

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #338 (2004-2005)

June 27, 2005

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2005-2006 FINANCIAL PLAN ADJUSTMENTS

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve a net budget increase of \$2,790,385 to the General Fund for a total revised budget of \$572,206,186 and authorize the Superintendent to prepare the Anchorage School District's FY 2005-2006 Adopted Financial Plan as set forth in the projected revenue and expenditure schedules attached to the memorandum (Attachments A and B). The total budget recommendation is \$572,206,186. This includes individual fund budgets currently projected as follows:

	<u>FY 2005-2006 Financial Plan</u>
General Fund	\$433,003,676
Food Service Fund	14,515,771
Debt Service Fund	76,686,739
Local/State/Federal Projects Fund	<u>48,000,000</u>
Total - All Funds	<u>\$572,206,186</u>

It is also the Administration's recommendation that an increase of \$2,790,385 to the upper limit of the Anchorage School District's FY 2005-2006 budget be approved by the School Board for submittal by the Superintendent to the Anchorage Assembly for requested action since the overall appropriation as revised will exceed the upper limit of the budget.

The total of local tax contribution to be requested is \$177,157,001 which is \$139,576 more than \$177,017,425 approved by the Anchorage Assembly on March 29, 2005, AO No. 2005 20(S). This increase is due to the amount for new

construction and property improvement (a component in the calculations for the local property tax contribution from the Municipality of Anchorage). At the time the District went forward with the FY 2005-2006 Financial Plan to the Assembly in March, the new construction amount had not been finalized. Now the final new construction numbers are available, and higher than preliminary, which results in an increase for the School District of \$139,576.

PERTINENT FACTS:

Assembly Action

On March 29, 2005 the Anchorage Assembly approved AO No. 2005-20(S), to adopt and approve the Anchorage School District's FY 2005-2006 Financial Plan with an upper limit spending authority of \$569,415,801 and the amount of \$177,017,425 to be appropriated from local property taxes or other local sources.

On April 26, 2005 the Anchorage Assembly approved AO No. 2005-62(S), establishing the rate of tax levy and levying taxes for the Anchorage School District for the Municipal tax year 2005 and approving the total amount of Municipal property tax for the Anchorage School District for calendar year 2005. The revision was based on the new construction amount increasing slightly since the Assembly approval in March allowing additional taxes under the tax cap limitation. Due to the timing requirements of setting the mill rates for the Municipality of Anchorage, the Alaska Legislature confirming additional funding for the School District and the need to set the mill levy, the Anchorage Assembly approved the 2005 calendar taxes with the assumption that the School District would be coming forward with a budget revision to increase the property taxes in support of the Anchorage School District, based on the higher level of requested tax support.

GENERAL FUND

This memorandum includes a net increase of \$2,790,385 to the General Fund revenues and is summarized on Attachment A. Also included is \$2,790,385 of net expenditure increases, decreases and budgetary reinstatements and is summarized on Attachment B.

Revenues

State Revenues

Alaska Public School Funding – Alaska Legislative Action

Through the many efforts of our School Board, staff, and many partners in the community – parent groups, school business partnerships Assembly, Mayor, Legislature, and Governor – the first session of the Twenty-fourth Alaska State Legislature approved increasing the student base allocation in the Alaska Public School Funding formula by \$343, from \$4,576 to \$4,919. During the initial planning, the School Board directed the Administration to use the Governor’s most current proposal which at that time was \$4,880, an increase of \$304 from the FY 2004-2005 base student allocation of \$4,576. With the additional increase of \$39 recently passed by the Legislature, from \$4,880 to \$4,919, the Anchorage School District will receive an additional \$2,593,862 that have not been previously included in the FY 2005-2006 Financial Plan. Although the Governor has not signed the funding bill HB 1, for the increase to the Alaska Public School Funding formula, he has stated that he supports the increased educational funding for the coming fiscal year. In addition to the \$39 base student allocation, revenues of \$602,392 for a total amount of \$3,196,254, were incorporated for enrollment adjustments for McLaughlin, closure of Village Charter School and the opening of Winterberry Charter School. Of the \$3,196,254 additional amount, \$1,382,617 will be allocated to Charter Schools based on enrollment adjustments and the opening of Winterberry Charter School. The remaining \$1,813,637 of Alaska Public School Funding is available for consideration of reinstatement of items previously deleted and other program requirements based on updated information as described below.

Pupil Transportation – \$25,000 This increased adjustment is based on the Pupil Transportation formula that provides a base student allocation times the ADM minus correspondence. With enrollment adjustments for the Charter Schools and McLaughlin, an additional \$25,000 may be added to this revenue account.

McLaughlin Youth Detention Grant – (\$24,945) The District received notification from the Department of Education and Early Development (DEED) of the projected amount for the Youth and Detention program. The amount was \$24,245 less than the original projections by the District.

Local Revenues

Local Property Taxes – \$139,576 When the FY 2005-2006 Financial Plan was submitted to the Anchorage Assembly for approval in March, AO No. 2005-20(S), the amount for new construction and property improvement (a component in the calculations for the local property tax contribution from the Municipality of Anchorage), had not been finalized. Now that the final new construction numbers are available, and higher than the preliminary number, the Administration after the School Board’s approval will be going forward

with a budget revision to increase the property tax support to the FY 2005-2006 Financial Plan.

Charter School Activity Fees – (\$65,500) Based on recent policy changes and approval by the School Board of School Board Policy Section 333: Charter Schools subsection 333.94 Finances (a) the activity fees previously included in the General Fund will be recorded in a separate District account outside the General Fund. The Charter Schools will be able to use the funds deposited in the separate account on expenditures they feel necessary as well as being able to carry the funds forward the following year.

Federal Revenues

Medicaid – (\$450,000) Based on FY 2004-2005 actual revenues and information from Alaska Department of Education and Early Development (DEED), it is estimated that the District will receive approximately \$450,000 less than the initial projection of \$1,100,000 in Medicaid funding. Due to a low statewide response rate to the DEED's Medicaid-eligible administrative surveys for the 2004-2005 school year, (the source data which generate the Federal reimbursements to school districts), funding across the state was reduced. The DEED did not know that the federal change to how the return rate is calculated would have such a dramatic impact on the validity of the survey or the amount of reimbursement for this year. For the future the Department of Health and Social Services is working on how to establish procedures that will make that process less cumbersome for districts. They are hoping to put the survey form on-line in September and provide annual training to all districts. Also the number of participants will need to double in number in order to increase revenues back to former levels. The Administrative staff at DEED felt that with revised procedures and training the revenues should be able to reach back up to where they used to be but it may take a year or so. The District will put in place guidelines to secure training for key personnel and will monitor this closely to ensure that we maximize the amount of revenues the District is eligible to receive.

R.O.T.C. – (\$30,000) The Department of the Navy has notified the District that instructor staffing will be reduced from three to two instructors in line with current enrollment in the ROTC program at Chugiak High School. These are the corresponding revenues that support the position being deleted.

Expenditures

Reinstatement of Budget Decreases

After thorough review of the expenditure reductions that were previously made in order to bring the budget in balance and consideration of updated information, the Administration recommends reinstating \$284,800. The Administration focused first on reinstating expenditures in direct instruction and instructional support areas based on available revenues.

Elementary Assistant Principals—\$186,000 With 60 elementary schools and a number of Title I schools moving into Level III of school improvement, we believe that the support and assistance of assistant principals is critical to student learning and safety. Additionally, the elementary division historically experiences a number of principal vacancies that occur each year. The position of assistant principal is often a precursor to an elementary principalship and the learning opportunity that the assistant principal position provides is critically important.

High School Assistant Principal—\$98,800 This request is for reinstatement of the assistant principal at the High School level. Seven of the comprehensive high schools need four assistant principals, Eagle River High School two assistant principals and KCC one assistant principal. Increased academic, behavior and performance demands on high schools require the administrative teams as indicated.

Program Enhancements and Updated Information

After receipt of updated information and review of current program needs, the following adjustments, totaling \$3,582,876 are recommended to be added to the FY 2005-2006 budget:

Medical Contribution—\$1,412,000 The Anchorage Education Association (AEA) contract ends June 30, 2005. Contract negotiations are taking place and the most recent District proposal includes an increase to the medical benefit contribution that was not previously included in the pending negotiation funding for FY 2005-2006. This requested increase also takes into consideration the other bargaining contracts that have me-too clauses for medical. In the event a subsequent modification is needed because a settlement is not reached with AEA, the Administration will return to the School Board for a budget adjustment.

Summer School Enrichment Program –\$300,000 FY 2004-2005 is the first year of the summer school enrichment program approved by the School Board this past February. Due to the significant interest by students the Administration is recommending continuation of this program for next year. High School level courses in art, music, drama, Spanish, Alaska Studies, government, writing, personal lifetime fitness and economics have been offered for the first time during the 2005 summer session to students who are not in need of remediation or credit recovery.

The Middle School Summer School Program includes two types of enrichment programs—camps and institutes. The summer institutes are six week in-depth programs. The programs offered are: algebra readiness for 7th grade math students who have received high grades in the standard math program and would like the opportunity to take algebra in 8th grade; readiness for pre-algebra for 6th grade students who are hoping to qualify for the 7th grade pre-algebra classes; band for 6th or 7th grade students who already have a working knowledge of a band instrument; and Fast ForWord for 6th and 7th grade students who have passed the current year but are still struggling in reading. This is a specialized reading program based upon current research.

Summer Camps for sixth or seventh grade students are two week half day intensive programs integrating technology. The topics include: science through technology; social studies through technology; technology tips and tricks; and writing workshops.

Eagle River High School Textbooks—\$120,000 ERHS needs an additional \$120,000 to provide textbooks for each of the projected 750 students. The need is generated by the increased cost of books since the cost/student textbook formula was developed some years ago.

Legal Fees—\$300,000 After review of the FY 2004-2005 projected expenditures, it is anticipated that the current funding requirements budgeted for FY 2005-2006 legal services will not be adequate.

Youth Reception Center at Covenant House—\$50,000 Covenant House Alaska Crisis Center is a drop-off site for Anchorage Police Department, Juvenile Justice Division/McLaughlin Youth Center and Anchorage School District Resource Officer for youth in need of a place to stay while a legal guardian is located. Staff will make the determination after assessing the youth, and contacting the legal guardian what course of action needs to be taken. This may include simply providing a safe place for the youth for a guardian to pickup. In other cases, the youth may intake into the Crisis Center to allow both parent and youth to cool off. Referrals will be offered for community resources, and

appointments and referrals made with MYC and Office of Children's Services if necessary. Long-term programs and housing options will be made to meet both parent and youth's needs. Aftercare will be provided in the form of phone calls, and family meetings to help the youth stay in placement.

Eagle River High School Added Days for Opening Schools—\$29,000 This funding is being requested to allow early start dates for various ERHS staff and faculty to prepare the school for opening day. A similar program for South Anchorage High School last year was very successful in opening that new school.

Stipend-Students—\$9,000 This request will provide each comprehensive high school an additional \$1,000 with the remaining being split among the Alternative schools. The need for free lunches in the high schools continues to grow.

Teacher-Stipends—\$32,000 This request will provide funding to pay for stipends/benefits/payroll taxes to ASD high school coaches for providing coaching to special education students in preparing them for activities through the School Partners Program.

Postage—\$8,945 The U.S. Postal Service recently announced a foreseeable increase in postage rates that are to begin in January, 2006. These funds would be used to cover this added cost for the second half of the fiscal year.

Charter Schools—\$1,321,931 This adjustment is due primarily to the opening of Winterberry Charter School, as well as the increase in the Alaska Public Schools Funding Program's base student allocation, a change in the indirect cost rate, and the transfer of activity fees to the special revenue account. At the time of budget formulation Winterberry Charter School had not yet received State approval. The State approved the new school in March, and Winterberry Charter School is now included with a budget of \$1,290,751 for a projected 160 students.

Expenditure Reductions

After receipt of updated information and review of current program needs, the following adjustments, totaling \$1,077,291 are recommended to be reduced in the FY 2005-2006 budget:

Elementary Teachers—(\$109,000) Based on opening Winterberry Charter School the enrollment at the non charter schools has been reduced. The reduction of corresponding staff in non charter schools is 1.5 FTE.

Telephone – (\$150,000) Budgeted expenditures for telephone services have been reduced by \$150,000. The recommended reduction is based on a review of actual FY 2004-2005 expenditures and no anticipated significant changes in service for FY 2005-2006.

R.O.T.C. – (\$74,000) Budgeted expenditures for the ROTC program at Chugiak High School have been decreased by \$74,000. The Department of the Navy has notified the District that instructor staffing will be reduced from three to two instructors in line with current enrollment in the ROTC program at Chugiak High School. The partial revenue reimbursement that supports the program has also been reduced.

Non-Departmental Unallocated – (\$744,291) During the budget process, there was an adjustment made to the Alaska Public School Funding formula base student allocation from \$4,869 to \$4,880 for a total of \$731,000 that was not designated for particular expenditures. Also at that time the local property tax calculation had not been finalized as the new construction amount had not been confirmed. The adjustment to the Consumer Price Index (CPI) and the population 5-year average netted \$13,291. However without the new construction amount, the final calculation was not known and could have impacted the revenues either positively or negatively. At that time it was suggested that the Board not make adjustments to any specific expenditure accounts. Instead the funds were placed in the Non-Departmental Unallocated account. Now that the Alaska Public Schools base student allocation amount and the local property tax calculation have been finalized, this unallocated amount has been redistributed as part of the other changes outlined above.

OTHER FUNDS

There are no requested changes for the other funds. The Food Service Fund at \$14,515,771, the Debt Service Fund at \$76,686,739, or the Local / State / Federal Projects Fund at \$48,000,000 are recommended to remain as approved by the Anchorage Assembly on March 29, 2005.

FISCAL YEAR BUDGET COMPARISON

Upon approval of this request, the District's FY 2005-2006 revised budget will be \$572,206,186 and is summarized as follows:

REVENUE/EXPENDITURE BUDGETS

<u>Fund Description</u>	Assembly Approved Budget <u>As of 3/29/05</u>	Requested Revision	Revised Budget <u>As of 6/27/05</u>
General	\$430,213,291	\$2,790,385	\$433,003,676
Food Service	14,515,771	-0-	14,515,771
Debt Service	76,686,739	-0-	76,686,739
Local/State/Federal Projects	<u>48,000,000</u>	<u>-0-</u>	<u>48,000,000</u>
All Funds	<u>\$569,415,801</u>	<u>\$2,790,385</u>	<u>\$572,206,186</u>

Local Taxes

<u>Fund Description</u>	Assembly Approved Budget <u>As of 3/29/05</u>	Requested Revision	Revised Budget <u>As of 6/27/05</u>
General Fund	\$144,182,745	\$139,576	\$144,322,321
Debt Service	<u>32,834,680</u>	<u>- 0 -</u>	<u>32,834,680</u>
All Funds	<u>\$177,017,425</u>	<u>\$139,576</u>	<u>\$177,157,001</u>

Attachments

CC/JS/MSL

Prepared by: Marie S. Laule, Budget Director
 Approved by: Janet Stokesbary, Chief Financial Officer

ANCHORAGE SCHOOL DISTRICT
GENERAL FUND
SUMMARY OF MAJOR BUDGETED REVENUE INCREASES/(DECREASES)

FY 2005-2006

FY 2005-2006 Revised Revenue Budget (3/29/05) **\$ 430,213,291**

Major Budgeted Revenue Reductions:

Medicaid Reimbursement	(450,000)
Charter Schools (Activity Fees)	(65,500)
McLaughlin State Grant	(24,945)
ROTC @ Chugiak	(30,000)
Total Major Budgeted Revenue Reductions	<u><u>(570,445)</u></u>

Adjusted Revenues After Reductions 429,642,846

Major Budgeted Revenue Increases:

Alaska Public School Funding Program (from \$4,880 to \$4,919)	2,593,862
McLaughlin Foundation Program	220,221
Charter School Adjustments	374,618
Other Adjustments	7,553
Pupil Transportation	25,000
Tax Appropriation (New Construction)	139,576

Total Major Budgeted Revenue Increases 3,360,830

FY 2005-2006 Adopted Revenue Budget **\$ 433,003,676**

Total Major Budgeted Revenue Increases/Decreases **\$ 2,790,385**

ANCHORAGE SCHOOL DISTRICT
GENERAL FUND
SUMMARY OF EXPENDITURE REQUESTED INCREASES/(DECREASES)

FY 2005-2006

FY 2005-2006 Expenditure (3/29/05)	\$	430,213,291
<u>Districtwide</u>		
Medical Contribution	\$	1,412,000
Legal Fees		300,000
Youth Reception Center at Covenant House		50,000
	Total Districtwide	1,762,000
<u>Elementary</u>		
Assistant Principals - (2 FTE)		186,000
	Total Elementary	186,000
<u>High Schools</u>		
Eagle River High School Textbooks		120,000
Eagle River High School Added Days for Opening Schools		29,000
High School Assistant Principal (1 FTE)		98,800
Stipend-Students Emergency Cafeteria funds for students		9,000
Teacher Stipends for Coaching Special Education Olympics		32,000
	Total High School	288,800
<u>Summer School Enrichment Program</u>		
Middle Schools and High Schools		300,000
	Total Enrichment Program	300,000
<u>Charter Schools</u>		
Opening of Winterberry Charter School and increase to base student allocation		1,321,931
	Total Charter Schools	1,321,931
<u>Communications</u>		
Postage		8,945
	Total Communications	8,945
	Total Major Expenditure Increases	\$ 3,867,676
<u>Expenditure Reductions</u>		
Telephone Account Districtwide		(150,000)
Reduction of 1.5 FTE @ elementary level for 40 students to Winterberry		(109,000)
ROTC Instructor at Chugiak Net Reduction due to loss of revenues		(74,000)
Non-Departmental-Unallocated		(744,291)
	Total Major Expenditure Decreases	(1,077,291)
FY 2005-2006 Adopted Revenue Budget	\$	433,003,676
	Total Major Expenditure Increases/Decreases	\$ 2,790,385