

III. Summary of Major Budget Considerations

SUMMARY OF MAJOR BUDGET CONSIDERATIONS

STUDENT ENROLLMENT PROJECTIONS FY 2004-2005

ENROLLMENT FORECASTING CONSIDERATIONS

The FY 2004-05 Financial Plan was developed based on an enrollment projection of 49,499 students. For budget planning purposes, this number is converted to 49,274 students on a full time equivalent (FTE) basis. The projected enrollment is an decrease of 401 students; the previous year's actual enrollment on September 30 was 49,663.

FORECASTING METHODS

The principal method used in enrollment forecasting is known as the cohort-survival technique. The basic technique requires calculating the ratio of the number of students in one grade in one year compared to the number of students who "survive" the year and enroll in the next grade the following year. This survival rate is calculated treating the student body in an aggregate fashion using historical enrollment data. It is affected by such factors as school promotion, net migration and withdrawal rates. All of these factors are included in the term "survival" as it is used in this context.

Fluctuations in the data from year to year create a pattern from which an average survival rate from grade to grade can be calculated to project future student enrollment. For example, if over a period of several years, an average of 96 percent of the enrollment in grade 3 goes on to grade 4, and if 1,000 children were to be now enrolled in grade 3, then next year's grade 4 membership may be estimated at 96 percent of 1,000 or 960 students.

A total of 12 average rates of survival are calculated for this District which has 13 grades (kindergarten is considered to be a grade). These rates are then applied to present student membership and used to project membership levels for each succeeding year. Thus, if the average survival rate from grade 4 (with its 960 students) to grade 5 is 1.10, then for the second projected year the estimate for grade 5 is 1.10 of 960, or 1,056 students.

The forecast for entry level kindergarten is derived from multiple regression runs using residential birth data from five years earlier in conjunction with several indicators of net migration.

FACTORS AFFECTING FORECASTS

Large seasonal and long-range migration inflows and outflows make forecasting the size of the future student population of the Anchorage School District very difficult. Economic factors are also very important. For example, the size and growth rates of the student population would be markedly affected by the construction of the natural gas pipeline or the relocation of offices outside of Anchorage by one of the major oil companies operating here. The enrollment projections contained in this document do not assume that any major events of this nature will occur this year.

Fall Membership Projections for September 30, 2004

	<u>Students</u>	<u>FTE</u>	<u>Percent</u>
Half-Day Kindergarten (A)	67	34	.14%
Full-Day Kindergarten	3,499	3,499	7.07
Grades 1-6	<u>22,080</u>	<u>22,080</u>	<u>44.61</u>
Elementary (K-6)	25,646	25,613	51.82
Grades 7-8	8,142	8,142	16.45
Grades 9-12	<u>14,530</u>	<u>14,530</u>	<u>29.35</u>
Secondary (7-12)	22,672	22,672	45.80
Special Education (B)	<u>1,181</u>	<u>989</u>	<u>2.38</u>
TOTAL	<u>49,499</u>	<u>49,274</u>	<u>100.00%</u>

(A) FTE means Full Time Equivalent which includes half-day kindergarten students and pre-school children at one-half which is consistent with their program.

(B) Includes only those students requiring the highest level of services and self-contained students. Special Education programs plan to serve more than 9,000 students in FY 2004-05.

REVENUES AND EXPENDITURES

STATE REVENUE

The Alaska Public School Funding Program is the District's most significant individual revenue source. For FY 2004-05 the revenue is projected to provide \$202,627,150 or 53.7 percent, of General Fund revenues. The Foundation Program formula incorporates school district cost factors (reviewed biannually by the Department of Education), provides quality grants and a base student allocation of \$4,169 per Average Daily Membership (ADM).

Alaska Public School Funding Program				
	2003-04	2004-05	Increase	
	Projected	Projected	(Decrease)	%
General Fund Revenue	\$206,308,819	\$202,627,150	(\$3,681,669)	(1.74%)
Amount per student (FTE)	\$4,157	\$4,112	(\$45)	(1.08%)

The Funding Program funding is based on the projected ADM in each school, including factors for correspondence students and special education. This is then multiplied by \$4,169 to determine the district's "basic need." The required local portion and part of the federal impact aid revenue is subtracted from the basic need to determine the eligible funding amount. The Foundation formula defines the local portion as being the lesser of 45 percent of the basic need, or 4 mills times half of the State's assessed valuation increase of local real estate, inventory and other taxed property over the prior year. The required local portion of \$73,751,264 for next year is based on the state's Anchorage area assessed valuation of \$18.4 billion. For purposes of this computation the assessed value to be used is the amount certified by the State Community and Regional Affairs office as of the valuation date of January 1, 2003.

The Funding Program funding needs to keep pace with increases in the Consumer Price Index (CPI) because the costs to provide a quality level of educational services by school districts across the state also increase annually.

LOCAL REVENUE

The local municipal tax contribution is the second largest General Fund funding source. For FY 2004-05, the local municipal tax contribution is \$134,451,301 which will provide 35.6 percent of the General Fund revenues.

Since 1994, the property tax mill rate for the General Fund and Debt Service Fund has ranged from a combined low of 6.46 mills in 1994 to a high of 8.20

mills in 2001. The 2004 General Fund mill rate is 6.03 and the Debt Service Fund mill rate is 1.26 for a combined total of 7.29 mills. The areawide assessed valuation of property increased by \$1.7 billion to \$21.2 billion, an increase of 8.6 percent.

Local Property Taxes				
	2003-04	2004-05		
General Fund	Projected	Projected	Increase	%
Local Tax Contribution	\$121,490,634	\$134,451,301	\$12,960,667	10.7%
Taxes Per Student (FTE)	\$2,448	\$2,729	\$281	11.48%

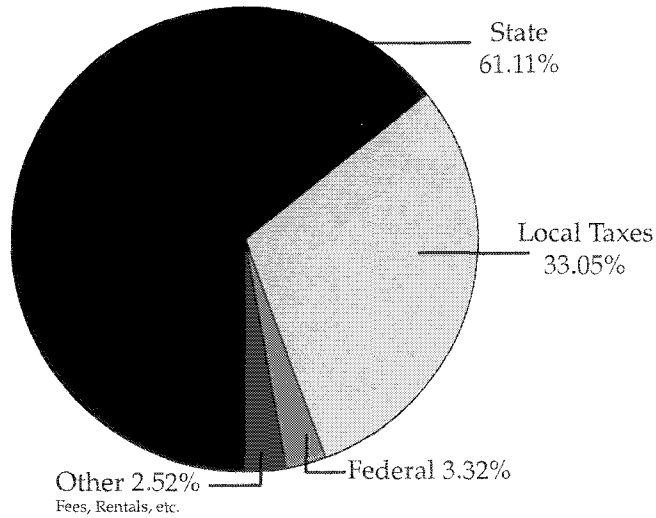
REVENUE STATISTICS

The following schedule compares selected FY 2004-05 revenue statistics with those of FY 2003-04.

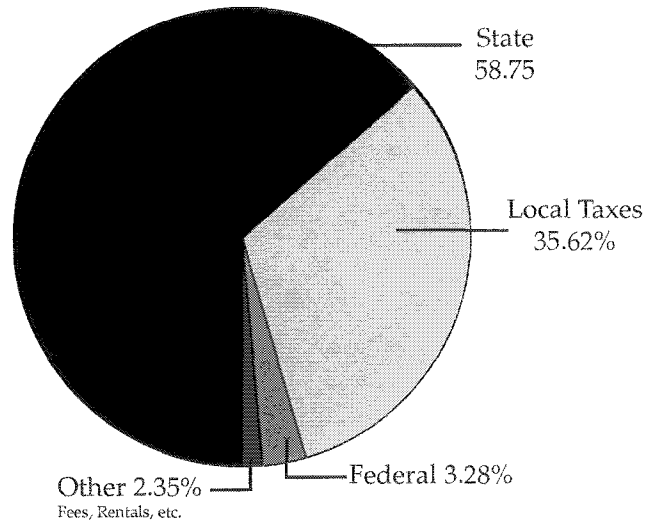
Two Fiscal Years' Revenues Compared				
	2003-04	2004-05	Increase	
	Projected	Projected	(Decrease)	%
Alaska Public School Funding Revenue	\$206,308,819	\$202,627,150		(1.78%)
Local Property Taxes - Fiscal Year				
- General Fund	\$121,490,634	\$134,451,301		10.7%
- Debt Service Fund	23,493,024	29,942,105		27.45%
TOTAL	\$144,983,658	\$164,393,406		
-General Fund Mill Rate	6.04	6.03		
-Debt Service Fund Mill Rate	1.33	1.26		
TOTAL Mill Rate	7.37	7.29		
Assessed Valuation	\$19,540,958,207	\$21,230,914,067		

PERCENTAGE OF GENERAL FUND REVENUE BY SOURCE

General Fund Revenue
2003-04



Projected General Fund Revenue
2004-05



EXPENDITURES

In most cases, for preliminary planning of a maintenance-level budget, no more than the existing level of program expenditures is planned for school and departmental budget development purposes.

The budget development guidelines for FY 2004-05 are below:

• **Salaries and Benefits**

Employee salaries, wages, benefits and payroll taxes amount to 86.2 percent of the operating costs budgeted in the General Fund. Funding for required retirement and payroll tax increases are included in the expenditure projections. The budgeted average salaries for teachers have been estimated including reductions resulting from teacher turnover and replacement.

• **Certificated Teaching Positions**

Staffing ratios for budget development are based on the current year's pupil to classroom teacher ratios:

- Kindergarten (FTE): 22 to 1
- Grade 1: 22.5 to 1
- Grade 2: 25.5 to 1
- Grades 3: 25.5 to 1
- Grades 4-6: 28.5 to 1
- Grades 7-12: 26.79 - 28.33 to 1
- Special Education - Various staffing levels depending on enrollment program needs.

• **Contracted Services**

Increases are possible if necessary, but only if clearly justified as to need. Utilities increase or decrease as appropriate by an analysis of rates and usage.

• **Supplies**

Teaching and most other school supplies are initially budgeted based on enrollment and inflation. Schools have combined supply and equipment per student allocations to provide increased school budgeting flexibility.

• **Equipment**

Equipment funds for the schools are included in the combined supply and equipment allocations. Equipment for other units is based on departmental need and priority based justification.

Cost increases for inflation are individually not large, but in total they are an important cost factor to be planned for in the budget development process. The Anchorage area Consumer Price Index for 2003 is estimated to be 2.29 percent. Expected cost increases have been included by item in the costs budgeted in each of the District's school and departmental budgets.