



# Kenai Peninsula Borough Assembly and School Board Joint Worksession

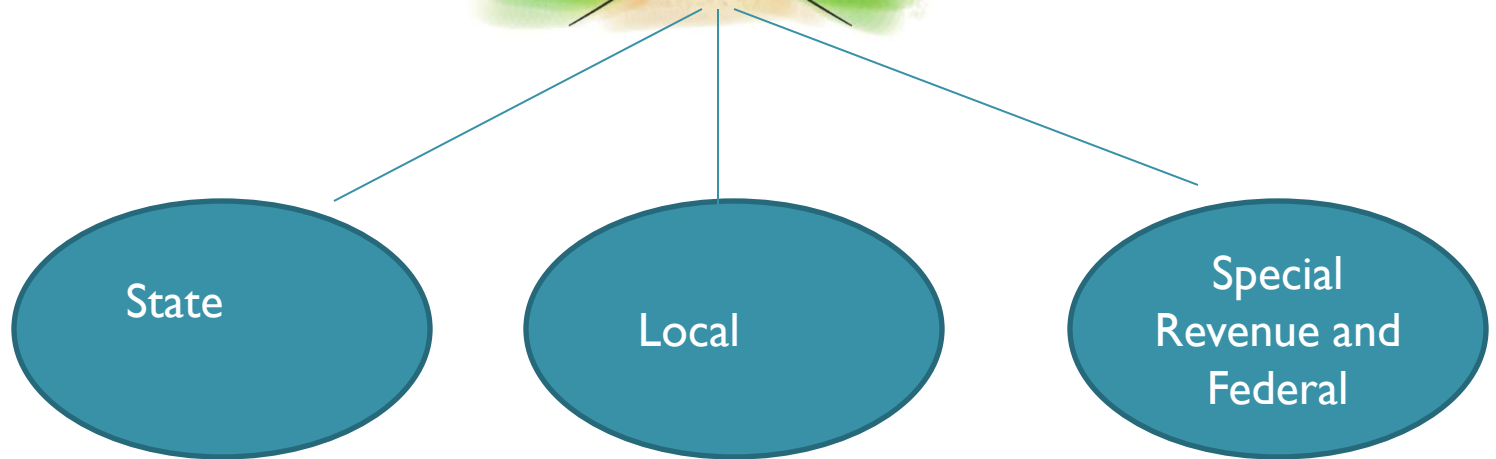
October 12, 2010

Steve Atwater, Superintendent

# Goals for Today

- Review how school district is funded
- Review process for allocating local funding
- Propose new process to calculate local funding for schools

# How KPBSD is funded



# Quick Facts on State Aid for schools

- Base student allocation (BSA) is determined by legislature- \$5,680- no increase is scheduled for next year (FY12)
- Area Cost Differential (ACD) pro-rates funding with Anchorage as the base
- FY11 ACD = 1.13 FY12 = 1.151 FY13= 1.171
- State also recognizes differences in building size, and needs in special education

# State Aid

- State funding is based on student enrollment during October
- District also receives transportation funds from the state
- Dave Jones will review this in detail at upcoming budget committee meeting on November 16.

# Local Aid

- Organized areas (boroughs, municipalities) must contribute a minimum of 4 mils of assessed value to the school district each year (AS 14.17.410)
- Assessed value of borough is determined on January 1. 2010 full value determination from state of Alaska = \$7,987,010,000
- State allows a local contribution in addition to the minimum, up to what is known as the cap

# Special Revenue and Federal Aid

- Entitlement money (Title I schools, Migrant Ed)
- Special Education (Title VIB)
- Other federal and special revenue monies- stimulus, food service, pupil transportation, etc.
- All special revenue money is targeted for specified uses- cannot supplant general fund dollars

# FY11 General Fund Budget = \$129,616,838



State  
79,845,772

Local  
43,251,135

Other Local  
1,146,000

Federal  
450,000

Fund Balance  
4,923,931



# KPBSD's Budgeting Priorities

Do all that we can to offer our students the best possible education.

Maintain a consistent level of service so that students' schooling experience is predictable

Be accountable to our stakeholders

# Common Questions About the District's Budget

- If your enrollment is going down, why is your budget going up?
- Why do you have a fund balance?
- What is your equipment fund and why is it so large?

# Decreased Enrollment and Increasing Budget

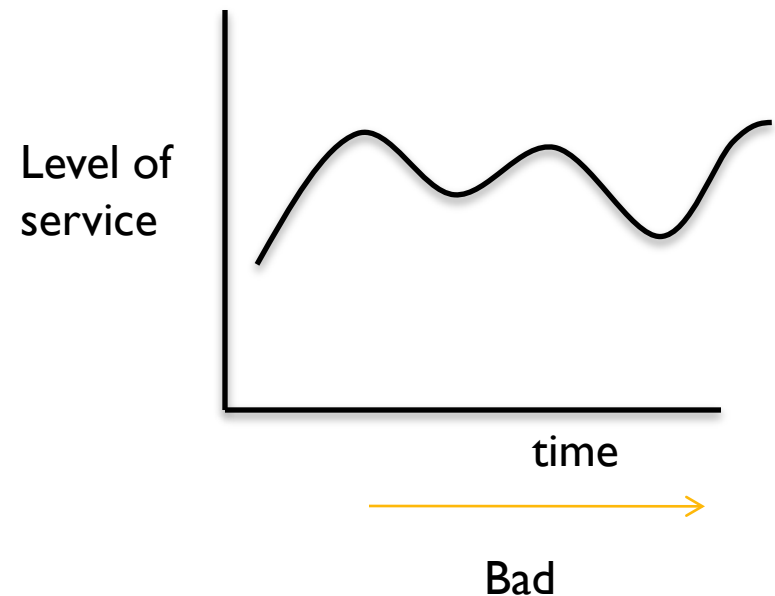
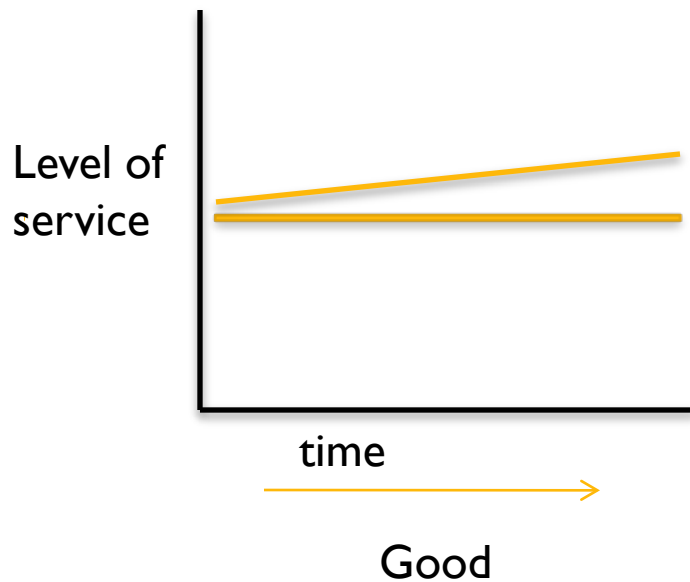
- Enrollment is declining, but at a much slower rate than it did in the past
- Programmatic Staffing begun in FY09 (+ 40FTE)
- Programmatic staffing added interventionists, counselors, reduced elementary PTR and increased secondary staffing levels
- Number of students determines number of staff at each school- staffing is not done by district, but by formula for each school

# Smaller Enrollment and Larger Budget (continued)

- Losing 100 elementary students in 3 Soldotna area elementary schools does not mean losing 4 teachers
- Cost of personnel is 78% of budget
- Health care costs increasing substantially Note: federal law changes will likely cause this amount to increase more
- Negotiated salary increases by about 2% each year
- On-behalf of payment (FY08) increased total budget by about \$ 15 million.

# Fund Balance

Goal is to maintain a consistent level of service for our students



# Fund Balance-We need it to offset funding changes so the students don't feel the effect

## Fund balance considerations

- 5.8 million dollars in payroll each month while school is in session
- 44 buildings-predicting costs is not exact science
- Unexpected and unfunded federal and state mandates (NCLB, health care)
- Changing nature of students
- Contracts issued must be paid, even if revenue drops
- Due to unfunded cost differential, district has historically been conservative with its money

# FY10 Fund Balance

Predicted fund balance usage	4,524,843
Actual fund balance usage	(161,301)
Variance	4,363,542

## Big Ticket Reasons for Variance

Interest earned	931,986
Salaries	1,396,941
Benefits	495,880
Utilities	1,235,796

**Note: revenue for FY11 Budget includes  
4.9 million use of fund balance**

# Equipment Fund

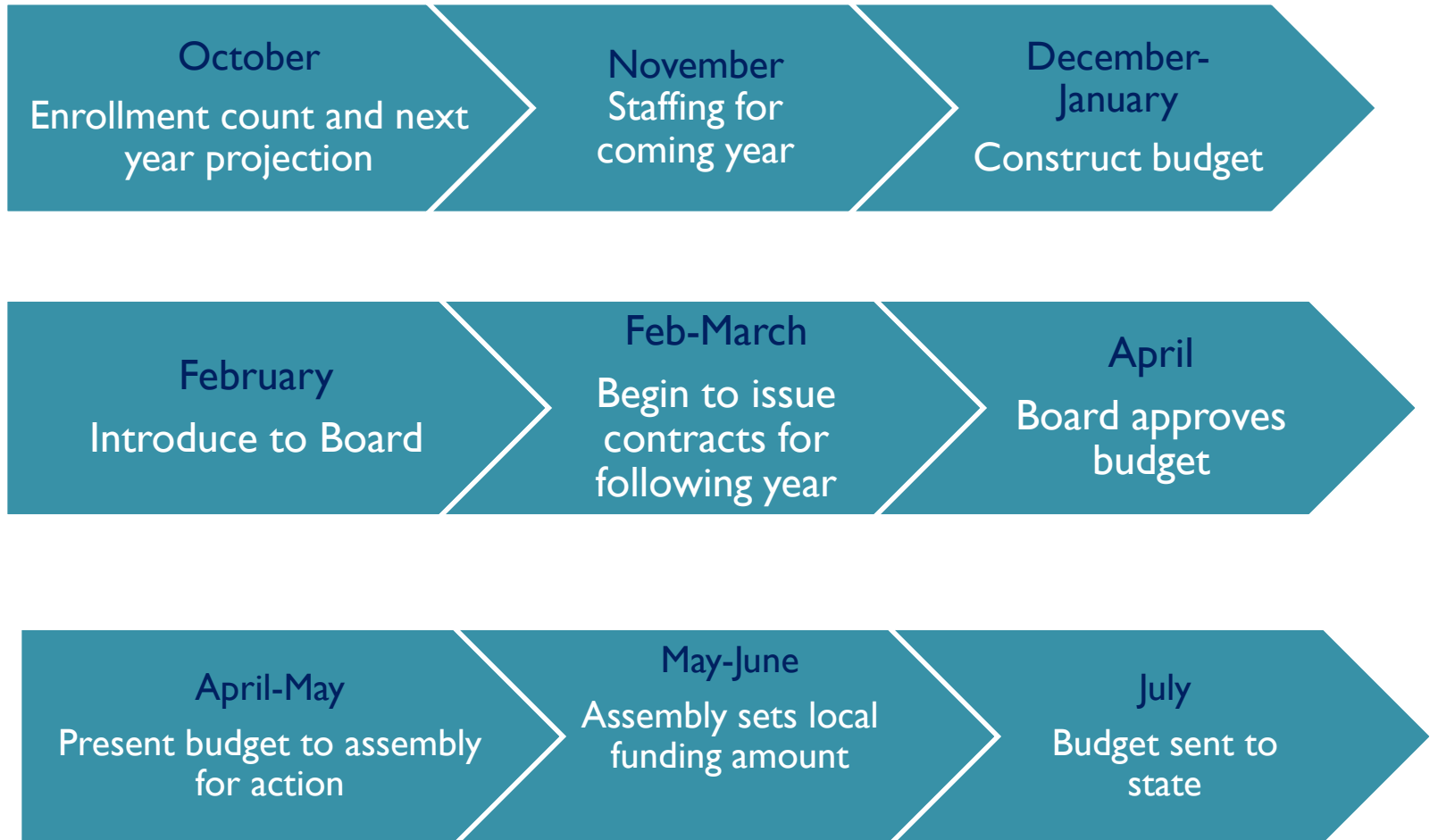
- Special Revenue fund- no transfer to fund at end of FY10
- District has \$23million in assets, 32% of capitalized and 56% of non-capitalized assets are past useful life
- Replacing some technology not on technology plan replacement schedule

Beginning Balance 7/1/09	7,937,171
Revenue	0
Expenditures	(1,340,186)
Ending fund balance 6/30/10	6,596,985

New accounting rules (effective FY11) require board to commit a funding source



# District's Budgeting Timeline



# Timing of Local Funding

- Traditionally, in December district budgets for the cap and hopes for the best
- School Board approves budget and then sends to Assembly- this has been done in April
- Amount of local funding is usually not settled until May or June
- Staffing (commitment of funds) is well under way before end of April

# What is the Maximum Local Contribution?

Has no connection to local revenue- state calculation of this is based on the following variables:

- Enrollment ↓
- School size ↔
- District cost factor ↑
- Special education intensive services factor ↔
- Base student allocation ↔
- Full and true value of taxable real and personal property ↓

# Local Support and School Performance

- KPBSD students generally do well when compared to other students in Alaska
- Staff stay with KPBSD for a long time- indicator of a good school district
- Level of service for KPBSD students is not as good as you might find in a rich suburb, but it is good
- Comparing cost per student is tricky due to incomparable variables (KPBSD gets no Impact Aid)

# Problem

- Maximum level of funding set by state is not tied to available local revenue-cap seems to be an abstract number
- Deciding on funding in late May or June is not in anyone's best interest
- Better selection of teachers available earlier in year
- Conversation on level of local funding is hurried and often emotional

# Solution

- Begin process for funding earlier in the year to allow more opportunities for open discussion
- Directly tie the level of district funding to local revenue
- Maintain priority of funding borough students at highest level possible

# Proposal for Local Funds for Schools

sales tax revenue (prior fiscal year)

+

\_\_\_ mils of property tax revenue

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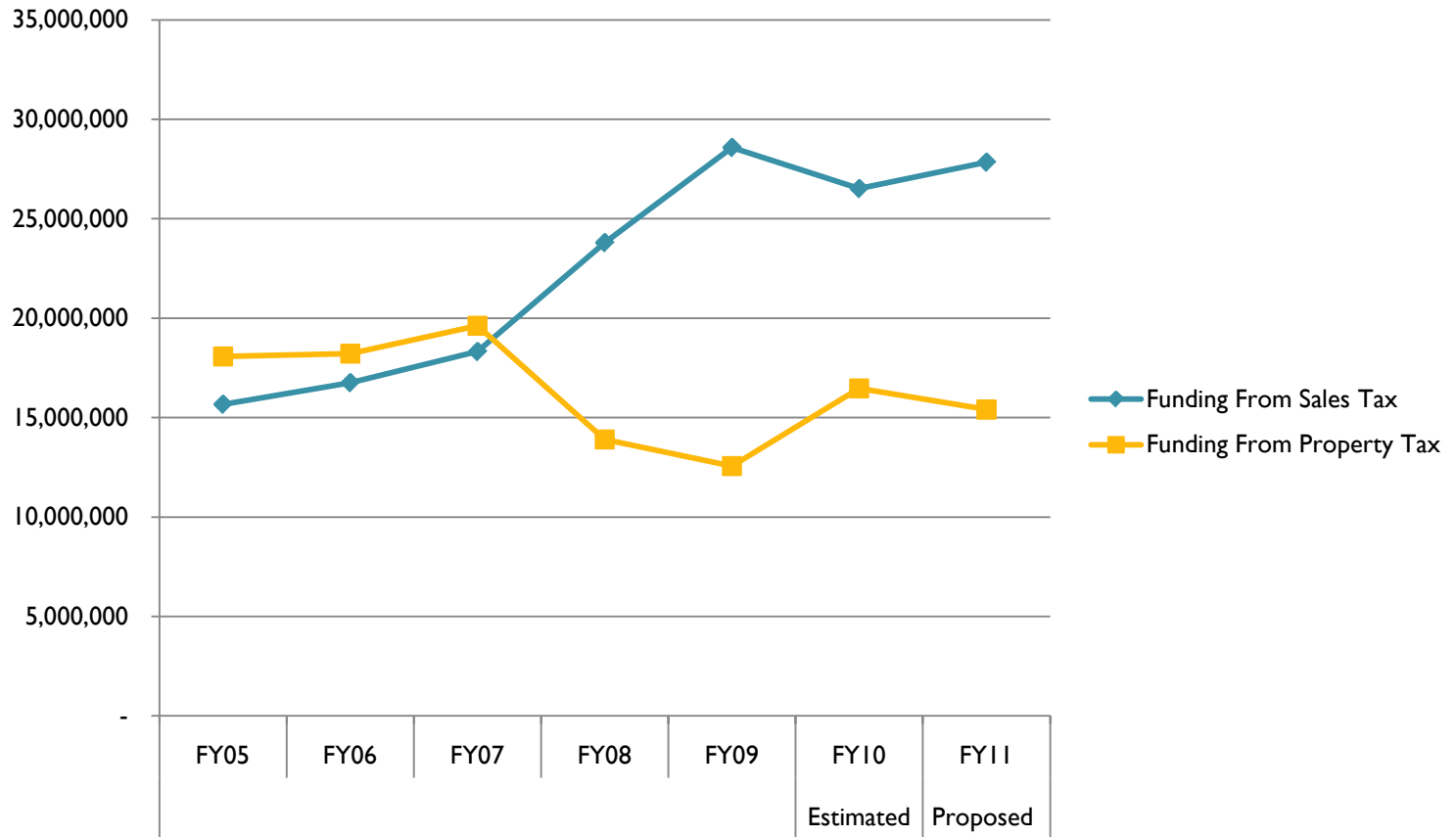
= Amount of local funding for subsequent year

# Proposed Funding Process

1. Each December district requests \_\_\_mils + sales tax for coming year's local contribution
2. Each January Assembly, by resolution, determines minimum amount of local district funding
3. Board submits budget to assembly in April
4. Assembly sets final local funding level in May-June



# Recent Local Contribution by Property Tax and Sales Tax



**In 2010 1 mil = 6.8 million**



# Questions and Discussion