



# KENAI PENINSULA BOROUGH SCHOOL DISTRICT

## Finance

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### MEMORANDUM

TO: Board of Education

THROUGH: Dr. Donna Peterson, Superintendent

FROM: Melody Douglas, CFO

SUBJECT: FY09 Budget

### BACKGROUND

Annually, the administration presents a recommended spending plan for the subsequent year to the Board of Education for approval. Board action on the FY09 budget is scheduled for the April 14, 2008 Board meeting. After Board approval and by May 1, the budget is forwarded to the Kenai Peninsula Borough Assembly for action in keeping with Alaska State Statute 14.14.060. Within 30 days after receipt of the budget, the Assembly will determine the total amount of local effort funding to be provided to the District.

### PERTINENT INFORMATION:

#### Revenue Budget Adjustments – General Fund

As a result of discussions during the January 22<sup>nd</sup> Board of Education and Assembly work session, the impact of the Agrium plant closure has been re-evaluated; the FY09 enrollment projection has been changed from 8963 to 9053 to reflect a 90 student increase to schools in the Central Peninsula. Impacted schools, Agrium, the Department of Labor, and other interested parties were consulted in reaching this decision. This change reflects an increase in local effort funding of \$219,564 and foundation funding of \$954,626.

The FY09 preliminary budget was developed based on the Joint Legislative Education Funding Task Force recommendations and the governor's proposed base student allocation (BSA) of \$200. Current legislative discussions do not seem to be in support of a \$200 BSA increase; therefore, the FY09 revenue budget has been adjusted downward to reflect only a \$100 increase to the BSA. This change reflects a decrease in local effort funding of \$348,303 and foundation funding of \$1,514,363.

The net effect of these two changes is a reduction of \$128,739 in local effort funding and a reduction of \$559,737 in foundation funding for a total reduction of \$688,476.

A fund balance allocation of \$1,668,872 is recommended for partial implementation of the programmatic staffing plan presented with the FY09 preliminary budget.

Continued legislative support for payments on behalf of the District into the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) is expected; however, this matter has not been finalized by the Legislature. Future adjustments to both the revenue and expenditure budget may be necessary pending the final outcome of this matter.

### **Expenditure Budget Adjustments- General Fund**

**Staffing Adjustment:** According to FY09 staffing formulas, increased enrollment of 90 students results in an increase of 4.5 full time equivalency (FTE) teachers, at an estimated cost of \$345,771.

**Programmatic Staffing Plan:** Given funding limitations, the programmatic staffing plan has been re-evaluated using a phased-in approach, assuming future funding availability. The recommended implementation for FY09 is:

**Programmatic staffing** allocation of 15% to allow increased targeted elective offerings such as vocational education, credit recovery, creative/practical arts, and foreign language at middle and high schools: estimated cost of \$1,690,436 for 22 FTE

**Counselor staffing** allocation using recommended staffing of 1:250 at high schools: estimated cost of \$384,190 for 5 FTE

**Intervention staffing** allocation to address grades K-8 district-wide: estimated cost of \$691,542 for 9 FTE

**Implement Read 180** at all middle schools: estimated cost of \$307,352 for 4 FTE

These additional forty (40) FTE certified staff represents an increase of 7% in general fund certified staff directly impacting students. In addition, grant funding will be targeted to hire approximately 12 FTE certified staff for small schools.

In addition to these changes, the preliminary FY09 budget included a staffing formula change to decrease class sizes for grades 4-6 by 2 students.

**Travel Expenditures:** Employees have been incurring personal costs to travel on behalf of the District in recent years. The current per diem rate of \$40 per day falls well below the current IRS per diem rates of \$78 for summer and \$71 for winter. The current IRS business mileage rate is 50.5 cents per mile as opposed to the District's 35 cents per mile. An additional allocation of \$100,000 to travel accounts is recommended to implement IRS established per diem and mileage reimbursement rates. This change would require a change to AR 3345 before July 1, 2008.

**Transfer of Funds:** HB 273 addresses an increased per pupil transportation fund allotment; Legislative approval is expected. Therefore, the fund transfer in the amount of \$591,553 to the pupil transportation fund has been eliminated from the General Fund for the FY09 budget.

**State Competition Travel:** Several years ago, all general fund co-curricular travel funds were eliminated due to budget constraints. It is recommended that a state competition reimbursement account be re-established in the amount of \$75,000 so schools may apply for reimbursement of part or all travel costs associated with participation in statewide competitions. All co-curricular travel activities are slated for review this Spring to ensure compliance with Board Policy.

**In-Kind Adjustment:** The District has not been notified of any in-kind budget amount changes from the Kenai Peninsula Borough; it will likely be necessary to revise these amounts at a later date.

**RECOMMENDATION:**

The administration recommends the Board of Education approve a general fund budget of \$120,209,256 and special revenue funds totaling \$16,888,975 for a total FY09 budget for all funds of \$137,098,231 as presented. It is likely that a budget revision will be necessary after final Legislative education funding action.

**ADDITIONAL INFORMATION:**

FY09 General Fund Budget Revision Summary:

General Fund Revenue Budget

Preliminary FY09 revenue budget	<u>\$119,228,860</u>
Decreased local effort	(128,739)
Decreased foundation funding	(559,737)
Allocation of fund balance	<u>1,668,872</u>
Change in revenue budget	<u>980,396</u>
Recommended FY09 revenue budget	<u>\$120,209,256</u>

General Fund Expenditure Budget

Preliminary FY09 expenditure budget	<u>\$117,206,518</u>
Certified staff for increased enrollment (Agrium) – 4.5 FTE	345,771
Programmatic staffing increases:	
M/S and H/S elective offerings – 15% formula allocation – 22 FTE	1,690,436
H/S counselors – 5 FTE	384,190
Intervention staff grades K-8 – 9 FTE	691,542
M/S Read 180 – 4 FTE	307,352
Increased travel allotments – changed per diem and mileage rates	100,000
Eliminate pupil transportation fund transfer	(591,553)
Re-establish a state-tournament reimbursement account	<u>75,000</u>
Total increased expenditures	<u>3,002,738</u>
Revised FY09 expenditure budget	<u>\$120,209,256</u>

**Fund Balance:** The use of fund balance for ongoing operational expenses creates a potential challenge in budgeting for the subsequent year. All situations remaining equal, in the future additional revenue will be needed to address the portion of the budget covered by the use of fund balance for FY09. If sufficient funds are not realized to address routine annual increases and/or the amount covered by the fund balance allocation, the District will need to make appropriate adjustment in the FY10 budget.