

1/13/05

EDUCATION

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Handout 1-13-05



Alaska Public School Funding Formula Overview

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Senate Bill 36

The current state public school funding formula was adopted under SB 36 in 1998. And was implemented in 1999.

The public school funding formula is defined in Alaska Statute 14.17

**This presentation provides an
overview of:**

1. Calculation of Adjusted Average Daily Membership (ADM)
2. Calculations of Basic Need ~ (*Entitlement*)
3. Components of Basic Need ~ (*Who Pays*)
4. Additional Funds above Basic Need
5. Components of State Aid

Average Daily Membership

ADM Reporting Requirements

- Average Daily Membership - is the number of **enrolled** students during the 20-school-day count period ending on the fourth Friday of October.
- Reports are due within two weeks after the end of the 20-school-day count period.
- Projected student count reports are due November 5.

Who Qualifies as a Student?

Eligibility for State Foundation Funding:

- A child who is 6 years of age before September 1st, and under the age of 20, and has not completed the 12th grade. (AS 14.03.070)
- A child who is 5 years of age before September 1st, following the beginning of the school year, may enter kindergarten. (AS 14.03.080 (d))
- A child with a disability and an active Individualized Education Program (IEP) may enter school at the age of 3 and under the age of 22. (AS 14.30.180 (1))

5 Steps to District Adjusted ADM

USED TO CALCULATE ENTITLEMENT

Step 1. *Adjust:* ADM for School Size

Step 2. *Apply:* District Cost Factor

Step 3. *Apply:* Special Needs Factor

Step 4. *Add:* Intensive Services Counts

Step 5. *Add:* Correspondence Student
Counts

= District Adjusted ADM

Step 1. Adjust the ADM for School Size

ADM under 10:

Added to the smallest school with an ADM greater than 10

A Community with an ADM of 10 through 100:

Grades K-12 ADM is combined and adjusted once; adjusted as one school.

A Community with an ADM of 101 through 425:

ADM for grades K-6 and 7-12 are adjusted separately; adjusted as two schools.

A Community with an ADM greater than 425:

The ADM of each facility administered separately as one school is adjusted.

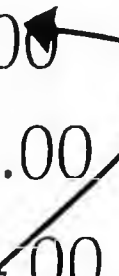
* *Alternative* schools with an ADM of less than 200 shall be counted as a part of the school in the district with the *highest* ADM.

* If the ADM is greater than 200 and administered as a separate facility the ADM will be adjusted separately.

* *Charter* school with an ADM of 150 or greater is adjusted as a separate facility

Step 1. *Example:* Nome City Schools Projected FY05 ADM by School

↘ Nome Elementary School.....	395.00
↘ Nome-Beltz Jr/Sr High School.....	360.00
↘ Anvil City Science Academy.....	44.00
↘ Nome Youth Facility.....	<u>10.00</u>
↘ Total ADM.....	809.00



Step 1. *Example:* Nome City Schools Adding ADM's to the appropriate School in the District

School Size Adjustment

- The alternative schools ADM are added to the highest ADM school in the district before adjusting for size
- A school with a population under 10 should be added to the smallest school in the district.

Nome Elementary + Anvil

$$395 + 44 = \underline{439.00}$$

Step 1.
Example:
Nome City
Schools

Reference:	School Size:	Formula:
1.	10-19.99	39.60
2.	20-29.99	39.60 + (1.62 * (ADM - 20))
3.	30-74.99	55.80 + (1.49 * (ADM - 30))
4.	75-149.99	122.85 + (1.27 * (ADM - 75))
5.	150-249.99	218.10 + (1.08 * (ADM - 150))
6.	250-399.99	326.10 + (.97 * (ADM - 250))
7.	400-749.99	471.60 + (.92 * (ADM - 400))
8.	Over 750	793.60 + (.84 * (ADM - 750))

K-6 Adjusted ADM's

(Ref. 7) $471.60 + \{.92 * (439.00 - 400)\}$ 507.48

7-12 Adjusted ADM's

(Ref. 6) $326.10 + \{.97 * (360.00 - 250)\}$ 432.80

(Ref. 1) Youth facility's ADM 10 + 39.60

School Size Adjusted ADM **979.88**

Step 2. District Cost Factors

The Department monitors District Cost Factors and submits a report to the Legislature on January 15th every other fiscal year, beginning January 2001.

- Cost factors are specific to each school district.
- Lowest District Cost Factor is 1.000 and the highest is 1.736.

Multiply the School Size Adjusted ADM by the District Cost Factor for Nome:

$$979.88 \times \underline{1.319} = 1,292.46$$

Step 3. Special Needs Funding

- All categorical programs; special education (except intensive), vocational education, gifted / talented and bilingual / bicultural are block funded at 20%.
- To qualify for funding under this section school districts must file a plan with the department indicating special needs services that will be provided.

AS 14.17.420 (b)

Step 3. *Example:* Nome City Schools

Multiply the adjusted ADM (from Step 2)
by the Special Needs Factor

$$1,292.46 \times \underline{1.20} = 1,550.95$$

(Shown on Column R, page 8)

Step 4. Intensive Services Funding

A school district will receive funding for intensive services students that:

1. Are receiving intensive services and are;
2. Enrolled on the last day of the 20 school-day count period and who have;
3. Established Individual Education Plan (IEP) for each intensive services student.

An Intensive Services student generates \$22,880.

(Intensive Student Count) * 5 = Intensive Student Funding

Step 4. *Example:* Nome City Schools

**Multiply the Intensive Student Count by 5
and add to the adjusted ADM (from Step 3)**

~Nome City Schools has 3 Intensive Student~

$$3 \times 5 = 15$$

$$1,550.95 + \underline{15} = 1,565.95$$

(Shown on Column U, page 8)

Step 5. Correspondence Programs

Districts offering correspondence programs receive funding based on 80% of correspondence ADM.

Each correspondence student generates \$3,661.

(Correspondence ADM) \times .80 = **Level of**

Correspondence Funding

Step 5. *Example:* Nome City Schools

**Multiply the Correspondence Student ADM
by 80% and add to the District Adjusted
ADM. (from Step 4)**

~Nome City Schools has 0 Correspondence Students~

$$0 \times .80 = 0$$

District Adjusted ADM + Correspondence

$$1,565.95 + \underline{0} = 1,565.95$$

(Shown on Column V, page 8)

BASIC NEED Entitlement

Multiply the district adjusted ADM by the
base student allocation = BASIC NEED

$$1,565.95 \times \underline{\$4,576} = \underline{\$7,165,787}$$

(Shown on Column W, page 9)

NOME: Summarized District Adjusted ADM & Basic Need

Projected ADM for Nome:	809.00
Step 1. Adjusted ADM for School Size:	979.88
Step 2. Apply the District Cost Factor:	x <u>1.319</u>
	1,292.46
Step 3. Apply the Special Needs Factor:	x <u>1.20</u>
	1,550.95
Step 4. Add Intensive Service Counts:	+ <u>15.00</u>
(3.00 x 5 = 15)	1,565.95
Step 5. Add Correspondence Student Counts:	+ <u>0</u>
(0 x .80 = 0)	
= District Adjusted ADM	1,565.95
Multiply by \$4,576 the base student allocation	x <u>\$4,576</u>
 BASIC NEED:	 \$7,165,787

Components of Basic Need (Who Pays?)

- ⇐ Required Local Contribution
 - ⇐ Federal Impact Aid
 - ⇐ State Aid

SB 174 Full & True Value/Local Effort Calculation

As a result of Senate Bill 174: (enacted in 2001)

Beginning FY2002, half of the increased full & true value over 1999 (base year), is added to 1999 base year to determine the full & true value for the purposes of calculating require local effort for education.

(If the full & true value did not increase over the 1999 base year, then the current full & true value stands and is multiplied by .004 mills to reach local effort.)

Calculating Nome's Full and True Value

Nome's 2004 Full Value	206,289,200
Nome's 1999 Full Value	191,926,100
Full Value Increase Difference	14,363,100
Divided in Half	7,181,550
Half of the Increase is Added to 1999 Value	
$191,926,100 + 7,181,550 =$	199,107,650

Required Local Contribution

Example: Nome City Schools

The **Lesser** or minimum of 4 mills of the education full & true value, but not to exceed 45% of the school districts prior year basic need.

.004 of Tax Base: *(Education Full & True Value)*

$$.004 \times \underline{\$199,107,650} = \text{\$796,431}$$

45% of Prior Year Basic Need:

$$.45 \times \underline{\$6,881,572} = \$3,096,707$$

(Shown on Column C, page 9)

Title VIII Federal Impact Aid Payments

- Title VIII Federal Impact Aid Payments received from March 1 through the last day of February are used for calculations of state aid.
- The dates on the payment vouchers are used to indicate that a school district has received Title VIII Payments

Title VIII Federal Impact Aid Payments
Example: Nome City Schools

Payments received by the Nome City Schools from March 1 through the end of February.

\$78,599

(amount eligible for Deduction)

(Shown on Column D, page 9)

Impact Aid Percentage

Required Local Contribution
divided by
Budgeted Local Contribution

Budgeted Local Contribution, for the purposes of calculating the Impact Aid percentage is found in the Budgets submitted on July 15th of each year and may consist of:

- Appropriations
- Investment Earnings
- In-Kind Services
- “Other Local”

Title VIII Percentage

Example: Nome City Schools

Required Local: \$ 796,431 = 48.87%

Budgeted Local: \$1,629,705

(This percentage is only derived for City & Boroughs)

(Shown on Column E, page 9)

Impact Aid

Example: Nome City Schools

90% of the Impact Aid received by a school district is multiplied by the Impact Aid Percentage

Nome's Deductible Impact Aid Calculation:

$$\$78,599 \times 48.87\% \times 90\% = \$34,570$$

Eligible Impact Aid x Title VIII % x 90% = Deductible Impact Aid

(Shown on Column D, Column E, Column F, page 9)

STATE AID

Nome City Schools

Nome's State Aid:

Basic Need	\$ 7,165,787
Less Required Local (796,431)	
<u>Less Impact Aid</u>	<u>(34,570)</u>
State Aid	\$ 6,334,786

(Shown on Column G, page 9)

Additional Funds Above Basic Need

⇐ **Additional Local Contribution**

⇐ **Quality Schools Grant**

⇐ **Supplemental Funding Floor**

Additional Local Contribution

Example: Nome City Schools

The **greater** of 2 mills of the tax base or 23% of the district's current year Basic Need can be contributed but not exceeded.

.002 of Full & True Value Tax Base:

$$.002 \times \$206,289,200 = \$412,578$$

23% of Basic Need:

$$.23 \times \$7,165,787 = \mathbf{\$1,648,131}$$

Maximum Local Contribution

Example: Nome City Schools

**Required local contribution plus Additional
local contribution**

Required Local Contribution: \$ 796,431

Additional Local Contribution: +\$1,648,131

Maximum Local Contribution: \$2,444,562

Quality Schools Grant

AS 14.17.480 explains a district is eligible to receive a quality school funding grant not to exceed the district's adjusted ADM multiplied by \$16.

Example: Nome City Schools

$$1,565.95 \times \$16 = \$25,055$$

(Column W, page 8 and Column I, page 9)

Supplementary Funding Floor

- ↩ What is “The Floor”?
- ↩ How is it established?
- ↩ How is it adjusted?

“The Floor”

By providing additional funds “The Floor” bridges the transition between the new funding formula implemented in 1999 and the old formula that was in place in 1998.

How "The Floor" was Established

"The Floor" was established in FY1999

FOR EXAMPLE:

Old Formula State Aid

= \$1,100,000

New Formula State Aid

(Less) = \$1,000,000

Supplementary Funding Floor

(Result) = \$100,000

Nome's Transition to New Formula

- Old Formula State Aid:

FY 99 = **\$5,206,292**

- New Formula State Aid:

(Less) FY 99 = **\$5,095,932**

- Supplementary Funding Floor:

(Results) FY 99 = **\$110,360**

Adjustments to the "Floor"

All Adjustments to "The Floor" are **reductions!**

Decreases to "The Floor" occur because of:

1) an increase in Basic Need

OR

2) a decrease in ADM.

Supplementary Funding Floor - Adjustment # 1

EXAMPLE

Increase of Basic Need

Floor Adjustment due to Increases in Basic Need began in FY2000

FY2005 Basic Need	\$2,100,000
FY2004 Basic Need	<u>\$2,050,000</u>
FY2005 increase over FY2004	\$50,000
40% of the increase over prior year equals the amount the FY2000 floor is reduced	(\$20,000)
<u>FY2004 Funding Floor</u>	<u>\$100,000</u>
Revised funding Floor for FY2005	\$80,000

Supplementary Funding Floor – Adjustment # 2

EXAMPLE

Decrease in ADM

If the ADM falls below 95% of the FY1999 ADM, Then “The Floor” is reduced by the same percentage.

Example: Floor equals \$100,000

If

FY2001 ADM = 86% of FY1999 ADM

Then

$$\$100,000 \times 86\% = \$86,000$$

& becomes the new Floor amount

“The Floor” has received a 14% reduction.

Establishing Nome City School's Floor

FY 99 NEW FORMULA	= \$5,206,292
FY 99 OLD FORMULA	(\$5,095,932)
<hr/>	
Nome's FUNDING FLOOR Established at	= \$110,360
FY 00 No Deduction	= \$110,360
FY01 FLOOR reduced due to increase in Basic Need	(\$14,562)
<hr/>	
FY 01 FLOOR BALANCE	= \$95,798
FY 02 FLOOR No reduction floor	(0.00)
<hr/>	
FY 02 FLOOR BALANCE	= \$95,798
FY 03 FLOOR reduced due to increase in Basic Need	(73,206)
<hr/>	
FY03 FLOOR BALANCE	\$22,592
<i>FY 04 Floor was eliminated as 40% of the difference in the Basic Need to FY03, exceeded the Floor balance.</i>	

Supplementary Funding Floor

REMEMBER:

⇨ The floor is reduced by 40% of the **increase** in Basic Need over the prior year.

OR

⇨ The floor is reduced if ADM **decreases** by more than 5%, initially, of the FY1999 ADM.

Components Of State Aid

A Permanent Funding Component of State Aid

Nome's Total State Aid equals:

Calculated State Aid	\$6,334,786
<i>plus</i> the Funding Floor	\$ 0
<u><i>plus</i> the Quality Schools Grant</u>	<u>\$</u>
<u>25,055</u>	
TOTAL STATE ENTITLEMENT	\$6,359,841

Please Note:

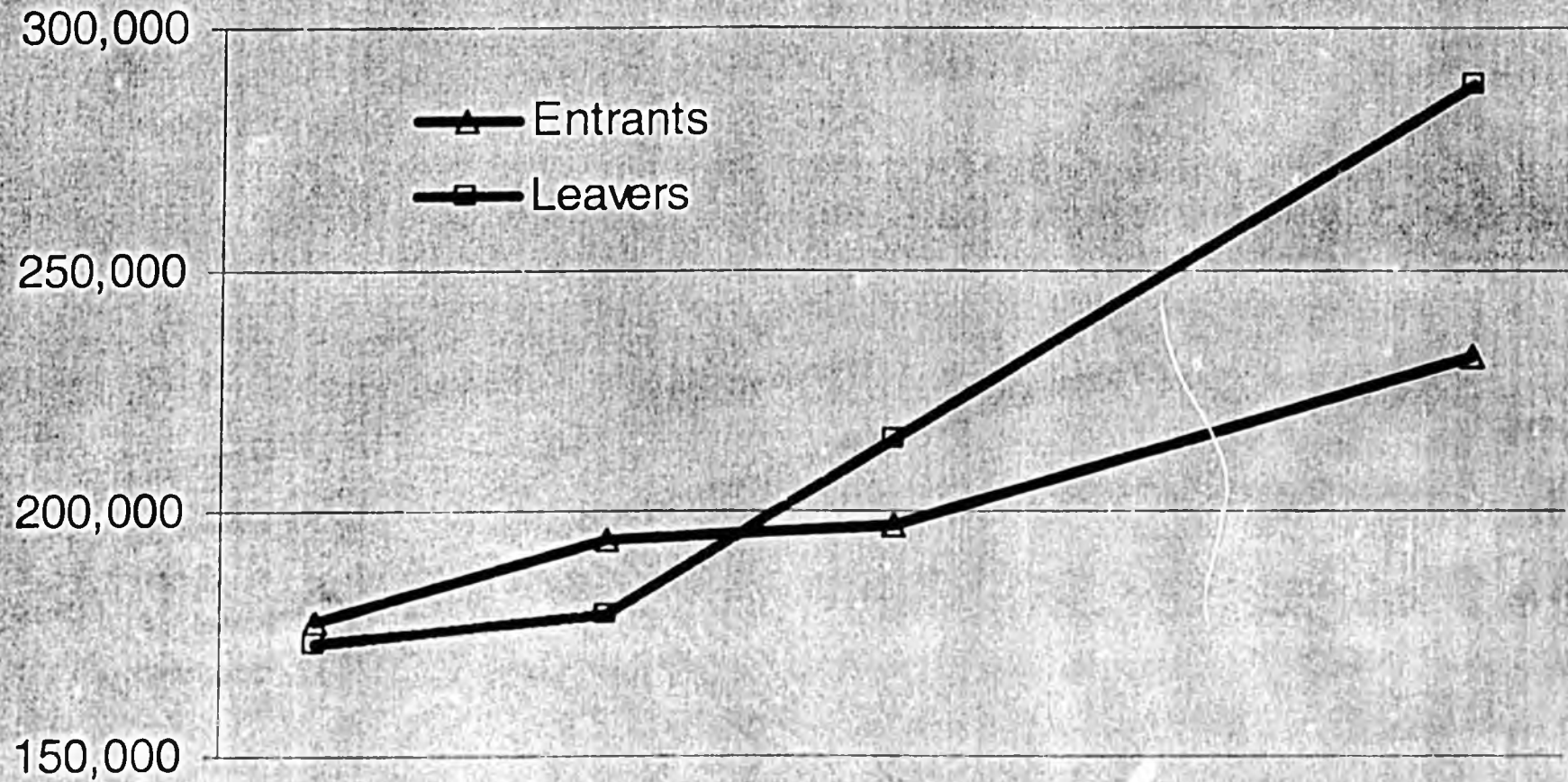
Prorating the Public School Funding Formula

If insufficient funds are appropriated by the legislature to meet the total entitlement, then all components of the Public School Funding Formula Program will be reduced by the same percentage.

AS 14.17.400 (b)

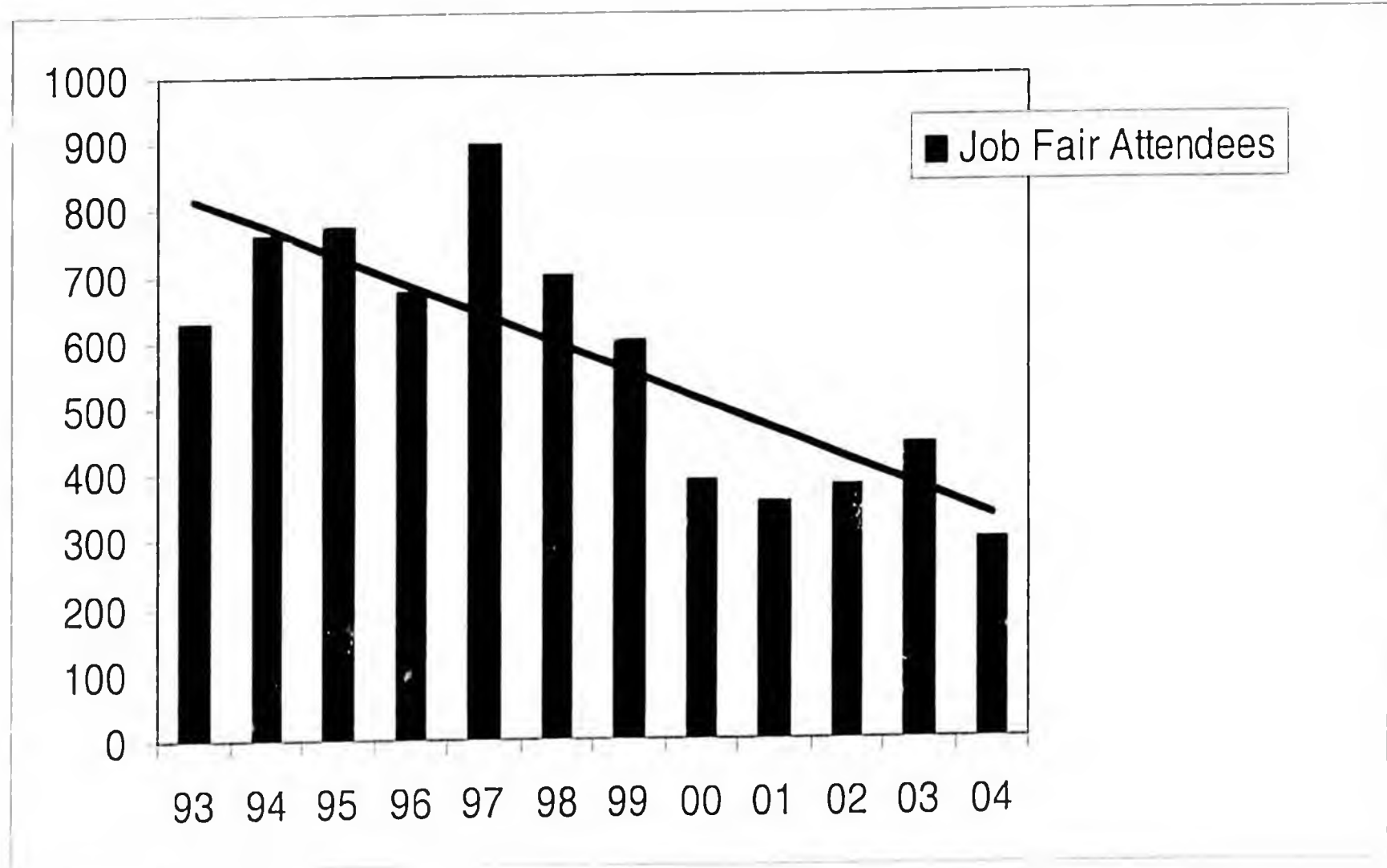
ANY QUESTIONS?

National Trends: Teacher Employment & Turnover



Sources: Richard M. Ingersoll, American Educational Research Journal. 2001

Alaska Job Fair



Governor Murkowski's K-12 Funding Package

- **Predictability in future funding.**

Approve two years of funding (Fiscal Year 2006 and 2007) instead of only one year so school districts will know on how much state funding they can rely.

- **State pays PERS and TRS increases.**

The state will cover the increased retirement system costs for school districts, estimated to increase \$38 million next year and another \$39 million the year after.

- **More state funds to cover other increased costs.**

Additional funding to cover increased costs of day-to-day delivery of education. Using a three year average for Anchorage CPI, this would provide an estimated \$24 million in increased funding next year and another \$25 million increase the following year.

- **Increase state's "student base allocation."**

Increase the per student education funding formula by \$304 (to \$4,880) next year and by another \$310 (to \$5,190) the following year.

- **The bottom line: \$208 million more for K-12 schools**

The state's support per student will have increased 29% during the first four years of this Administration. This translates into a \$208 million increase in state support for education.

Commitment. Accountability

Public School Funding Program Overview

Updated January 2005



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District Adjusted Average Daily Membership (ADM)

- Step 1. Adjust: ADM for School Size
 - Step 2. Apply: District Cost Factor
 - Step 3. Apply: Special Needs Factor
 - Step 4. Add: Intensive Services Count
 - Step 5. Add: Correspondence Student Counts
- = District Adjusted (ADM)**

ADM Reporting Requirements

ADM – is the average number of enrolled students during the 20-school day count period. The 20-school day count ends the fourth Friday of October. Reports are due within two weeks after the end of the 20-school day count period.

School Size Adjustment [Step 1]

For each school in the district subtract from the ADM all correspondence counts. Adjust the remaining ADM of each school using the school size factor table.

1. A community with an ADM under 10:
 - Added to the smallest school with an ADM greater than 10.
2. A community with an ADM from 10 - 100:
 - Grades K-12 ADM combined and adjusted once, adjusted as one school.
3. A community with an ADM from 101 – 425:
 - ADM for grades K-6 and 7-12 are adjusted separately; adjusted as two schools.
4. A community with an ADM greater than 425:
 - Each facility administered as one school, counted as one school, ADM is adjusted as one school.
 - Alternative schools with an ADM of less than 200 combined are adjusted with the school with the greatest ADM in the district.
 - If an alternative school ADM is greater than 200, the ADM will be adjusted once.
 - A Charter school with an ADM of 150 or greater will be adjusted once.

Using the proper formula from the school size factor table, calculate the adjusted ADM for each school.

School Size Table

Reference:	School Size:	Formula:
1.	10-19.99	39.60
2.	20-29.99	$39.60 + (1.62 * (ADM - 20))$
3.	30-74.99	$55.80 + (1.49 * (ADM - 30))$
4.	75-149.99	$122.85 + (1.27 * (ADM - 75))$
5.	150-249.99	$218.10 + (1.08 * (ADM - 150))$
6.	250-399.99	$326.10 + (.97 * (ADM - 250))$
7.	400-749.99	$471.60 + (.92 * (ADM - 400))$
8.	Over 750	$793.60 + (.84 * (ADM - 750))$

Intensive services and correspondence student counts are not adjusted for size.

District Cost Factors [Step 2]

- Cost factors are specific to each school district.
- District cost factors range from 1.000 to 1.736.
- The department monitors the district cost factors and submits a report to the legislature on January 15 every other fiscal year, beginning in FY01.

The districts school size adjusted ADM is multiplied by the district cost factor.

Special Needs Funding [Step 3]

Vocational education, special education (except intensive special education), gifted/talented education, and bilingual/bicultural education are block funded. A district must file a plan with the department indicating the special needs services that will be provided, Section 14.17.420(2)(b), to qualify for special needs funding.

The districts' previously adjusted ADM is now multiplied by the Special Needs factor of 1.20.

Intensive Services Funding [Step 4]

A school district receives funding for intensive special education students that:

- Are receiving intensive services, and;
- Are enrolled on the last day of the 20 school day count period, and;
- Have an established Individual Education Plan (IEP).

The districts intensive student count is multiplied by five.

Correspondence Programs [Step 5]

Funding for correspondence programs is calculated by multiplying the correspondence ADM by 80%.

Basic Need

Multiply the district adjusted ADM by the base student allocation to determine Basic Need. The base student allocation is \$4,576.

PUBLIC SCHOOL FUNDING ELEMENTS

The components of Public School Funding are *State Aid*, *Required Local Contribution*, and *Title VIII Impact Aid*.

State Aid

Basic Need minus a required local contribution minus 90% eligible Federal Impact Aid plus the amount of funding 'Floor' plus Quality School Grants equal State Aid.

Required Local Contribution

The equivalent of a 4-mill tax levy on the Full and True Value of the taxable real and personal property in the district not to exceed 45% of the district's Basic Need for the preceding fiscal year. *However*, beginning in FY02, only 50% of the *increase* in real and personal property over the 1999 Full and True Value is used for the 4 mill equivalent calculation. If the latest Full and True Value doesn't exceed the 1999 Full and True Value, then the latest value is utilized.

Maximum Local Contribution

Maximum local contribution is the required local contribution plus 23% of Basic Need or a 2-mill equivalent of the Full and True Value of the taxable and real property within the district, whichever is greater.

Title VIII Impact Aid

Federal Impact Aid provides funds to school districts for children of parents living and/or working on federal property "in-lieu of local tax revenues." 90% of the eligible funds are used in the calculation of state aid.

Adjustments to the Funding 'Floor'

The funding 'Floor' was established in FY 99 to provide funds for districts generating less state aid using the New Funding Formula and bridges the transition between the programs. All adjustments to the 'Floor' are reductions. There are two ways that the 'Floor' can be adjusted:

- 1) If the Basic Need in the current fiscal year is greater than the Basic Need in the prior fiscal year, then take the difference, and multiply it by 40%. Subtract this number from the funding 'Floor' to arrive at the new 'Floor' amount for the current fiscal year.
- 2) If the ADM decreases by 5% or more over FY99, then reduce the funding 'Floor' by that same percentage.

Please Note: No action is taken to the funding 'Floor' if:

- 1) The current fiscal year Basic Need is less than the prior year Basic Need or,
- 2) The ADM has not decreased by 5% or more since FY99.

Quality School Grants

The districts adjusted ADM multiplied by \$16 generates the amount the school district is eligible to receive.

Example: Nome School District

I. Basic Need		Column
Projected ADM	809.00	L
<i>(Nome's Schools had 3 School Size Adjustments)</i>		
Adjusted ADM-School Size	979.88	O
Apply District Cost Factor	<u>x 1.319</u>	
	1,292.46	Q
Apply Special Needs Factor	<u>x 1.20</u>	
	1,550.95	R
Add Intensive Service Counts	<u>15.00</u>	T
(3 x 5) = 15.00	1,565.95	U
Add Correspondence Counts	<u>0.00</u>	V
(0 * .80) = 0		
District Adjusted ADM	1,565.95	W
Multiply by \$4,576 base allocation	<u>x \$4,576.00</u>	
Basic Need:	\$7,165,787	B
II. Nome's State Aid		
Basic Need	\$7,165,787	B
Required Local Contribution	(796,431)	C
Impact Aid	<u>(34,570)</u>	F
State Aid	\$6,334,786	G
III. Quality Schools Grant		
District adjusted ADM x \$16	1,565.95	
	<u>x \$16.00</u>	
	\$25,055	I
State Aid	\$6,334,786	G
FY2005 Adjusted 'Floor'	0	H
Quality Schools Grant	<u>25,055</u>	I
Total State Aid	\$6,359,841	J

Alaska Department of Education & Early Development

January 2005 Updated
 FY2006 Projections
 Department of Education & Early Development
 Foundation

1	School District	L+M				D&P		O&I 20		S&S		R+T		M&R		U&V
		K	L	M	N	O	P	Q	R	S	T	U	V	W		
		Projected FY06 ADM	Projected Corresp. ADM	FY06 Projected Total ADM	Adj for School Size ADM	District Cost Factor	Adjusted for Cost Factor	Special Needs Factor 1.20	Special Ed Int.	Adjusted for Spec Ed Int *5.00	Students + Intensive Special Education	District Corresp 80%	District Adjusted ADM			
2	Alaska Gateway	396.00	35.00	431.00	676.76	1.291	873.70	1048.44	4	20	1068.44	28.00	1096.44			
3	Aleutian Region	46.00	0.00	46.00	118.80	1.736	206.24	247.49	0	0	247.49	0.00	247.49			
4	Aleutians East	276.00	0.00	276.00	530.60	1.423	755.04	906.05	0	0	906.05	0.00	906.05			
5	Anchorage	48261.00	843.00	104.00	52466.61	1.000	52466.61	62959.93	575	2875	65834.93	674.40	66509.33			
6	Annette Island	312.45	0.00	312.45	449.44	1.011	454.38	545.26	5	25	570.26	0.00	570.26			
7	Bering Strait	1761.00	0.00	1761.00	2823.97	1.525	4306.55	5167.86	13	65	5232.86	0.00	5232.86			
8	Bristol Bay	175.00	0.00	175.00	277.45	1.262	350.14	420.17	2	10	430.17	0.00	430.17			
9	Chattam	163.00	0.00	163.00	292.97	1.120	328.13	393.76	2	10	403.76	0.00	403.76			
10	Chitukach	74.00	141.00	215.00	154.05	1.294	199.34	239.21	0	0	239.21	112.80	352.01			
11	Copper River	546.25	92.25	638.50	888.26	1.176	1044.59	1253.51	6	30	1273.51	73.80	1357.31			
12	Cordova	455.00	0.00	455.00	603.60	1.096	661.55	793.86	7	35	828.86	0.00	828.86			
13	Craig	355.80	305.65	661.45	496.46	1.010	501.43	601.72	12	60	661.72	244.52	906.24			
14	DeltaGreely	953.00	397.00	1350.00	1221.20	1.106	1350.65	1620.78	2	10	1630.78	317.60	1948.38			
15	Denali	302.00	400.00	702.00	482.64	1.313	633.71	760.45	9	45	805.45	320.00	1125.45			
16	Dillingham	547.90	0.00	547.90	697.76	1.254	874.99	1049.99	12	60	1109.99	0.00	1109.99			
17	Fairbanks	14376.00	217.00	14593.00	16205.08	1.039	16837.08	20204.50	275	1375	21579.50	173.60	21753.10			
18	Galena	212.00	3500.00	3712.00	321.80	1.348	433.79	520.55	2	10	530.55	2800.00	3330.55			
19	Halpern	257.00	11.00	268.00	409.49	1.008	411.76	494.11	4	20	514.11	0.00	522.91			
20	Healy	179.00	0.00	179.00	282.53	1.055	298.07	357.68	6	30	387.68	0.00	387.68			
21	Hodaburg	80.00	0.00	80.00	129.20	1.085	140.18	168.22	1	5	173.22	0.00	173.22			
22	Interior Area	274.00	80.00	354.00	510.78	1.470	750.85	901.02	0	0	901.02	64.00	965.02			
23	Juneau	5229.40	53.23	5282.63	5674.52	1.005	5702.90	6843.48	140	700	7543.48	42.58	7586.06			
24	Katik	141.00	0.00	141.00	231.19	1.025	236.97	284.36	3	15	299.36	0.00	299.36			
25	Kashunami	354.45	0.00	354.45	495.01	1.389	687.56	825.07	3	15	840.07	0.00	840.07			
26	Kemna Peninsula	8851.00	740.00	9591.00	11078.17	1.004	11122.48	13346.98	57	285	13631.98	592.00	14223.98			
27	Ketchikan Gateway	2307.00	26.00	2333.00	2798.56	1.000	2798.56	3358.27	26	130	3488.27	20.00	3508.27			
28	Klawick	161.00	0.00	161.00	259.67	1.017	264.08	316.90	3	15	331.90	0.00	331.90			
29	Kodiak Island	2653.00	58.00	2711.00	3230.13	1.093	3530.53	4236.64	26	130	4366.64	46.40	4413.04			
30	Koyuk	410.00	0.00	410.00	743.38	1.434	1066.01	1279.21	0	0	1279.21	0.00	1279.21			
31	Kuk-A-Peninsula	353.00	0.00	353.00	748.09	1.558	1165.52	1398.62	2	10	1408.62	0.00	1408.62			
32	Lower Kuskokwim	3906.00	0.00	3906.00	5726.86	1.491	8538.75	10246.50	62	310	10556.50	0.00	10556.50			
33	Lower Yukon	2018.00	0.00	2018.00	3065.43	1.438	4408.09	5289.71	19	95	5384.71	0.00	5384.71			
34	Matanuska	14158.00	1144.00	15302.00	15971.22	1.010	16130.93	19357.12	245	1225	20582.12	915.20	21497.32			
35	Metlakatla	198.00	500.00	698.00	305.12	1.270	387.50	465.00	1	5	470.00	400.00	870.00			
36	Nenana	809.00	0.00	809.00	979.88	1.319	1292.46	1550.95	3	15	1565.95	0.00	1565.95			
37	North Star	1629.00	0.00	1629.00	2314.93	1.504	3481.65	4177.98	10	50	4227.98	0.00	4227.98			
38	Northwest Arctic	2072.00	0.00	2072.00	2970.88	1.549	4601.89	5522.27	12	60	5582.27	0.00	5582.27			
39	Prudhoe	11.20	0.00	11.20	39.60	1.290	51.08	61.30	1	5	66.30	0.00	66.30			
40	Prudhoe Bay	607.00	0.00	607.00	820.44	1.000	820.44	984.53	9	45	1029.53	0.00	1029.53			
41	Prudhoe	133.00	0.00	133.00	230.82	1.419	327.53	393.04	0	0	393.04	0.00	393.04			
42	Starbuck	167.00	0.00	167.00	267.07	1.551	360.81	432.97	1	5	437.97	0.00	437.97			
43	Sitka	1430.00	30.00	1460.00	1714.01	1.090	1714.01	2056.80	23	115	2171.80	24.00	2195.80			
44	Sitka Bay	103.00	0.00	103.00	175.67	1.143	200.79	240.95	0	0	240.95	0.00	240.95			
45	Southcentral Island	220.00	4.00	224.00	460.60	1.124	517.94	621.53	0	0	621.53	3.20	624.73			
46	Southwest Arctic	713.25	0.00	713.25	1159.72	1.473	1697.29	1980.35	8	40	2020.35	0.00	2020.35			
47	Talkeetna	62.00	50.00	112.00	103.48	1.096	154.81	185.77	2	10	195.77	40.00	235.77			
48	Talkeetna	410.63	0.00	410.63	563.92	1.245	702.58	843.10	1	5	848.10	0.00	848.10			
49	Valdez	816.00	0.00	816.00	1024.37	1.095	1121.69	1346.03	9	45	1391.03	0.00	1391.03			
50	Wasilla	375.00	0.00	375.00	517.20	1.000	517.20	620.64	1	5	625.64	0.00	625.64			
51	Wasilla	116.00	0.00	116.00	195.04	1.046	204.01	244.91	2	10	254.91	0.00	254.91			
52	Wasilla-Hills	304.05	0.00	304.05	369.63	1.068	390.11	464.13	5	25	465.13	0.00	465.13			
53	Wasilla-Katavik	369.00	1000.00	2169.00	667.94	1.502	1003.25	1203.90	6	30	1243.90	1440.00	2683.90			
54	Wasilla	441.00	0.00	441.00	712.69	1.469	1046.94	1256.33	3	15	1271.33	0.00	1271.33			
55	Wasilla-Prudhoe	400.00	0.00	400.00	471.60	1.000	471.60	565.92	0	0	565.92	0.00	565.92			
56																
57	TOTALS	121,999.30	10,427.13	132,426.43	146,323.85	0.000	161,109.73	193,331.72	1,622	8,110	201,441.72	8,340.70	209,782.42			

Alaska Department of Education & Early Development

January 2005 Updated
FY2006 Projections

Department of Education & Early Development
Foundation

	A	B	C	D	E	F	G	H	I	J
1	School District	\$4,576 Basic Need	Required Local Effort	Federal Impact AID	Impact AID Percent	Deductible Impact AID 90.0%	State AID	FY2006 Adjusted Floor	Quality Schools	FY06 Total Entitlement
2	Alaska Gateway	5,017,309	0	242,490	100.00%	218,241	4,799,068	99,056	17,543	4,915,667
3	Aleutian Region	1,132,514	0	215,017	100.00%	193,515	938,999	116,768	3,960	1,059,727
4	Aleutians East	4,146,085	384,290	761,941	40.03%	274,504	3,487,291	0	14,497	3,501,788
5	Anchorage	304,346,694	76,624,175	11,112,830	56.31%	5,631,871	222,090,648	0	1,064,149	223,154,797
6	Annette Island	2,609,510	0	1,356,114	100.00%	1,220,503	1,389,007	0	9,124	1,398,131
7	Bering Strait	23,945,567	0	7,582,155	100.00%	6,823,940	17,121,627	0	83,726	17,205,353
8	Bristol Bay	1,968,458	525,900	416,297	56.13%	210,301	1,232,257	0	6,883	1,239,140
9	Chatham	1,847,606	0	133,859	100.00%	120,473	1,727,133	0	6,460	1,733,593
10	Chugach	1,610,798	0	113,627	100.00%	102,264	1,508,534	391,471	5,632	1,905,637
11	Copper River	6,211,051	0	222,589	100.00%	200,330	6,010,721	0	21,717	6,032,438
12	Cordova	3,792,863	709,368	19,128	51.77%	8,912	3,074,583	0	13,262	3,087,845
13	Craig	4,146,954	408,118	167,609	36.65%	55,286	3,683,550	0	14,500	3,698,050
14	Delta/Greely	8,915,787	0	4,512	100.00%	4,061	8,911,726	0	31,174	8,942,900
15	Denali	5,150,059	564,194	15,779	44.18%	6,274	4,579,591	0	18,007	4,597,598
16	Dillingham	5,079,314	600,885	467,601	55.29%	232,683	4,245,746	0	17,760	4,263,506
17	Fairbanks	99,542,186	21,243,578	11,259,652	57.46%	5,822,816	72,475,792	0	348,050	72,823,842
18	Galena	15,240,597	73,143	0	4.76%	0	15,167,454	838,249	53,289	16,058,992
19	Haines	2,392,836	837,418	0	60.47%	0	1,555,418	0	8,367	1,563,785
20	Hoonah	1,774,024	122,834	503,622	26.82%	121,564	1,529,626	0	6,203	1,535,829
21	Hydaburg	792,655	32,726	286,077	34.81%	89,625	670,304	94,290	2,772	767,366
22	Iditarod Area	4,415,932	0	522,079	100.00%	469,871	3,946,061	465,588	15,440	4,427,089
23	Juneau	34,713,829	11,186,749	0	58.97%	0	23,527,080	0	121,377	23,648,457
24	Kake	1,369,871	74,734	470,913	25.81%	109,388	1,185,749	0	4,790	1,190,539
25	Kashonmuit	3,844,160	0	1,456,635	100.00%	1,310,972	2,533,188	0	13,441	2,546,629
26	Kenai Peninsula	65,088,932	19,125,610	0	56.45%	0	45,963,322	0	227,584	46,190,906
27	Ketchikan Gateway	16,057,504	4,406,742	6,011	56.75%	3,070	11,647,692	0	56,145	11,703,837
28	Klawock	1,518,774	123,135	444,474	38.36%	153,450	1,242,189	83,895	5,310	1,331,394
29	Kodiak Island	20,194,071	3,937,475	1,725,805	46.71%	746,531	15,510,065	0	70,609	15,580,674
30	Kuspuk	5,853,665	0	1,403,836	100.00%	1,263,452	4,590,213	0	20,467	4,610,680
31	Lake & Peninsula	6,445,845	747,911	1,432,877	18.71%	239,598	5,958,336	0	22,538	5,980,874
32	Lower Kuskokwim	48,306,544	0	10,130,448	100.00%	9,117,403	39,189,141	617,100	168,904	39,975,145
33	Lower Yukon	24,640,433	0	7,340,406	100.00%	6,606,365	18,034,068	0	86,155	18,120,223
34	Mat-Su	98,371,736	15,650,994	0	45.80%	0	82,720,742	0	343,957	83,064,699
35	Nenana	3,981,120	72,661	0	52.21%	0	3,908,459	0	13,920	3,922,379
36	Nome	7,165,787	796,431	78,599	48.87%	34,570	6,334,386	0	25,055	6,359,441
37	North Slope	19,347,236	9,014,539	5,533,843	39.12%	1,948,355	8,384,342	0	67,648	8,451,990
38	Northwest Arctic	25,544,468	1,526,651	5,576,562	37.45%	1,879,580	22,138,237	0	89,316	22,227,553
39	Pelican	203,359	52,820	0	100.00%	0	250,569	152,554	1,061	404,184
40	Petersburg	4,711,129	1,036,074	0	61.60%	0	3,675,055	0	16,472	3,691,527
41	Prud'homme	1,798,551	0	607,364	100.00%	546,574	1,251,977	0	6,289	1,258,266
42	Saint Mary's	2,004,151	18,289	0	34.87%	0	1,985,362	0	7,008	1,992,370
43	Sitka	10,047,981	2,812,376	10,879	58.26%	5,704	7,229,901	0	35,133	7,265,034
44	Skagway	1,102,587	520,340	0	61.82%	0	582,227	124,465	3,855	710,547
45	Southeast Island	2,858,764	0	32,351	100.00%	29,116	2,829,648	230,188	9,996	3,069,832
46	Southwest Region	9,245,122	0	2,733,377	100.00%	2,460,039	6,788,063	0	32,326	6,820,389
47	Tarana	1,078,884	22,692	48,748	73.70%	32,035	1,023,857	0	3,772	1,027,629
48	Umanak	3,880,906	1,809,113	10,551	65.71%	6,240	2,065,553	26,470	13,570	2,405,593
49	Valdez	6,765,353	2,920,419	0	58.42%	0	3,844,934	217,318	22,256	3,664,508
50	Wrangell	2,862,929	592,666	5,909	65.02%	3,458	2,266,805	0	10,010	2,276,815
51	Yakutat	1,166,013	196,958	127,422	45.28%	51,927	947,126	70,228	4,077	991,431
52	Yukon Flats	5,331,635	0	1,333,425	100.00%	1,200,000	4,131,552	467,082	19,642	4,617,236
53	Yukon-Koyukuk	12,281,526	0	1,405,133	100.00%	1,264,620	11,016,906	0	42,942	11,059,848
54	Yupik	5,817,606	0	1,791,327	100.00%	1,612,194	4,205,412	0	20,341	4,225,753
55	Mt. Edgecumbe	2,589,650	0	840,566	100.00%	756,455	1,833,195	0	9,655	1,842,850
56								Order Military		26,096,100
57	TOTALS	959,968,948	177,972,520	79,980,319		53,188,513	728,807,607	3,994,682	3,356,536	762,255,225

LEGISLATIVE RESEARCH REPORT

DECEMBER 7, 2004



REPORT NUMBER 05.066

THE GOVERNOR'S EDUCATION FUNDING INITIATIVE AND THE ANCHORAGE SCHOOL DISTRICT BUDGET

PREPARED FOR REPRESENTATIVE LES GARA

BY CHERIE NIENHUIS, LEGISLATIVE ANALYST

You asked about the specific components of the Governor's recently announced K-12 education funding initiative and its effect on the Anchorage School District (ASD) budget. You also asked how the school district's budget would be impacted if the local contribution was increased to match the rate of inflation.

On November 5, 2004, Governor Murkowski unveiled his K-12 education funding initiative, which, according to press releases, would provide \$208 million in additional funding for the state's public schools. A closer look at this proposal shows that the \$208 million consists of three components:

- \$82 million—an amount equivalent to the funding increase appropriated last year by the 23rd Legislature for the 2004-2005 budget, which the Governor proposes to "make permanent."
- \$77 million—the amount necessary to cover two years of increased Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) retirement costs (\$38 million in 2006 and \$39 million in 2007).
- \$49 million—the amount needed over two years to fund the "increased costs of day-to-day delivery of education" (\$24 million in 2006 and \$25 million in 2007). According to documentation provided at the Department of Education and Early Development (DEED) website, this increase was calculated using a three-year average of the Anchorage Consumer Price Index (CPI), an inflation indicator.¹

¹ From Governor Murkowski's press release, "Building the Future," Volume 32, November 9, 2004, and "Governor Murkowski's K-12 Funding Package," as posted at the Department of Education and Early Development's website, <http://www.eed.state.ak.us/news/K12graph.pdf>. We include a copy of each of these documents as Attachment A.

The \$208 million funding package translates into an increased student base allocation of \$598 over the course of two years. Under the proposal, the Governor's initiative would raise the student base allocation from \$4,576 per student (provided in the 2004-2005 school year) to \$4,869 in 2005-2006, and \$5,174 in 2006-2007, representing an increase of about 13 percent over two years.

As discussed above, the PERS/TRS retirement systems are expected to cost \$38 million in 2006 and \$39 million in 2007. The inflationary cost component of the proposal is set at \$24 million in 2006 and \$25 million in 2007. Combined—outside of the \$82 million carried from the 2004-2005 school year—the Governor has proposed increases of \$62 million and \$64 million in 2006 and 2007, respectively. Of these amounts, the PERS/TRS component will absorb 61.3 percent of the proposed allocation the first year and 60.9 percent the second. That leaves 38.7 percent and 39.1 percent in 2006 and 2007 to cover inflation increases, which amount to \$113.4 and \$119.1 of the student base allocation, respectively. We calculate these allocation adjustments to represent an approximate 2.46 percent per year increase. Although the 2004 Consumer Price Index (CPI) for Anchorage has yet to be determined, we note that the average Anchorage CPI for 2001 through 2003 equals 2.466 percent.²

According to Legislative Research Report 04.065, prepared February 3, 2004—prior to the 23rd Legislature's action on the 2004-2005 K-12 education funding package—the student base allocation, had it been adjusted for inflation since FY 1999, would have equaled \$4,422 for the 2004-2005 school year. As you know, the Legislature authorized increasing the allocation to \$4,576, a total of \$154 per student above that calculated using the Anchorage CPI, giving the state's public schools a 9.76 percent boost from the prior year's funding. Last year's inflation rate was 2.7 percent.

THE ANCHORAGE SCHOOL DISTRICT BUDGET

Prior to the Governor's initiative announcement, the Anchorage School District anticipated a \$29 million shortfall for the 2005-2006 school year. With implementation of the additional funding, the ASD currently predicts that it will face a \$10 million shortfall for year.³

The ASD budget, like that of most school districts, is dependent on revenue from many sources, one of which is the local property tax base. For the 2005-2006 school year, the ASD expects to receive approximately \$144.2 million in property tax revenue. According to Janet Stokesbary, Chief Financial Officer, ASD, this amount is a projection that is contingent on several factors.

The Anchorage property tax contribution for the 2005-2006 school year is calculated using the prior year's contribution, a projected five-year average of the population change, and a projected inflation rate. The ASD has estimated the population to have increased 1.16 percent, and the inflation rate to be 2.8 percent; the two of them added together equal 3.96 percent. The prior

² As calculated using the Anchorage CPI values shown on the Alaska Department of Labor and Workforce Development website, of 2.7, 1.0, and 2.8: <http://alms.labor.state.ak.us/PAGEID=67&SUBID=198>.

³ This revised estimate from the previous estimate of \$7 million (the amount reported in many budget documents) reflects an amendment made by the Anchorage School Board regarding the use of the undesignated fund balance. Approximately \$3 million of this fund will be used to cover existing one-time expenditures—costs that fall outside the school district's 2005-2006 budget.

year's property tax contribution of \$132.9 million (excluding the debt service contribution) increased by 3.96 percent totals \$138.16 million. Together with other authorized tax contributions of approximately \$6 million, the ASD has projected the local tax contribution to be about \$144.16 million for the 2005-2006 school year.⁴ Ms. Stokesbary notes that this is the maximum contribution the school district can expect from the local property tax base, and it is contingent on authorization from the Anchorage Assembly. The Assembly has not always authorized the maximum contribution, Ms. Stokesbary adds.⁵

In answer to your question about the local contribution being adjusted for inflation, therefore, it appears from the above description that the property tax contribution is routinely adjusted for inflation each year. We note that the ASD had already dramatically increased other fees for the 2004-2005 school year; for example, summer school sessions increased from \$50 to \$75 per session, and high school activity fees increased from \$75 to \$125 per sport.

Ms. Stokesbary explains that because the budget is contingent on several factors, it is difficult to know with certainty how much the school district will have to cut from the budget. To further complicate matters, a decrease in student enrollment is projected, down 168 full-time equivalent students from the current school year. At this point, the ASD is expecting to trim approximately \$10 million from its projected expenditures—just how that will be done is still in question. Ms. Stokesbary tells us that all options are on the table, including staffing cuts. She anticipates that the ASD budget will be the topic of much discussion and debate once the Legislative session starts.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

⁴ We include ASD budget documentation detailing fund sources as Attachment B.

⁵ Janet Stokesbary, Chief Financial Officer, ASD, can be reached at (907) 742-4369.

Attachment A

Governor Frank Murkowski,
"Building the Future," November 9, 2004

and

"Alaska K-12 Funding and Governor Murkowski's
K-12 Funding Package," as posted at the
Department of Education and Early Development website,
<http://www.eed.state.ak.us/news/K12graph.pdf>



Building the Future

A biweekly update from Governor Murkowski

Taking Responsibility Today for Alaska's Tomorrow

Volume 32

November 9, 2004

The Word on the Street:

“This will go a long way toward narrowing the gap and allowing us to plan and concentrate on increasing student achievement, negotiating in good faith with our employees, and try to do what we need to do to run our educational system.”

- Carol Comeau
Superintendent,
Anchorage School
District

Looking Ahead:

Nov. 9-13 – Thailand
Governor participates in
CSG Trade Mission to
Thailand.

Wandering the Web

Industrial Roads

Find a thorough information resource on the state's Roads to Resources initiative

Mining Home Page

Get to know Alaska's rich mineral resources from the experts at the Division of Geological and Geophysical Surveys

Governor Announces K-12 Education Funding Initiative

Governor Frank H. Murkowski told the Association of Alaska School Boards that he will ask the Legislature to not only make permanent the \$82 million increase to K-12 education approved this year, but to increase education by another \$126 million over the next two budget years. That would amount to a \$208 million for K-12 funding. He will ask the Legislature for early funding of the fiscal 2006 and 2007 education budgets to avoid the unnecessary cycle of pink slips being sent to teachers each year. Governor Murkowski hopes that this education package will let schools focus on teaching over the next two years instead of making ends meet. This significant education initiative would cover fixed retirement costs, higher-than-expected cost of fuel, and other increases in the day-to-day delivery of education services as well as providing additional funding for classrooms. As part of this education initiative, the state's per-student funding will increase by \$293 next year and by another \$305 the following year – from \$4,576 to \$5,174 by Fiscal Year 2007. The Governor recognized a 7 percent improvement in achieving math and language arts targets, and told the group he sees it as a significant step in closing public school students' achievement gap.

Concerns For Rural Economic Development Addressed

Governor Murkowski met with the executives of Alaska's Native corporations to listen to their concerns for their regions. First among the concerns expressed were the high cost of energy as a barrier to economic development in rural Alaska, the need for infrastructure development in rural areas, and the fiscal challenges brought on by the cost of public services. The Governor, speaking to the Alaska Federation of Natives annual state-wide convention, pledged continued cooperation to address concerns and make development goals a reality. Improved transportation and lower energy costs are key to economic development in rural Alaska, the Governor told the group, as he announced an initiative to provide financial assistance to about 120 rural communities disproportionately hit by high energy costs, largely in the form of high prices for diesel fuel that is used to power electric generators. Villages with populations of under 100, 100-600 and 600-1,200 residents would stand to receive \$25,000, \$50,000 and \$75,000, respectively. The Governor and corporation leaders agreed to continue to work jointly to meet the challenge of making sure rural communities have sufficient revenue to support public services. In addition, the meeting participants pledged to work with the administration to identify infrastructure projects that hold the potential to foster economic development activity in their respective regions. Participants pledged to draw upon their knowledge and experience in the public and private sectors to help identify and secure funding for these infrastructure projects. "The natural resources that are the foundation of Alaska's wealth lie largely in rural Alaska. Roads, ports, utilities and other infrastructure must be developed, and the state must join in the infrastructure investment," the Governor told the delegates.

(continued on page 2)

Did You Know ...

Alaska is rich in rare and costly Platinum Group Metals: platinum, palladium, rhodium, ruthenium, iridium and osmium. PGMs are also called noble metals because of their high resistance to oxidation and corrosion, and are mainly used in catalysts, electronics and jewelry. Known deposits can be found at Goodnews Bay, Kahlitna Valley, Valdez Creek and in the Yentna mining district.

Diamonds were first discovered in the Canadian Arctic in 1991, and are known for their quality. Rumors of diamond

Contact Us

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Governor: 'Bring the Kids Home' From Outside Care Centers

Speaking to the Alaska Federation of Natives, Governor Murkowski expressed concern over the number of Alaska children who must leave the state to be treated for behavioral problems. The Governor explained that over the past decade children with behavioral disorders are more and more often treated at inpatient care facilities located outside Alaska. Stating his conviction that such a situation is unacceptable, the Governor presented his "Bring the Kids Home" initiative designed to create new opportunities to treat Alaska youth in community-based care or inpatient facilities within Alaska. There are between 500 and 650 Alaskan youngsters in out-of-state treatment at any given time. The Governor said he intends to include funds for in-state residential treatment in his upcoming budget request.

Disaster Declaration Issued for Nome, Western Alaska

While touring the region, Governor Murkowski issued a state disaster declaration for the Northwest Arctic Borough, the Bering Strait REAA and the village of Mekoryuk in response to ocean storms that caused widespread damage. Villages along the Bering Sea and Norton Sound experienced coastal flooding, high winds and wind-driven tide surges. Damage in Nome is estimated at nearly \$5.5 million. The Governor has asked President Bush to declare a federal disaster area in order to allow the Federal Emergency Management Agency to provide additional assistance.

Rational Regulation, New Roads Will Boost Mining Effort

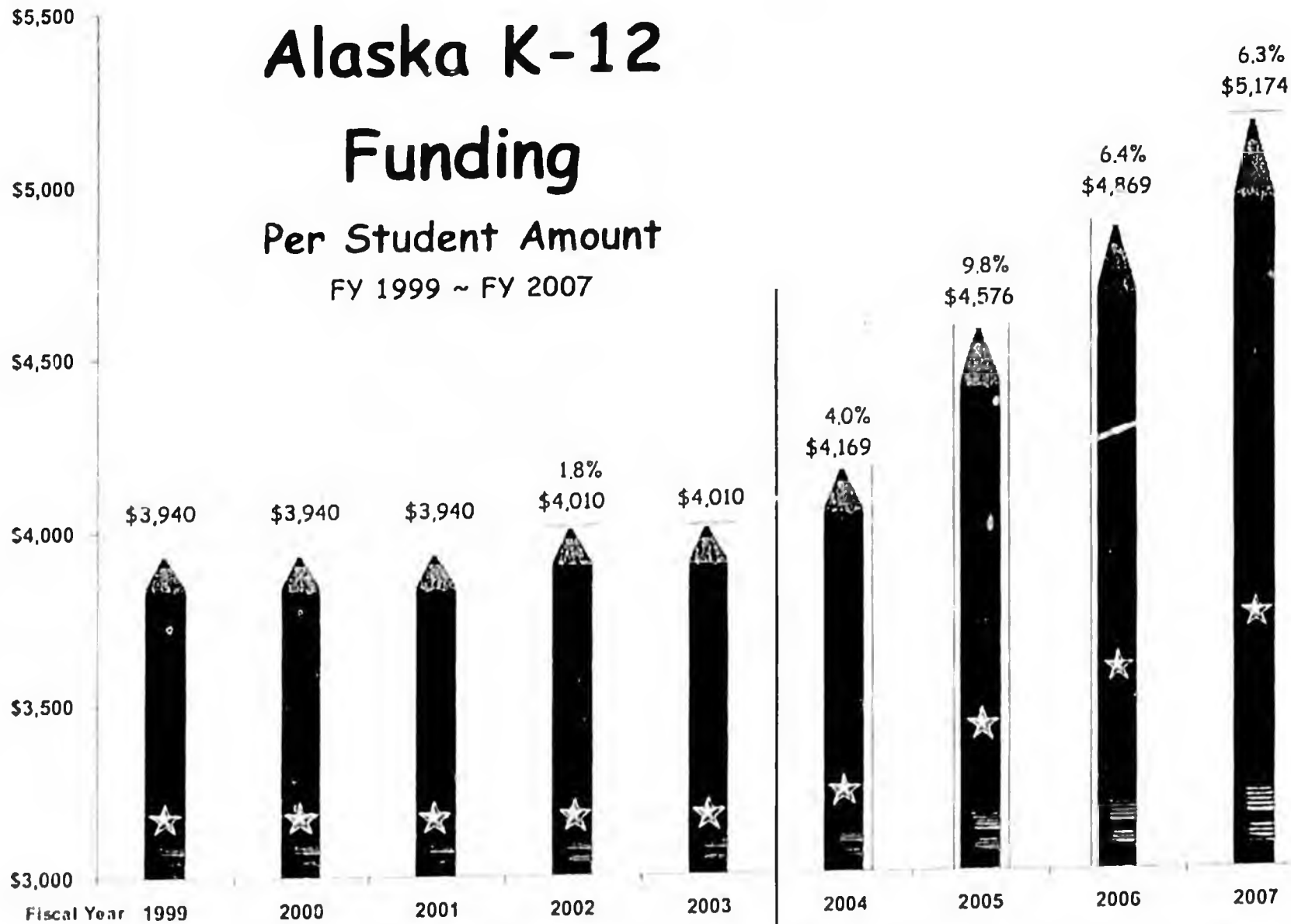
Emphasizing the importance of exploration, Governor Murkowski told the Alaska Miners Association he will direct additional funding to airborne geophysical data acquisition – which is the use of aircraft and high-tech equipment to survey an area for potential mineral deposits. The Governor remarked that this is the eighth consecutive year that Alaska's mining industry has passed the billion-dollar threshold. Alaska miners continue to demonstrate hard work and a determination to overcome challenges in the effort to convert the earth's riches into economic benefit. These challenges can be natural – a record-setting year for forest fires, for example – or regulatory. To assist in that arena, the Murkowski administration has enhanced the large mine permit team within the Department of Natural Resources. The actions include moving Alaska Coastal Zone Management to DNR and combining functions of the Habitat Division within DNR, and develop rational rules to allow the state to authorize multiple waste management or disposal activities at a single large mine facility. The Governor also told the miners his 'Roads to Resources' initiative will improve infrastructure to better allow mines to connect with tidewater or river ports. A major focus is being placed on connecting the Yukon and Kuskokwim Rivers, building a road to connect the Pebble Gold and Copper Mine with Cook Inlet, and improving the DeLong Mountain port which serves the Red Dog Mine.

Judges Appointed to Kenai, Palmer District Court

Governor Murkowski has appointed John W. Wolfe to the Palmer District Court, and David S. Landry to the Kenai District Court. Both benches are newly-created. Wolfe, 46, has been a prosecutor since 1985 and served in district attorney's offices in Kenai, Dillingham and Bethel. Wolfe graduated with a law degree from the University of Oklahoma in 1983 and has practiced law for more than 20 years. He is a member of the Children's Advocacy Center Board and the Community Justice Alliance in Dillingham. Landry, 52, served as Kenai District Court Magistrate since 1999 and is a former partner at the law firm of Molloy & Landry. Landry graduated from Western New England College School of Law in 1991 and served as a law clerk in the Kenai Superior Court and as an intern in the Kenai District Attorney's office. Landry played professional soccer from 1974-77 for the Seattle Sounders and Portland Timbers.

Alaska K-12 Funding

Per Student Amount
FY 1999 ~ FY 2007



% reflects amount of increase when compared to prior year

Governor Murkowski's K-12 Funding Package

- **Predictability in future funding.**
Approve two years of funding (Fiscal Year 2006 and 2007) instead of only one year so school districts will know on how much state funding they can rely.
- **State pays PERS and TRS increases.**
The state will cover the increased retirement system costs for school districts, estimated to increase \$38 million next year and another \$39 million the year after.
- **More state funds to cover other increased costs.**
Additional funding to cover increased costs of day-to-day delivery of education. Using a three year average for Anchorage CPI, this would provide an estimated \$24 million in increased funding next year and another \$25 million increase the following year.
- **Increase state's "student base allocation."**
Increase the per student education funding formula by \$293 (to \$4,869) next year and by another \$305 (to \$5,174) the following year.
- **The bottom line: \$208 million more for K-12 schools**
The state's support per student will have increased 29% during the first four years of this Administration. This translates into a \$208 million increase in state support for education.

Attachment B

Anchorage School District,
"ASD Memorandum #95 (2004-2005),
November 15, 2004, as posted at
http://www.asdk12.org/depts/budget/0506/20041115_Amended_M095.pdf

AMENDED 11/15/2004

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 5th 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 I 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 8th 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 (LFE)	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 \$2491 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 8th 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 FY 2004-2005	Pro Forma Budget Revenues FY 2005-2006	Pro Forma Budget Expenditures FY 2005-2006	Estimated Budget Shortfall FY 2005-2006
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	43,000,000	45,000,000	45,000,000	-0-
All Funds	<u>\$525,961,166</u>	<u>\$566,920,364</u>	<u>\$573,955,364</u>	<u>(\$7,035,000)</u>

TAXES

	Revised FY 2004-2005	Pro Forma Taxes FY 2005-2006	Increase
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 Sept. 30, 2004	FY 2005-2006 Projected Sept. 30, 2005	Change Over Prior Year's Actual
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	\$ 144,165,454	\$ 10,530,000	\$ 261,494,546	\$ 13,340,000	\$ 429,540,000	\$ 436,575,000	\$ (7,035,000)
Food Service	0	6,975,621	0	7,599,962	14,525,583	14,525,583	
Debt Service	31,549,492	3,678,410	40,326,512	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>521,920,164</u>	<u>528,955,364</u>	<u>(7,035,000)</u>
Local, State and Federal Projects	0	775,000	1,350,000	42,875,000	44,000,000	45,000,000	
TOTAL	\$ 178,018,953	\$ 21,915,031	\$ 301,171,418	\$ 63,814,962	\$ 566,920,164	\$ 573,955,364	\$ (7,035,000)
Percentage of Revenue Sources to Total Revenue Projections	31.40%	3.84%	53.48%	11.26%	100.00%		

Computation of Total Taxes
for Calendar Year 2005

			General Fund	Debt Service Fund
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	\$ 15,045,100
Amount required to fund first half of Adopted FY 2005-2006 Budget: July 1, 2005/December 31, 2005	\$178,018,953 x 50% =		<u>72,004,727</u>	<u>16,924,750</u>
TOTAL Taxes for Calendar Year 2005			\$ 138,461,088	\$ 31,969,850
Total Taxes for Calendar Year 2005				
1) Total Taxes 2005	\$ 138,461,088	= 7.65 mills	\$ 138,461,088	\$ 31,969,850
Assessed Valuation	\$ 22,292,878,735		\$ 22,292,878,735	\$ 22,292,878,735
			<u>6.21 mills</u>	<u>1.44 mills</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
Other Local				
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	55,500
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>
TOTAL	<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 per sport (\$75 for FY 2003-2004) Family Cap of \$300 (Middle and High Schools combined)
- (H) High School Parking Fees \$10 per 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
Fiscal Year 2005-2006

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>30,990,600</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>0</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
Fiscal Year 2005-2006

SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES

State Sources		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	205,308,1	229,980,395	242,432,876
Pupil Transportation (D)		17,019,454	16,237,400	17,028,533	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)		962,963	900,000	1,000,000	1,160,000
TOTAL	\$	224,137,949	224,619,703	249,071,215	261,494,546

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 \$167 Adjusted ADM for Quality Schools		1,063,431
Total Alaska Public School Funding Program Aid	\$	242,432,876

(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
Fiscal Year 2005-2006

SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES

<u>Federal Sources</u>	FY 2003-2004	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>	<u>FY 2005-2006</u>
	<u>Audited</u> <u>Actual</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.