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February 18, 2004

Dear Fellow Alaskan:

At the request of the Alaska Legislature, the Local Boundary Commission (LBC) and the Department of Education and Early Development (DEED) prepared this report regarding school consolidation in Alaska.

Public education is one of the core missions of the State of Alaska. The responsibilities are shared with organized boroughs, city school districts, and regional educational attendance areas throughout the state.

Clearly, quality schools are key to an educated society and a skilled workforce.

The contributions of the LBC and the DEED in preparing this report lay the groundwork for a well-informed debate over the future structure of school districts in Alaska.

I recognize and value the hard work and expertise that the two agencies devoted to this important effort, and I look forward to discussions and debate regarding this fundamentally important matter.

Sincerely yours,

A handwritten signature in black ink, reading "Frank H. Murkowski".

Frank H. Murkowski
Governor



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February 18, 2004

The Honorable Gene Therriault
Senate President
Twenty-Third Alaska State Legislature
State Capitol, Room 111
Juneau, Alaska 99801-1182

The Honorable Pete Kott
Speaker of the House
Twenty-Third Alaska State Legislature
State Capitol, Room 208
Juneau, Alaska 99801-1182

Dear President Therriault and Speaker Kott:

The 2003 Alaska Legislature directed the Local Boundary Commission (LBC) and the Department of Education and Early Development (DEED) to address matters relating to school consolidation. Specifically, the directive (page 10, section 1, chapter 83, SLA 2003) states as follows:

It is the intent of the legislature that (1) the Local Boundary Commission identify opportunities for consolidation of schools, with emphasis on school districts with fewer than 250 students, through borough incorporation, borough annexation, and other boundary changes; (2) the Local Boundary Commission work with the Department of Education and Early Development to fully examine the public policy advantages of prospective consolidations identified by the Local Boundary Commission, including projected cost savings and potential improvements in educational services made possible through greater economies of scale; and (3) the Local Boundary Commission with the Department of Education and Early Development report their findings to the legislature no later than the 30th day of the Second Session of the 23rd Legislature.

The LBC and DEED joint report in response to that directive follows the conclusion of this letter.

The LBC and DEED recognize that certain risks were inherent in assigning joint responsibility for this study to two separate agencies. Notably, it was evident early on that divergent policy views by the two agencies might lead to differing conclusions.

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In the end, however, that proved not to be the case. In fact, requiring the two agencies to co-produce the report resulted in a better product. The LBC and DEED commend the Legislature (particularly Senator Gary Wilken, the architect of the legislative directive) for undertaking review of this important public policy matter and for having confidence in the two agencies assigned to the task. Senator Gary Wilken was an active participant in the study effort throughout the course of the project, including discussions concerning the need for a few additional days to complete the report.

In the course of the study, DEED analyzed the economic effects of consolidating 10 small city school districts (districts with fewer than 250 students). The LBC reached the following conclusions regarding the effects that consolidation would have on those districts.

- Ü State education costs would be reduced by \$262,833 each year, or more than \$190 per student in the 10 city school districts.
- Ü Consolidation would increase basic need (the entitlement for education funding) for the students in the 10 small districts by \$1,038,240, or more than \$750 per student.
- Ü Consolidation would free up local taxes in the 10 cities by \$1,088,642 annually, or nearly \$800 per student.
- Ü The sum of the economic gains noted above equals \$1,740 per student each year, but prospective benefits of consolidation extend well beyond that gain.
- Ü Many of the 10 small city school districts and the four regional educational attendance areas that encompass those city school districts do not meet the statutory requirement for a minimum of 70 percent instructional spending. If consolidated, those fourteen districts would be merged into four larger regional districts.
- Ü Creating four larger regional districts might improve programs and offer other educational benefits to students.
- Ü Circumstances suggest to the Local Boundary Commission that the future of small school districts in Alaska is unlikely to improve without leadership from the State Legislature in terms of school consolidation. Those circumstances include growing administrative burdens on school districts, generally shrinking student populations in smaller school districts, and competition for increasingly scarce financial resources.

Details regarding those conclusions are found on pages 65 - 69 of the report.

More than four decades ago, Governor William Egan, former President of Alaska's Constitutional Convention, made the following remarks in his State-of-the-State address to the 1963 Legislature:

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Local government problems continue to be [the] subject of deep and understandable concern. Many areas need improved school systems, sanitation, fire protection, planning and zoning, water and flood control, community water and sewer systems. Organized boroughs can provide these local government services.

Just weeks ago, Governor Murkowski echoed similar sentiments in his January 2004 State-of-the-State address. He noted that the key to Alaska's future is financial stability. Two components of his plan to achieve that stability relate to issues underlying the study of school consolidation.

The third element of my program is that the costs of government should be borne as much as possible by the direct users of services.

- My fiscal program expects that those who directly benefit from state services pay a fair share — through modest fees and taxes that do not interfere with personal savings and investment.

The fourth cornerstone of my program is local responsibility for local needs. Local governments should look first to local revenue sources to help fund schools, public facilities, fire and safety services.

The LBC and DEED take the view that considerable benefit has already resulted from this school consolidation study effort, and the potential future benefits are beyond measure. Under Alaska's Constitution, education is a State function and a State responsibility. How far the State Legislature pursues this matter will be decided in time.

The LBC and DEED have one regret with respect to this study — time and circumstances did not allow the two agencies to hold public hearings on the topic of school consolidation. The LBC and DEED are in a position to hold public hearings on the matter following the completion of this report in the event that the Legislature wishes the two agencies to pursue the matter.

Alternatively, of course, the State Legislature could formally request the LBC to consider specific local government boundary changes that would have the effect of school consolidation (e.g., borough incorporation, borough annexation, city reclassification, etc.). Under AS 44.33.812, the Commission would be obligated to formally address such requests, which would entail a thorough review of the proposal and a local public hearing in each affected area.

The LBC has outlined the following general recommendations to the Legislature regarding school consolidation:

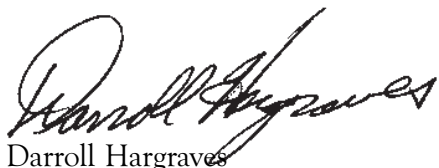
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- (a) Promote borough government.
- (b) Establish threshold for school districts to relinquish school powers.
- (c) Establish formal procedures for REAA boundary changes.
- (d) Address the establishment of federal transfer REAAs through apparent local and special legislation.
- (e) Remove disincentives for school consolidation from the education funding formula.
- (f) Create incentives for school consolidation.

Details concerning those recommendations are presented on pages 51 - 59 of the report.

The report and other information relative to the school consolidation effort are posted on the Commission's Web site at <<http://www.dced.state.ak.us/dca/lbc/lbc.htm>> under "School Consolidation." The report is also available on CD and may be obtained by contacting LBC staff at 907-269-4560.

Cordially,



Darroll Hargraves
Chair
Local Boundary Commission



Roger Sampson
Commissioner
Department of Education and Early Development

cc: The Honorable Frank Murkowski, Governor, State of Alaska

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