Medicaid funding based on information from the Alaska Department of Education and Early Development (DEED).

**E-Rate—** Based on the decline of free and reduced student count, our eligible discount rate was reduced from fifty percent to forty-nine percent. However, for FY 2004-2005 the School and Libraries Division of the Universal Service Administrative Company have revised their eligibility discount criteria that should include more district facilities for FY 2004-2005. The net funding of these two factors is anticipated to result in slightly lower revenues for FY 2004-2005

than in the current year, but more than the actual revenue for FY 2002-2003. These funds are included in the budget as a revenue source, offset by corresponding communications expenditures.

### Expenditures

Students and program needs and a commitment to use the funds economically primarily drive expenditure projections. Recommendations submitted from the Budget Review Teams and the suggestions received from interested community members, staff, students, and the administration, were considered and incorporated into the budget where appropriate always keeping in mind the District's core focus of providing educational services. **Both revenue enhancements and expenditure reductions have been incorporated to bring the budget into balance.**

**Salaries and Benefits**— Employee salaries, wages, and benefits are projected to be approximately 86.4 percent of the operating cost of the District. The projections include consideration for contract negotiations for the Anchorage Principals Association (APA), Public Employees Local 71 Custodians, Totem Association of Education Support Personnel Incorporated, APEA/AFT (AFL-CIO), a contract re-opener for Anchorage Education Association (AEA), and compensation consideration for Exempt personnel. Depending upon the settlement parameters defined by the School Board for collective bargaining for these contracts, the total revenue needed to support the programmatic assumptions discussed herein may be revised. Compensation provisions for completed contracts have been included in the projections. Funding for mandatory retirement increases for certificated retirement (12 percent to 16 percent) and classified retirement (9.25 percent to 14.25 percent), and payroll tax adjustments known at this time are also included in the expenditure projections.

**Average Teacher Salary**— Further review and analysis of the current teacher salaries over the last two months, resulted in the average teacher salary used in the previous projections to increase slightly. Contributing factors that determined the average teacher salary used included the salary schedule increase, projections of current staff step increases, historical information of educational attainment, employee layoffs, projected turnover and vacancies at any given time.

**Staffing**— Staffing requirements have been adjusted based on the official student projections set forth for September 30, 2004. Official projections are based on actual enrollment throughout the month of September.

**Certificated Teaching Positions**— In order to bring expenditures in balance with projected revenues, it was necessary to increase class size by 1.5 PTR (pupil to

classroom teacher staff ratios) in all grade levels (reduction of 102.5 FTE teachers). Adjustments have also been included for staffing based on decreased enrollment projections (reduction of 17 FTE teachers) and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of opportunities with 93 languages spoken in the Anchorage schools.

	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>
Kindergarten (FTE)	20.5 to 1	22 to 1
Grades 1	21 to 1	22.5 to 1
Grade 2-3	24 to 1	25.5 to 1
Grades 4-6	27 to 1	28.5 to 1
Grades 7-8	25.54 to 1	26.79 to 1
Grades 9-12	27.08 to 1	28.33 to 1
Special Education	Staffing is based upon demonstrated need and program	Staffing is based upon demonstrated need and program (consistent with current year)

**Indirect Cost**—In addition to charging eligible grants, the Administration plans to continue the practice for charging the Food Service Fund the State approved indirect cost rate. This more accurately reflects the cost of services provided the Food Service Fund by various departments budgeted in the General Fund. The indirect cost rate is anticipated to increase from 4.08 percent in FY 2003-2004 to 4.38 percent (subject to approval by the State) in FY 2004-2005.

**Contracted Services**— Where appropriate, inflationary adjustments to contracts were allowed. A very close review of actual contracted services determined if inflationary increases are warranted. If other known rate increases were warranted or increased mandated requirements known, they were included in the budget. Utilities are budgeted based on analysis of usage and are adjusted according to projected rate increases and/or decreases as announced by the utility agencies. With rate adjustments and review of actual expenditures, 4 percent to 28 percent rate increases for the utilities are projected.

**Pupil Transportation**— Contracted pupil transportation routes for FY 2004-2005 include an estimated increase for COLA.

**Major Maintenance**—The Administration recommends reducing the funding level for major maintenance projects by \$186,900 (7% reduction) from \$2.67 million to \$2.49 million. As the District's more than 92 school facilities continue to age, periodic maintenance must take place on a regular basis to keep the

buildings in good repair for optimum safety and efficiency. Some of the routine maintenance can be postponed for one year but should not be further delayed.

**Supplies**— In general, the supply budgets have been reduced. **Most departments reduced their supply budgets by a minimum of 10 percent.** Some departments, however, may show an increase in supplies based on departmental need to service the total District program requirements (i.e., fuel requirement to run District vehicles). **The current projections also include a 10 percent reduction to the school supply and equipment per pupil allocation compared to the current year.** The District, Municipality of Anchorage and University of Anchorage are examining the possibility of savings funds by jointly purchasing computers and other bulk items. For the first year of opening, South Anchorage was given a triple allocation to support start-up costs that are not eligible to be charged to the construction funds. Also included is the continuation of emergency shelter supplies for schools serving as shelters in the event of a major emergency.

**Equipment**— Replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund. The FY 2004-2005 Preliminary Financial Plan includes only a small amount of funds for expendable equipment other than the amount included in the student supply/equipment allocation. It is anticipated that the current year's budget has sufficient upper limit spending authority to allow for some additional one-time equipment purchases to be made later this year.

**New School and Additions**— Included in our expenditure projections are costs associated with the opening of South Anchorage High School and completion of the addition/renovation to Ptarmigan Elementary and Wendler Middle Schools.

**Charter Schools**— One application for a charter school, Eagle Academy, has been received by the Administration for consideration for FY 2004-2005 and is based on an anticipated enrollment of 175 students. This charter school application was brought before the School Board on January 12, 2004, for consideration. The Administration did not recommend approval at this time. If approved by the School Board, we will make adjustments accordingly.

**Major Expenditure Reductions**— The major program reductions/eliminations and the positions that were required to be eliminated in the FY 2004-2005 budget in order to bring expenditures in balance with projected revenues are as follows:

- Increase class size by 1.5 students in all grade levels (102.5 FTE)
- Eliminate extra planning and seventh period at middle schools (54 FTE)
- Reduce Kindergarten Teacher Assistants by 50 percent (35.5 FTE)

- Eliminate 3.7 FTE Districtwide Music Teachers
- Eliminate 8.3 FTE Library/Media Assistants at the middle schools and Polaris
- Eliminate 2.5 FTE Library/Media Assistants at elementary schools
- Eliminate 2 middle level Assistant Principals (Wendler and Central Middle Schools)
- Eliminate 2 elementary level Assistant Principals
- Eliminate 1 Assistant Principal at King Career Center
- Reduce .5 Safety/Security Home School Coordinator at King Career Center
- Reduce .5 Nurse each at SAVE and Benny Benson
- Eliminate 1 Slingerland Secretary
- Eliminate the Community Education Program (13 Community Education Coordinators)
- Eliminate 1 Administrative Assistant in Community Resources
- Eliminate 1 Administrative Assistant in Community Services
- Eliminate 1 Senior Budget Clerk in Budget Department
- Eliminate 1 Administrative Assistant in Purchasing Department
- Eliminate 5 permanent substitute Custodians
- Eliminate 1 Custodial Training Supervisor
- Eliminate 1 Warehouse Courier position
- Eliminate 1 Maintenance Supervisor
- Eliminate 8 permanent substitute Bus Drivers
- Reduce departmental supply accounts by a minimum of 10 percent and the per pupil supply/equipment allocation by 10 percent
- Eliminate a majority of the funding for meals and food
- Eliminate swimming as a PE instructional class (\$186,840)
- Eliminate C team participation in all high schools (\$175,000)
- Reduce high school activity trips by \$100,000
- Reduce high school pupil activity expenses by \$29,000
- Reduce funding for Paideia program by \$30,000
- Reduce funding for Schools of Choice by \$25,000
- Reduce funding for Graduation Support Services by \$54,000
- Reduce middle level summer school by 50 percent
- Reduce \$258,500 of funding for the MOST (Middle School Older Learning) program and discretionary school grants at the middle schools
- Reduce middle level reading program training by \$85,000
- Reduce activity field trip funding by \$24,000 at middle schools
- Reduce discretionary school grants to elementary schools by \$815,000
- Reduce elementary level summer school by 50 percent
- Cut 2 addenda for elementary level chorus and interscholastic activities (school discretion)

- Reduce funding for elementary health curriculum, the Great Body Shop, by 50 percent
- Reduce funding for elementary level reading initiative by \$362,200
- Reduce funding for major maintenance projects by \$186,900
- Reduce funding for in-lieu of transportation payments by \$25,000

## **OTHER FUNDS**

**Food Service Fund**— This fund is used to budget and account for operations of the Student Nutrition Program. The budget for this fund covers both the direct and indirect cost of providing meals to students. These costs include all payroll costs, including increased hours for staff, food costs, the cost of support services, equipment repair and replacement costs, and overhead charges. The FY 2004-2005 budget has been increased from \$13.363 million to \$13.785 million to accommodate the opening of South Anchorage High School, employee-negotiated contracts, the mandated classified retirement increase from 9.25 percent to 14.25 percent, upward movement in food costs, and any adjustments to the indirect cost rate.

The revenue sources for the Food Service Fund budget includes revenue from meal sales, Federal reimbursement for meals served, and the undesignated fund balance. This budget projects increases in meal sales and reimbursement revenue.

The Administration is recommending the use of Food Service Fund fund balance for the FY 2004-2005 Food Service Fund budget. The undesignated fund balance for the Food Service Fund as of June 30, 2003 was approximately \$1.213 million. Of this amount, \$319,550 was approved in August 2003 to support the FY 2003-2004 Food Service Fund budget. Use of the undesignated fund balance of \$225,000 is being recommended to support the FY 2004-2005 Food Service budget. This will leave an approximate amount of \$668,100, which is 4.8 percent of the FY 2004-2005 Food Service Fund budget as presented in this memorandum. **These projections do not reflect any changes in the meal prices** and it is projected that no local tax support will be required for the Food Service Fund in FY 2004-2005.

**Debt Service Fund**— This fund is used to budget and account for principal and interest payments on existing school bonds as well as the revenues necessary to fund these expenditures. Some of the District's bonds receive State debt reimbursement, which varies depending on the year in which the bond proposition was approved. Due to savings incurred from the sale of new bonds at lower than anticipated interest rates and refinancing outstanding bonds, the District was able to use \$11.5 million of fund balance as a revenue source in



General Fund	\$121,490,634	\$133,880,295	\$12,389,661
Debt Service	<u>23,493,024</u>	<u>33,508,155</u>	<u>10,015,131</u>
All Funds	<u>\$144,983,658</u>	<u>\$167,388,450</u>	<u>\$22,404,792</u>

The increase of overall taxes being requested for FY 2004-2005 will result in a slight reduction in taxes per \$100,000 of assessed valuation. Based on the increase of the estimated 2004 total assessed valuation received from the Municipality on January 7, 2004, it is anticipated that the mill levy will be reduced from 7.37 mills to 7.36 mills for 2004.

### STUDENT ENROLLMENT PROJECTIONS

	FY 2003-2004 Actuals <u>Sept. 30, 2003</u>	FY 2004-2005 Projected <u>Sept. 30, 2004</u>	Change Over Prior <u>Year's Actual</u>
Enrollment	49,663	49,499	(164)
Full Time Equivalent (FTE)	49,431	49,274	(157)

In preparing the FY 2004-2005 Preliminary Financial Plan, many budget development uncertainties still face the District.

- School Board areas of interest
- Projected enrollment
- FY 2004-2005 – Contract negotiations for APA (Anchorage Principals Association), Local 71 (Custodians), TOTEM (Education Support Personnel), AEA (Anchorage Education Association) contract re-opener and Exempt personnel
- ESEA-No Child Left Behind (NCLB) requirements, and Individuals with Disabilities Education Act (IDEA)
- Transportation requirements supporting NCLB adequate yearly progress and school choice requirements
- Alaska Studies
- Approval of more charter schools
- Six-Year Educational Plan
- Assessment/Testing Impact
- State of Alaska Quality Schools Initiative (HSGQE)
- Implementation of Instructional Technology Plan
- Formation of the Fort Richardson Stryker Brigade
- CPI and 5-year average population growth used for local property tax limitation not finalized until February 2004

- New construction and assessed valuation used for local property tax limitation not finalized until March/April 2004
- Federal Impact Aid subject to annual appropriation
- Legislative action
- Approval of future bond propositions

## SUMMARY

Our assumptions in preparing the FY 2004-2005 Preliminary Financial Plan are based on, but not limited to, the following criteria:

- Balanced budget for presentation to the Anchorage Assembly – Expenditures equal Revenues
- Local Property Taxes – Full amount available under the property tax limitation
- Use of Fund Balance as a revenue source – the undesignated fund balance as of June 30, 2003 was \$26.665 million or 7 percent of the \$376.8 million. Using \$4.5 million will bring the undesignated fund balance to \$22.165 or 5.9 percent of \$376.8 million
- State Public School Funding - no formula change and no increase to per pupil allocation of \$4,169
- Quality Schools Grant - no increase to per pupil amount of \$16
- State Pupil Transportation Reimbursement - revised formula approved by the Governor and Legislature during the last legislative session
- Potential adoption or expansion of programs must be funded within existing resources
- Increased family cap from \$225 to \$300 on Middle/High School Activity Fees
- Increased user fees

The discussions in this memorandum related to program and expenditure reductions/eliminations, use of fund balance as a revenue source, and various user fee increases only relate to the projected fiscal gap for FY 2004-2005. **It is estimated that unless the District receives substantial funding level increases, in addition to those related to enrollment changes, from the State and federal governments, the District will face another large fiscal gap in the range of \$20 to \$22 million in FY 2005-2006.** An example of one potential expenditure increase for FY 2005-2006 is an estimated employer contribution rate increase of 5 percent for the Public Employees Retirement System and 4 percent for the Teachers Retirement System. The State estimates the impact to the Anchorage School District will be an increase in retirement expenditures of over \$11 million.

CC/JS/MSL

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