

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #95 (2004-2005)

November 15, 2004

TO: SCHOOL BOARD  
FROM: OFFICE OF THE SUPERINTENDENT  
SUBJECT: FY 2005-2006 FINANCIAL PLANNING

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2005-2006 Preliminary Financial Plan in accordance with the financial projections set forth in this memorandum. Specifically, the budget for FY 2005-2006 is to be established for planning purposes with projected revenues and use of fund balance not-to-exceed \$566,920,364. This includes individual fund budgets currently projected as follows:

	<u>FY 2005-2006 Financial Plan</u>
General Fund	\$ 429,540,000
Food Service Fund	14,525,583
Debt Service Fund	77,854,781
Local/State/Federal Projects Fund	<u>45,000,000</u>
Total - All Funds	<u>\$ 566,920,364</u>

It is further recommended that the School Board authorize the Superintendent to adjust the budget expenditure ceiling indicated above in accordance with any negotiated contract adjustments and other associated costs increases, further review of the fees' structure, School Board requests, Administration, community, staff and students' budget review team recommendations as implemented by the Superintendent. In addition, flexibility must be allowed for adjustments based on the budget being in alignment with academic achievement, updated demographic and/or economic information, as well as

the status of the Waldorf and The Master's Preparatory Leadership Academy Charter School applications scheduled for School Board review.

This guidance directs the Administration to build the budget based on the Governor's proposed funding without use of fund balance, plus \$6.5 million from the fund balance for one-time expenditures outside the ordinary annual budget.

#### PERTINENT FACTS:

The above underlined paragraph reflects the amendment made by the School Board at the November 15, 2004 School Board meeting. The following information in this memorandum does not reflect amendment. The fiscal gap of \$7 million referenced below is revised to \$10 million as a result of the amendment made by the School Board.

Since the announcement of the Governor's educational funding plan and the direction of the School Board at the work session on November 8, 2004 to proceed with the Governor's plan as a base for the Alaska Public School Funding Program, the fiscal gap was reduced from \$29.0 million to \$10.0 million. In addition, at the work session, the School Board directed the Administration to use some of the undesignated fund balance as a funding source, while still maintaining a five percent undesignated fund balance to cover unforeseen contingencies. With the use of fund balance to cover existing one-time expenditures, the fiscal gap was reduced to \$7.0 million. This memorandum is presented to assist the School Board in their review of the District's educational obligations that need to be addressed during the FY 2005-2006 financial planning process. This memorandum presents financial planning considerations that will be used in developing the FY 2005-2006 Financial Plan, allowing the School Board the opportunity to review significant financial issues which will be addressed during the budget hearings in January.

#### **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 all students for success in life. The FY 2005-2006 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

These initial projections for FY 2005-2006 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 the current School Board Goals. The budget development process is mindful of the District's Six Year Instructional Plan with the responsibility of designating financial and human resources within projected revenues.

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. Departments and schools review their programs and responsibilities; assess what is being done during the current fiscal year and what progress is being made; begin making 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." Input from prior year budget review teams recommendations, community members, students and staff members may result in change or elimination of existing programs or implementation of new ones. In spite of the fiscal gap of \$7.0 million, the focus still remains on evaluating the need for additional staff, supplies, and other operating expenses. It may be determined that efficiencies can be achieved through better resource management or teaming with other agencies.

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 must be evaluated for their impact on the budget. Then, the total of all department budgets plus any new facilities or change in program requirements are compared to anticipated revenues.

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 initial FY 2005-2006 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. The following schedule summarizes the actual or projected student enrollment information for FY 2002-2003 through FY 2005-2006 on both a full count and FTE basis.

	Actuals 2002-2003 <u>9/30/02</u>	Actuals 2003-2004 <u>9/30/03</u>	Actuals 2004-2005 <u>9/30/04</u>	Projected 2005-2006 <u>9/30/05</u>
Total Number	50,029	49,663	49,454	49,289
Change over previous year		(366)	(209)	(165)
FTE (Full-Time Equivalent)	49,791	49,431	49,239	49,071

Variable General Fund expenditures will be revised periodically for changes in enrollment projections. We will review projected enrollment to determine if we need to make adjustments before the Preliminary Budget is submitted to the School Board in January 2005.

## GENERAL FUND

The General Fund, consisting of each school's and department's budgets, 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 Governor's recognition of the need for increased K-12 education funding, and the additional need to mitigate the extraordinary increases in Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) employer contributions. The District appreciates the prominent placement of early and increased K-12 education funding on the Governor's legislative agenda. Hopefully, during this upcoming legislative session, the Legislature will continue to advocate for the students in our communities with early approval of the Governor's educational funding package and also advocate for additional increases in revenues supporting public education so as to ensure solid education programs continue.

This Program is expected to provide approximately 56 percent of the District's General Fund revenues. The Governor's November 5<sup>th</sup> educational funding proposal to increase the per pupil amount to \$4,869 (an increase of \$293 over FY 2004-2005) and continuation of the Quality School Grant at \$16 per pupil, provides for more State revenues for FY 2005-2006. Based on current enrollment projections, the amount of funding for FY 2005-2006 is \$242.433 million, which is \$12.452 million more than the current FY 2004-2005 budget. Three other factors also impacted the projected level of funding: (1) lower anticipated enrollment, (49,499 budgeted for FY 2004-2005 and 49,289 projected for FY 2005-2006); (2) a change in the State regulations of identifying Level III intensive special needs students results in a \$3.165 million loss of revenue; and (3) the \$1.4 billion increase in State assessed property valuation for the Municipality. This increase in assessed valuation results in larger required deductions causing a loss of approximately \$3.1 million in the Public School Funding formula calculation.

The Alaska Public School Funding program is based on the average daily membership (ADM)—determined by the District's enrollment and special education intensive count—processed through a school size factor 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 "basic need" or 4 mills times one-half of the annual increase in assessed valuation compared to the 1999 base year of 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 calculated assessed valuation. **An increase to the assessed valuation reduces the potential amount of Public School Funding revenue.** The Alaska Department of Community and Economic Development has notified the District that the assessed valuation for Anchorage has increased from \$21.215 billion to \$22.651 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 2005-2006 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, operation and maintenance on new voter approved facilities and new construction.

The projected inflation rate used for planning purposes is 2.80 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 will not be available until February 2005. As determined by the State Department of Community and Regional Affairs, the five-year Anchorage municipal population change used for planning purposes is 1.16 percent, with the official percentage growth not available until January 2005. The projected combined rate of 3.96 percent for FY 2005-2006 is .10 percent more than the current rate of 3.86 percent for FY 2004-2005.

Included in the revenue projections are taxes associated with the opening of Eagle River High School, and the completion of Phase 2A—West Classroom Wing, Renovation/Addition at Service High School.

It is anticipated that these increases—and increased taxes allowed on new construction or property improvement—will increase the amount of taxes available in the General Fund by approximately \$10.8 million. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

**Federal Impact Aid**—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$12.8 million. Uncertain at this time is the scheduling of the movement of the Stryker Brigade, the formation of the new Alaska Airborne Brigade, and the deployment of military personnel and the relocation of their families. The outcome of these military decisions will 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 and children educated at Mt. Edgecumbe—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 do not know, for example, if the District will receive prior year adjustment payments during FY 2005-2006.

**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, 2004, the undesignated fund balance was approximately \$27.989 million.

At this time, based on guidance from the School Board at the November 8<sup>th</sup> Work Session, the Administration has included \$6.5 million of fund balance as a revenue source. The initial projection as shown on page 11 of this memorandum, is based on using \$3.0 million of the \$6.5 million fund balance as a funding source to cover existing one-time expenditures. The remaining \$3.5 million of fund balance will be used to fund additional one-time expenditures to enhance programs. Using \$6.5 million of fund balance will provide an undesignated fund balance of \$21.489 million or 5 percent of the FY 2005-2006 projected General Fund budget of \$429.540 million.

**Pupil Transportation Reimbursement**—The proposed FY 2005-2006 revenue projection for Pupil Transportation is based on full funding for the District using the current formula for State funding of pupil transportation including a provision for COLA.

**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, further review of rate adjustments will continue until the Financial Plan is brought forward to the School Board in January 2005. The rates in this memorandum are those in place for FY 2004-2005 and are as follows:

Graduation Support Services	\$75 per course
Summer School	\$75 per course
Music Instrument Usage Fee	\$15 per instrument
Middle Level Activity Fees	\$75 per activity
High School Activity Fees	\$125 per activity
High School Parking Fees	\$50 per semester
Facility Rental Fees	\$572,000
Family Cap for Activity Fees	\$300

**Medicaid**— Based on FY 2003-2004 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**— The Federal Communications Commission (FCC) directed the Universal Service Administrative Company (USAC), the administrator of the

Schools and Libraries (E-rate) and Rural Health Care Universal Service Support Mechanisms, to change USAC's accounting methodology by October 1, 2004 to the same methodology that the Federal Government uses. The result of the change is that the District, as well as many other school districts across the country, has not yet received funding commitment notification for FY 2004-2005. USAC has once again started sending out funding commitment notification in November and the District anticipates receiving funding commitment for FY 2004-2005 in the next few months. Other than notification delays, no other significant program changes have occurred that would alter FY 2005-2006 revenue projections from the FY 2004-2005 anticipated funding level.

### Expenditures

Primarily student and program needs and a commitment to use the funds economically drive expenditure projections. Over the next several weeks the recommendations submitted from the budget review teams last year, and the suggestions received from interested community members, staff, students, and the administration, will be considered and incorporated into the budget where appropriate, and may change the following assumptions used for these projections. **Both revenue enhancements and expenditure reductions will be incorporated to bring the budget into balance.**

**Salaries and Benefits**—Employee salaries, wages, and benefits are projected to be approximately 86 percent of the operating cost of the District. The projections include consideration for contract negotiations for the Anchorage Principals Association (APA), Maintenance (Teamsters Local 959), 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 (16 percent to 21 percent) and classified retirement (14.25 percent to 19.25 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 will be made to assist in determining the final average teacher salary to be used in the budgeting process for FY 2005-2006. Contributing factors that will determine the average teacher salary to be used based on historical information will be step increases, educational attainment and projected turnover. An analysis of the number of vacancies at any given time will also be considered.

**Staffing**—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2005. Official projections are based on actual enrollment as of September 30, 2004.

**Certificated Teaching Positions**—Budgeted teaching staff is based on the FY 2004-2005 PTR (pupil to classroom teacher staff ratios). Adjustments have been included for staffing based on enrollment changes, program realignment, and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of opportunities with 94 languages spoken in the Anchorage Schools other than English.

Kindergarten (FTE)	20.5 to 1
Grade 1	21 to 1
Grades 2-3	24 to 1
Grades 4-6	27 to 1
Grades 7-8	25.54 to 1
Grades 9-12	27.08 to 1
Special Education	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 put in place for charging the Food Service Fund the State approved indirect cost rate. This will more accurately reflect the cost of services provided to the Food Service Fund by various departments budgeted in the General Fund. It is anticipated that by early spring 2005 the District will be appraised of the approved indirect cost rate for FY 2005-2006.

**Contracted Services**—Where appropriate, an inflationary adjustment to contracts will occur. A very close review of actual contracted services will determine if inflationary increases are warranted. If other known rate increases are warranted, they will be included in the budget. Utilities are budgeted based on analysis of usage and cost saving measures being taken, and are then adjusted according to projected rate increases and/or decreases as announced by the utility agencies. With rate adjustments and review of actual expenditures, 3 percent to 10 percent increases for the utilities are projected.

**Pupil Transportation**—Contracted pupil transportation routes for FY 2005-2006 include an estimated increase based on COLA of 2.8 percent.

**Major Maintenance**—The Administration recommends maintaining the funding level for major maintenance projects of \$2.491 million for some of the District's more than 93 school facilities. As our 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. The community has voiced strong support for prioritizing this use of funds.

**Supplies**—In general, the supply budget will not be increased. 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 buses and vehicles). The current projections include the same school supply and equipment per pupil allocation as in the current year. For the first year of opening, Eagle River High School will be given a triple allocation to support start-up costs that are not eligible to be charged to the construction funds.

**Equipment**—Replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund.

**New School and Additions**—Included in our expenditure projections are costs associated with the opening of Eagle River High School and completion of the Phase 2A—West Classroom Wing, Renovation/Addition at Service High School.

**Charter Schools**—Two applications for new charter schools, Waldorf and The Master's Preparatory Leadership Academy Charter School, have been received by the Administration for consideration for FY 2005-2006. These charter school applications will be brought before the School Board during the next month for consideration. If approved, we will make adjustments accordingly.

**Additional Programs/Enhancements**—At the School Board Work Session on November 8<sup>th</sup> the School Board requested the Administration look at using fund balance for one-time expenditures such as critical need maintenance projects, district-wide technology and classroom technology enhancements. The School Board also requested that the Administration consider the budget review teams, community, staff and student budget suggestions for budget reductions and/or cost saving measures for inclusion in the FY 2005-2006 Financial Plan. During the next several weeks, careful review and consideration of those suggestions will be given. In addition, recommendations such as summer school enrichment and after school activity programs will also be reviewed and may or may not be included in the Preliminary Budget presented to the School Board in January.

## **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 2005-2006 budget has been increased from \$13.785 to \$14.525 million to accommodate the opening of Eagle River High School, employee negotiated contracts, the mandated classified retirement increase from 14.25 percent to 19.25 percent, and upward movement in food costs.

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 balance for the FY 2005-2006 Food Service Fund budget. The undesignated fund balance for the Food Service Fund as of June 30, 2004 was approximately \$1.278 million. Use of the undesignated fund balance of \$369,413 is being recommended to support the FY 2005-2006 Food Service budget. This will leave an approximate amount of \$908,587, which is 6.25 percent of the FY 2005-2006 Food Service Fund budget as presented in this memorandum. These projections reflect a 20-cent increase in elementary and middle school breakfast and lunch full price meals. **This year's budget will be monitored through the middle of December to determine if this projected price per meal increase needs any adjustment before the Preliminary budget is presented in January.** It is projected that no local tax support will be required for the Food Service Fund in FY 2005-2006.

**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, refinancing outstanding bonds, and receiving additional State revenues in the current year, the District is able to use accumulated fund balance as a revenue source, thereby reducing the amount being requested for local taxes.

**Local / State / Federal Projects Fund**—Expenditures in the Local/State/Federal Projects Fund are offset by matching revenues. The District continues to be successful in increasing grant funding from various State and Federal agencies and other sources. Revenues available through grants for these projects include competitively awarded grant funds—most of which are subject to federal and State annual appropriations. It is projected that budgets for FY 2005-2006 grants may increase approximately \$2.0 million based on discussion with grant writers.

Ongoing monitoring of these grants will help determine if adjustments should be made when bringing the budget forward in January.

### FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2005-2006 projected revenue/expenditures with those currently approved for FY 2004-2005. **The amount of the projected General Fund expenditure budget is \$7.0 million more than the amount projected for revenues.** At this time, unknowns still remain such as contract negotiations and mandated services that may require funding.

#### REVENUE/EXPENDITURE BUDGETS

	Revised Budget <u>FY 2004-2005</u>	Pro Forma Budget Revenues <u>FY 2005-2006</u>	Pro Forma Budget Expenditures <u>FY 2005-2006</u>	Estimated Budget Shortfall <u>FY 2005-2006</u>
General Fund	\$398,712,237	\$429,540,000	\$436,575,000	(\$7,035,000)
Food Service	13,785,312	14,525,583	14,525,583	-0-
Debt Service	70,463,617	77,854,781	77,854,781	-0-
L/S/F Projects	<u>43,000,000</u>	<u>45,000,000</u>	<u>45,000,000</u>	<u>-0-</u>
All Funds	<u>\$525,961,166</u>	<u>\$566,920,364</u>	<u>\$573,955,364</u>	<u>(\$7,035,000)</u>

### TAXES

	Revised <u>FY 2004-2005</u>	Pro Forma Taxes <u>FY 2005-2006</u>	<u>Increase</u>
General Fund	\$133,412,722	\$144,169,454	\$10,756,732
Debt Service	<u>30,090,600</u>	<u>33,849,499</u>	<u>3,758,899</u>
All Funds	<u>\$163,503,322</u>	<u>\$178,018,953</u>	<u>\$14,515,631</u>

### STUDENT ENROLLMENT PROJECTIONS

	FY 2004-2005 Actuals <u>Sept. 30, 2004</u>	FY 2005-2006 Projected <u>Sept. 30, 2005</u>	Change Over Prior Year's Actual <u></u>
Enrollment	49,454	49,289	(165)
Full Time Equivalent (FTE)	49,239	49,071	(168)

In preparing the FY 2005-2006 Financial Plan, many budget development uncertainties face the District.

- School Board areas of interest
- Community, staff, and students recommendations including last year's budget review team recommendations
- Projected enrollment
- FY 2005-2006 – Contract negotiations for Maintenance (Teamsters Local 959), AEA (Anchorage Education Association) and a settled contract for FY 2004-2005 for APA (Anchorage Principals Association) and consideration for Exempt personnel
- ESEA-No Child Left Behind requirements
- Further evaluation of current/new fees
- Approval of more charter schools
- Six Year Instructional Plan
- Assessment/Testing Impact
- State of Alaska Quality Schools Initiative
- Implement Technology Plan
- Scheduling of the movement of the Stryker Brigade; formation of Alaska Airborne Brigade; deployment of military personnel
- CPI and 5-year average population growth used for local tax limitation not finalized until February 2005
- New construction and assessed valuation used for local tax limitation not finalized until March/April 2005
- Federal Impact Aid subject to annual appropriation
- Legislative action
- Potential approval of new charter schools

## SUMMARY

The next couple of months will be a tremendous challenge to the Administration to accomplish the task of bringing the budget into balance. Our assumptions in preparing these initial FY 2005-2006 projections are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program– Implemented the Governor's increase to per pupil allocation from \$4,576 to \$4,869, a \$293 increase
- 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, 2004 was \$27.989 million. Using \$6.5 million will bring the undesignated fund balance to \$21.489 or 5 percent of \$429.540 million

- Quality Schools Grant - no increase to per pupil amount of \$16
- State Pupil Transportation Reimbursement -Current State formula which includes a provision for COLA
- Potential adoption or expansion of programs must be funded within existing resources

Attachments

CC/JS/MSL

Prepared by: Marie S. Laule, Budget Director

Approved by: Janet Stokesbary, Chief Financial Officer

Anchorage School District  
Fiscal Year 2005-2006

**PROJECTED REVENUES AND EXPENDITURES SUMMARY  
USING THE GOVERNOR'S FY 2006 FUNDING PROPOSAL**

Fund	Revenues and Fund Balance				FY 2005-2006 Revenue/Source Projections	FY 2005-2006 Expenditure Projections	FY 2005-2006 Fiscal Gap Projections
	Local	Other	State	Federal			
	Taxes						
General	\$ 144,169,454	\$ 10,536,000	\$ 261,494,546	\$ 13,340,000	\$ 429,540,000	\$ 436,575,000	\$ (7,035,000)
Food Service	0	6,925,621	0	7,599,962	14,525,583	14,525,583	
Debt Service	33,849,499	3,678,410	40,326,872	0	77,854,781	77,854,781	
	<u>178,018,953</u>	<u>21,140,031</u>	<u>301,821,418</u>	<u>20,939,962</u>	<u>521,920,364</u>	<u>528,955,364</u>	<u>(7,035,000)</u>
Local, State and Federal Projects	<u>0</u>	<u>775,000</u>	<u>1,350,000</u>	<u>42,875,000</u>	<u>45,000,000</u>	<u>45,000,000</u>	
<b>TOTAL</b>	<b>\$ <u>178,018,953</u></b>	<b>\$ <u>21,915,031</u></b>	<b>\$ <u>303,171,418</u></b>	<b>\$ <u>63,814,962</u></b>	<b>\$ <u>566,920,364</u></b>	<b>\$ <u>573,955,364</u></b>	<b>\$ <u>(7,035,000)</u></b>
Percentage of Revenue Sources to Total Revenue Projections	<b>31.40%</b>	<b>3.86%</b>	<b>53.48%</b>	<b>11.26%</b>	<b>100.00%</b>		

**Computation of Total Taxes  
for Calendar Year 2005**

			<u>General Fund</u>	<u>Debt Service Fund</u>
Amount required to fund second half of Adopted FY 2004-2005 Budget: January 1, 2005/June 30, 2005	\$163,003,322 x 50% =		\$ 66,456,361	\$ 15,045,300
Amount required to fund first half of Adopted FY 2005-2006 Budget: July 1, 2005/December 31, 2005	\$178,018,953 x 50% =		<u>72,084,727</u>	<u>16,924,750</u>
TOTAL Taxes for Calendar Year 2005			<u>\$ 138,541,088</u>	<u>\$ 31,970,050</u>
Total Taxes for Calendar Year 2005				
1) <u>Total Taxes 2005</u>	<u>\$ 170,511,138</u>	<b>= 7.65 mills</b>	<u>\$ 138,541,088</u>	<u>\$ 31,970,050</u>
Assessed Valuation	\$ 22,297,878,735		\$ 22,297,878,735	\$ 22,297,878,735
			<u><b>6.21 mills</b></u>	<u><b>1.44 mills</b></u>

1) The 2005 mill rate estimate is based on assessed valuation provided by the Municipality of Anchorage Office of Management and Budget (Verified 11/10/04).

Anchorage School District  
Fiscal Year 2005-2006

**SCHEDULE OF GENERAL FUND REVENUES FROM LOCAL SOURCES/FUND BALANCE**

Local Sources	FY 2003-2004	FY 2003-2004	FY 2004-2005	FY 2005-2006
	Audited Actual	Revised	Revised	Projections
Municipality of Anchorage Appropriation of Taxes	\$ 121,490,634	\$ 121,490,634	\$ 133,412,722 (A)	\$ 144,169,454
<b>Other Local</b>				
Career Center Instructional Projects	72,519	77,700	81,200	81,200
Facilities Rentals (B)	412,466	435,000	552,500	572,000
Nonresident Tuition	1,075	10,000	1,000	1,000
Graduation Support Services (C)	42,937	40,000	60,000	60,000
Summer School - Elementary (D)	23,006	35,000	18,500	35,000
Summer School - Middle Level (D)	20,450	27,000	13,000	30,000
Summer School - Secondary (D)	86,854	73,000	168,000	130,000
Music Instrument Usage Fee (E)	7,047	10,000	13,800	13,800
Middle School Activity Fees (F)	140,805	130,000	205,000	210,000
High School Activity Fees (G)	359,125	330,000	510,000	550,000
High School Parking Fees (H)	117,129	105,000	215,000	225,000
Community Schools Fees (I)		65,000		
Charter School Fees	25,155	30,800	30,800	53,500
Other Fees (Training Fees, Documents) (J)	30,689	77,500	77,500	77,500
Property Sales, Insurance Proceeds, and Miscellaneous	269,438	256,500	197,000	297,000
Interest	539,695	1,375,200	525,000	600,000
E-rate (K)	199,017	1,148,000	1,100,000	1,100,000
Fund Balance	3,854,860	5,465,650		6,500,000
	<u>6,202,267</u>	<u>9,691,350</u>	<u>3,768,300</u>	<u>10,536,000</u>
<b>TOTAL</b>	<u>\$ 127,692,901</u>	<u>\$ 131,181,984</u>	<u>\$ 137,181,022</u>	<u>\$ 154,705,454</u>

No fee increases are included in these projections - only participation increases are projected

- (A) \$500,000 of the \$1.0 million previously authorized and collected by the Municipality is being given back.
- (B) Facilities Rentals-Projections reflect more usage with the opening of the new high school
- (C) Graduation Support Services - \$75 (\$50 for FY 2003-2004)
- (D) Summer School - \$75 per summer school session. (\$50 for FY 2003-2004)
- (E) Music Instrument Usage Fee - \$15 (\$10 for FY 2003-2004)
- (F) Middle School Activity Fees \$75 (\$50 for FY 2003-2004) Family Cap of \$300 (Middle and High Schools combined.)
- (G) High School Activity Fees \$125/sport (\$75 for FY 2003-2004) Family Cap of \$300 (Middle and High Schools combined.)
- (H) High School Parking Fees \$50/semester (\$25 for FY 2003-2004)
- (I) Community School Fees - No fees are projected as the Community Schools Program has been eliminated.
- (J) Training fees - \$20 per course with continuation for FY 2005-2006
- (K) E-rate established by Congress to provide funding to K-12 schools for telecommunications, Internet access and internal connections (Network Infrastructure).

Anchorage School District  
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**COMPUTATION OF MUNICIPAL TAX LIMITATION**

Taxes Projected—Anchorage School District FY 2004-2005		\$ 163,503,322
Less: Taxes assessed in calendar year 2004 and returned to the Municipality		500,000
Less: Prior Year Taxes Required for Debt Service		<u>30,090,600</u>
Net Taxes Approved for General Fund		132,912,722
Adjustment Factors		
Population 5 year Average	1.16 %	
CPI—Anchorage Urban	<u>2.80</u>	
	3.96 %	<u>5,263,344</u>
Basic Tax Limitation		138,176,066
<u>Plus Exclusions:</u> Taxes for Operations and Maintenance on New Voter Approved Facilities (1)		2,260,342
Taxes Requested on New Construction/Property Improvements (2)		<u>3,733,046</u>
Tax Limitation—General Fund		144,169,454
Taxes Requested for Debt Service		<u>33,849,499</u>
TAX LIMITATION FY 2005-2006		178,018,953
General Fund	144,169,454	
Debt Service Fund	<u>33,849,499</u>	
TAXES PROJECTED IN FINANCIAL PLAN—FY 2005-2006 (3)		<u>178,018,953</u>
AMOUNT (OVER) LESS THAN TAX LIMITATION		<u><u>\$ 0</u></u>

- Note:
- (1) The taxes approved for debt service are for sold bonds approved by the qualified voters.
  - (2) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 7.25 mills x \$514,902,935 (estimated 2004 new construction/property improvement value verified by the Municipality of Anchorage's Office of Management and Budget) = \$3,733,046.
  - (3) The Anchorage Assembly may approve more or less taxes than this within the combined total of the tax limitations for the Municipality of Anchorage and the Anchorage School District.

Anchorage School District  
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**SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES**

<u>State Sources</u>		FY 2003-2004 Audited Actual	FY 2003-2004 Revised	FY 2004-2005 Revised	FY 2005-2006 Projections
Alaska Public School Funding Program (A)	\$	205,100,316	\$ 206,308,819	\$ 229,980,895	\$ 242,432,876
Pupil Transportation (D)		17,019,454	16,237,400	17,028,333	17,009,683
Tuition (E)		46,785			
<u>Supplemental State Funding and Grants:</u>					
On-Base Schools (F)		408,484	408,484	408,484	408,484
McLaughlin Youth Detention Grant (F)		471,390	625,000	413,503	413,503
Providence Heights Grant (F)		113,913	90,000	90,000	130,000
Alaska National Guard Youth Corps (F)		14,644	50,000	50,000	
Medicaid Reimbursement (G)		<u>962,963</u>	<u>900,000</u>	<u>1,100,000</u>	<u>1,100,000</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>224,137,949</u></b>	<b><u>224,619,703</u></b>	<b><u>249,071,215</u></b>	<b><u>261,494,546</u></b>

Notes:

- (A) Alaska Public School Funding Program - FY 2005-2006  
Implementing the Governor's Proposal as of  
November 5, 2004
- |                                                                                     |                       |
|-------------------------------------------------------------------------------------|-----------------------|
| Basic Need Equals 66,464.41 Adjusted ADM x \$4,869 Student Allocation               | \$ 323,615,214        |
| Minus 4 Mills x Foundation Defined Anchorage Assessed Valuation of \$19.156 billion | (76,624,175)          |
| Minus Deductible Portion of Federal Impact Aid                                      | (5,621,594)           |
| Add \$16/ adjusted ADM for Quality Schools                                          | <u>1,063,431</u>      |
| Total Alaska Public School Funding Program Aid                                      | <u>\$ 242,432,876</u> |
- (B) Learning Opportunity Grant funding rolled into the Alaska Public School Funding Program
- (C) Section 93 of Senate Bill 2006 funding rolled into the Alaska Public School Funding Program
- (D) Pupil Transportation - Reimbursement estimate based on FY 2002-2003 actual expenditures/number of FY 2002-2003 actual ADM less Correspondence Programs times FY 2005-2006 estimated ADM less Correspondence Programs.
- (E) FY 2003-2004 and forward, Tuition funding eliminated by the State.
- (F) State of Alaska supplemental grant to partially fund this program; Alaska National Guard Youth Corps program is no longer a program through the Anchorage School District.
- (G) Medicaid reimbursement for indirect health services to students who are medicaid eligible in the schools.

Anchorage School District  
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**SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES**

<u>Federal Sources</u>	FY 2003-2004 <u>Audited Actual</u>	FY 2003-2004 <u>Revised</u>	FY 2004-2005 <u>Revised</u>	FY 2005-2006 <u>Projections</u>
Federal Impact Aid	\$ 13,347,439	\$ 11,800,000	\$ 11,900,000	\$ 12,750,000
R.O.T.C.	<u>440,445</u>	<u>415,000</u>	<u>560,000</u>	<u>590,000</u>
TOTAL	\$ <u>13,787,884</u>	\$ <u>12,215,000</u>	\$ <u>12,460,000</u>	\$ <u>13,340,000</u>

- (A) Federal Impact Aid revenue is received for students living on military land and for other federally-connected students.
- (B) During FY 2004-2005 one R.O.T.C. instructor was added for West and two were added for South Anchorage High Schools; revenues for FY 2005-2006 were adjusted to reflect actual receipt of revenues and additional positions added for Eagle River High School.