

Even today, the residual unorganized borough encompasses an estimated 374,843 square miles. That figure represents 57 percent of Alaska – an area larger than the countries of France and Germany combined.

In the late 1980s, the Commission received a number of competing proposals to annex and incorporate various portions of the unorganized borough.³⁵ The Commission concluded that it would be best to examine those and future borough proposals in the context of model boundaries based on constitutional, statutory, and regulatory standards for borough incorporation.

Consequently, in 1990 the Commission initiated the effort to define model borough boundaries within the vast and diverse unorganized borough using borough boundary standards established in law. The project was completed at the end of 1992. The Alaska Legislature appropriated funding for the project. The Commission conducted hearings regarding model borough boundaries in person or by teleconference in 88 communities.

The result today is 18 different model unorganized boroughs. In addition, the Commission identified 5 parts of the unorganized borough that were determined to have greater social, cultural, economic, geographic, transportation, and other ties to existing organized boroughs vis-à-vis any of the eighteen unorganized model boroughs. If educational services were delivered in terms of model boroughs, the number of school districts in the unorganized borough would drop by more than half (from 37 to 18).

Model borough boundaries are rooted in Alaska's Constitution. Article X, Section 3 of the Constitution requires that all of Alaska be divided into boroughs, organized or unorganized. The division of Alaska into boroughs must be in accordance with standards including population, geography, economy, transportation, and other factors. The Constitution requires that each organized and un-

organized borough embrace an area and population with common interests. In addition, Article X, Section 1 of Alaska's Constitution favors a minimum number of boroughs.

Model borough boundaries are central to the examination of the prospect for consolidation of many of the smaller school districts through borough incorporation and annexation.³⁶

As noted earlier, 17 of the 53 school districts in Alaska (32 percent) have fewer than 250 students. Thirteen of those small districts, together with 7 somewhat larger unorganized borough school districts (≥ 250 students) are within the 8 model boroughs discussed below ((i) - (viii)). If boroughs formed along the lines of those 8 model boroughs, it would result in the consolidation of 20 school districts in the unorganized borough into 8 organized borough school districts.

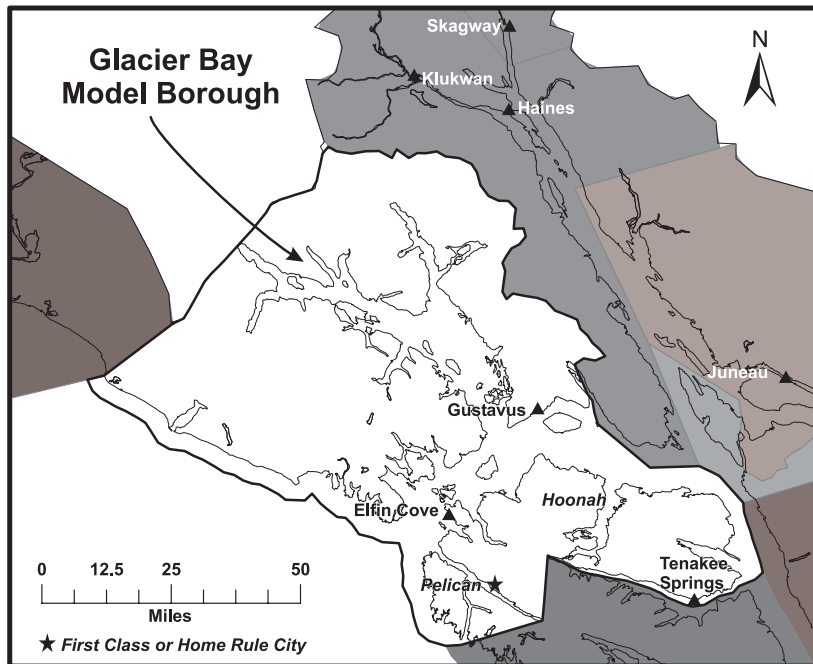
(i) Glacier Bay Model Borough.

The Glacier Bay Model Borough encompasses the City of Pelican School District, the City of Hoonah School District, and portions of the Chatham REAA.³⁷ Each of those 3 school districts has fewer than 250 students.

³⁵ See Appendix K, which provides detailed background about model borough boundaries.

³⁶ Appendix K.

³⁷ The communities of Klukwan (enrollment 41) and Angoon (enrollment 125), although part of the Chatham REAA, are not part of the Glacier Bay Model Borough. Thus, the enrollment of the prospective Glacier Bay Model Borough excludes the students at Klukwan and Angoon. It is noted, however, that when the Commission prepared its 2003 *Unorganized Borough Report*, Commission members discussed the prospect that a Glacier Bay Borough might include the community of Angoon.



In FY 2004, the resident ADM of students attending school in the Chatham REAA was 218.4 students. The enrollment gap for the Chatham REAA is 12.6 percent. In the past twelve years, the number of students attending school in the Chatham REAA has dropped by 42 percent.

In 1998, the Alaska Legislature established a fundamental policy concerning the percentage of operating funds that must be spent on instruction. The policy was enacted as a law requiring that each school district must spend at least 70 percent of its operating funds on instruction (AS 14.17.520).

The City of Pelican School District has the fewest number of students of all school districts in Alaska. In FY 2004, the Pelican School District served only 15 students (resident ADM). The City of Pelican School District has an “enrollment gap” of 94 percent.³⁸ In the past twelve years, the number of students enrolled in the Pelican City School District dropped by 67.3 percent.



City of Pelican School.

The City of Hoonah School District had a resident ADM of 180.2 in FY 2004. The enrollment gap for the Hoonah School District is 27.9 percent. In the past twelve years, the number of students enrolled in the Hoonah City School District declined by more than 23 percent.

The requirement concerning spending for instruction was phased in over a three-year period. In 1999, each district had to spend at least 60 percent of its operating funds on instruction. In 2000, the requirement increased to 65 percent. Beginning in 2001, each district had to spend at least 70 percent on instruction.

The State Board of Education is permitted to grant waivers if it determines that “the district’s failure to meet the expenditure requirements of this section was due to circumstances beyond the control of the district” (AS 14.17.520(d)).

All three school districts in the Glacier Bay Model Borough have sought and received waivers from the State Board of Education concerning the required minimum expenditure for instruction for the past several years. The Pelican City School District has

³⁸ Enrollment gap is the difference between the 250-student threshold established in AS 14.12.025 and the most recent ADM for a district with fewer than 250 students.

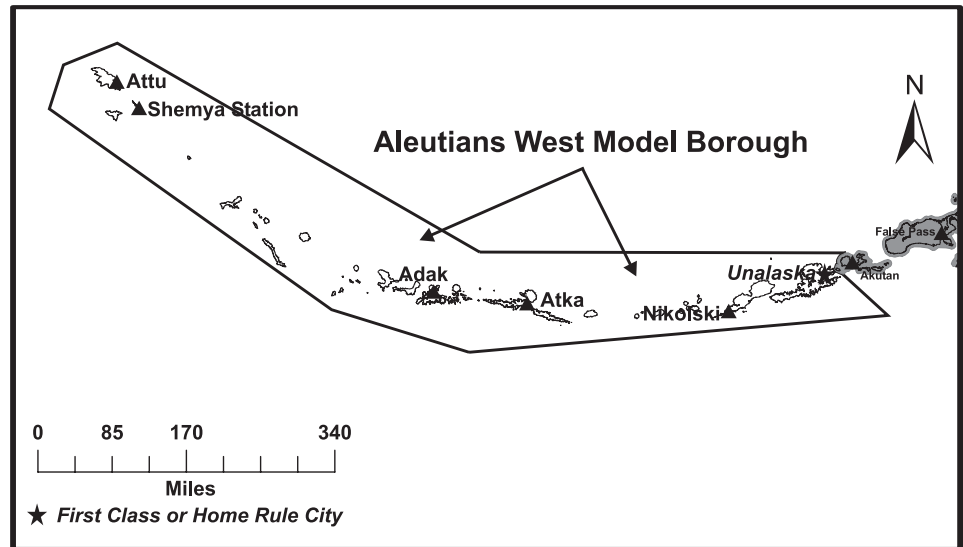
required waivers for the past four years. Its current level of expenditures for instruction is 63 percent of operating expenses – 7 percentage points below the threshold.

The City of Hoonah School District has required waivers for the past five years. Hoonah's present expenditures for instruction amount to 60 percent of operating expenses – 10 percentage points below the threshold.

The Chatham REAA has required waivers for the past four years. Its current level of expenditures for instruction is 69 percent of operating expenses – 1 percentage point below the threshold.

If the Glacier Bay Borough were formed, it would consolidate the Pelican City School District, the Hoonah City School District and portions of the Chatham REAA into a single district. The Glacier Bay Borough School District would have an estimated enrollment of 252 (1.6 percent) above the 250-student threshold.³⁹

It is noteworthy that the Commission determined in 2003 that the Glacier Bay Model Borough meets all of the standards for borough incorporation.⁴⁰ Additionally, it is noted that local residents in the Glacier Bay Model Borough have recently taken steps to draft a petition for borough incorporation. No petition, however, has yet been filed with the Commission.



(ii) Aleutians West Model Borough.

The Aleutians West Model Borough encompasses the Aleutian Region REAA and the City of Unalaska School District.

The Aleutian Region REAA has the second lowest enrollment among all school districts in Alaska. In FY 2004, the Aleutian Region REAA served only 42.1 students (resident ADM). Thus, the Aleutian Region REAA has an enrollment gap of 83.2 percent.

³⁹ The projected enrollment figure consists of 15 students at Pelican, 180 students at Hoonah, 45 students at Gustavus, and 12 students at Tenakee Springs. It does not include 125 students at Angoon or 45 students at Klukwan which are served by the Chatham REAA but are not within the Glacier Bay Model Borough boundaries. Again, it is noted, however, that when the Commission prepared its 2003 *Unorganized Borough Report*, Commission members discussed the prospect that a Glacier Bay Borough might include the community of Angoon.

⁴⁰ See 2003 *Unorganized Borough Report*.

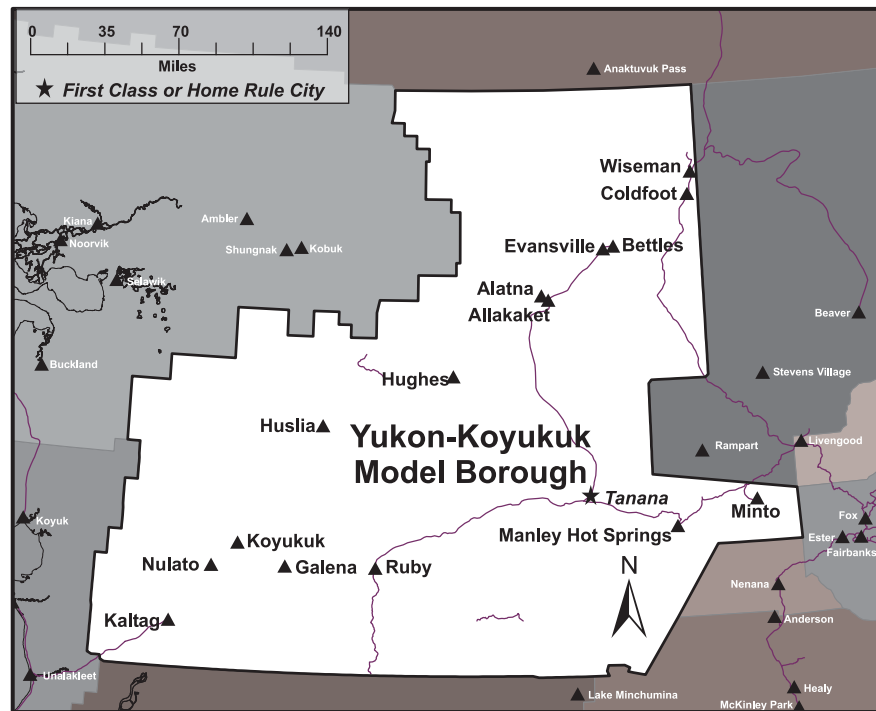
The Aleutian Region REAA has required waivers of the previously noted threshold for instructional spending in five of the six years that the requirement has been in place. The exception was FY 2003. Presently, the existing level of expenditures for instruction in the district is 66 percent of operating expenses – 4 percentage points below the threshold. The City of Unalaska School District has never required a waiver.

In FY 2004, the City of Unalaska School District recorded an ADM of 398.6. If the Aleutians West Borough were formed, it would consolidate the Aleutian Region REAA and the City of Unalaska School District. The resulting district would have an ADM of 440.7. That figure is 76.3 percent above the 250-student threshold.

It is noteworthy that the Commission determined in 2003 that the Aleutians West Model Borough meets all of the standards for borough incorporation.⁴¹

(iii) *Yukon-Koyukuk Model Borough.*

The Yukon-Koyukuk Model Borough encompasses the Tanana City School District, Galena City School District, and Yukon-Koyukuk REAA. Each of the city school districts has a resident ADM below the 250-student threshold. Specifically, the City of Tanana School District is the third smallest district in Alaska with an FY 2004 resident ADM of 63.3.



The comparable figure for the City of Galena School District is 229. The enrollment gaps for the Tanana District and the Galena District are, respectively, 74.7 percent and 8.4 percent.

The City of Tanana School District has required waivers of the previously noted instructional expenditure threshold for the last five years. Currently, it spends 51 percent of its operating funds on instruction. That level is 19 percentage points below the threshold. The City of Galena School District has never required a waiver during the past six years that the threshold has been in place.

If the Yukon-Koyukuk Borough were formed, the three districts noted above would be consolidated into a single school district. The size of that district, based on FY 2004 resident ADMs, would be equivalent to 727 students. That figure exceeds the 250-student threshold by 477 (190.8 percent).

The Commission's 2003 *Unorganized Borough Study* did not identify the Yukon-Koyukuk Model Borough as a region that meets all of the standards for borough incorporation.

⁴¹ See 2003 *Unorganized Borough Report*.

(iv) Prince William Sound Model Borough.

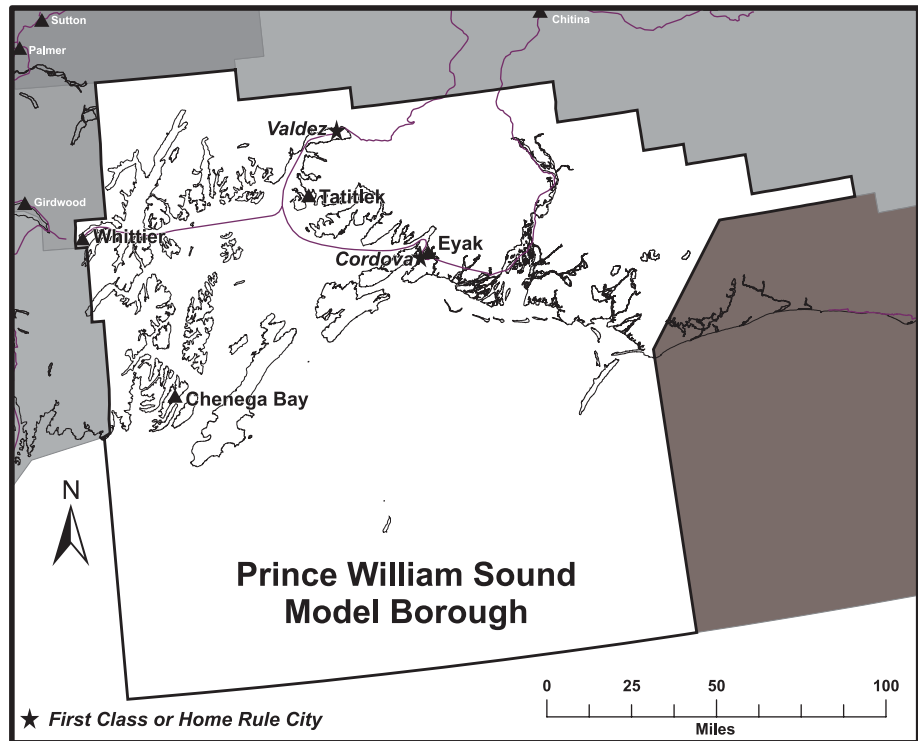
The Prince William Sound Model Borough encompasses the Chugach Region REAA, the City of Cordova School District, and the City of Valdez School District.

The Chugach Region REAA is the fourth smallest school district in Alaska in terms of numbers of students. In FY 2004, the Chugach Region REAA served only 75 students (resident ADM). In FY 2004, the Chugach Region REAA had an enrollment gap of 70 percent.

During the same period, the City of Cordova School District and the City of Valdez School District recorded ADMs, respectively, of 471.7 and 866.7. If the Prince William Sound Borough were formed, it would consolidate the three districts into a single district. The resulting district would have an ADM of 1,413.4. That figure is 4.7 times greater than the 250-student threshold.

The City of Cordova is the only school district in this region that has required a waiver of the previously noted requirement for instructional spending. The need for a waiver arose only in the current year, where Cordova's spending for instruction is 69 percent of its operating budget. That figure is 1 percentage point below the threshold.

It is noteworthy that the Commission determined in 2003 that the Prince William Sound Model Borough meets all of the standards for borough incorporation.⁴²

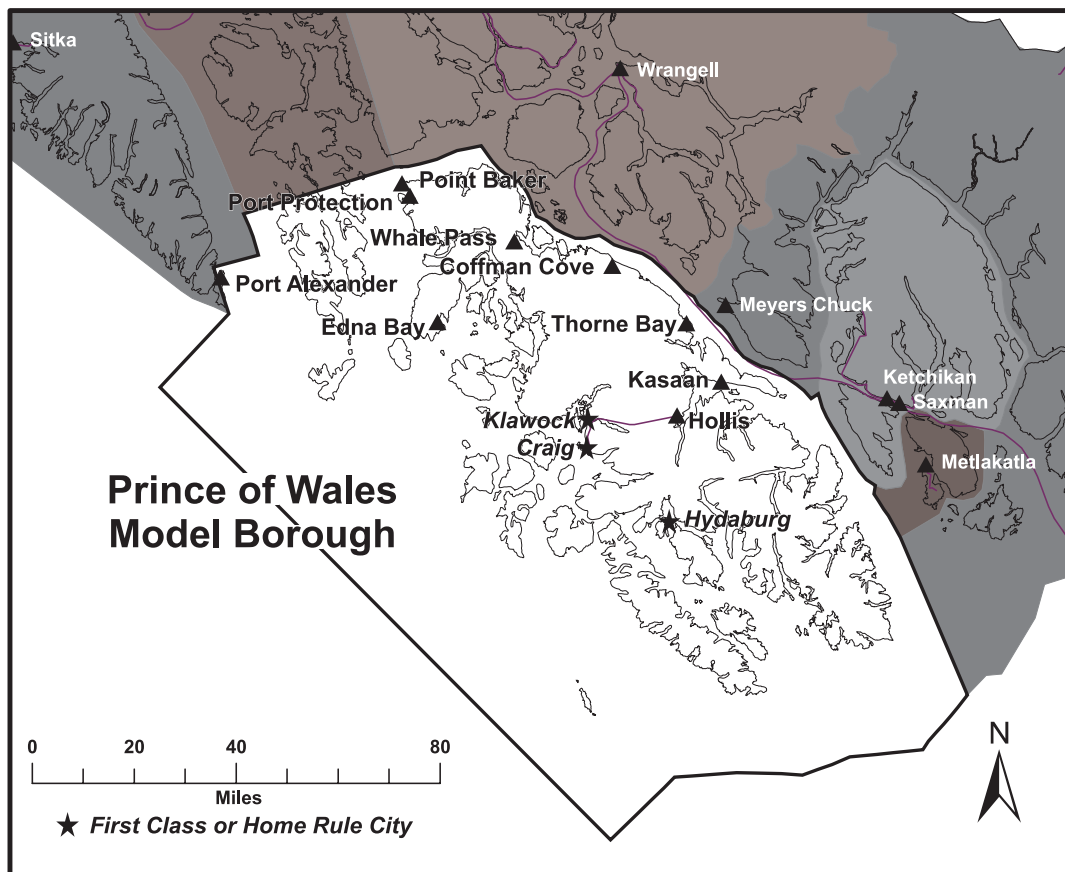


(v) Prince of Wales Model Borough.

The Prince of Wales Model Borough encompasses three city school districts and most of one REAA. The three city school districts are those operated by the City of Hydaburg, City of Klawock, and the City of Craig. The REAA is the Southeast Island REAA.

Two of the three city school districts (Hydaburg and Klawock) and the Southeast Island REAA each have fewer than 250 resident students. The City of Hydaburg School District is the fifth smallest district in terms of enrollment. In FY 2004, it had an ADM of 87.1. That figure represents an enrollment gap of 65.2 percent.

⁴² See 2003 *Unorganized Borough Report*.



The City of Hydaburg School District has required waivers in five of the past six years. Its current spending for instruction is 1 percentage point below the required 70 percent mark.

If a Prince of Wales Borough were formed, it would consolidate the four districts into one. The enrollment of that consolidated district, based on most recent figures, would be 816.1.⁴³ That figure is 3.3 times greater

In FY 2004, the City of Klawock School District had a resident ADM of 147. That figure was 103 (41.2 percent) below the 250-student threshold. At the same time, the Southeast Island REAA had a resident ADM of 210.2. That district's enrollment gap was 15.9 percent. The City of Craig School District had an FY 2004 resident ADM of 381.8. That figure is 52.7 percent above the 250-student threshold noted earlier.

Three of the four Prince of Wales Island school districts required waivers of the previously noted requirement for instructional spending. The City of Klawock has been granted waivers in each of the past two years. Its current level of instructional spending is 63 percent of all operating expenditures. That is 7 percentage points below the benchmark. The Southeast Island REAA has required waivers in three of the past four years. Its current instructional spending is 2 percentage points below the required 70 percent mark.

than the 250-student threshold.

The Commission's 2003 *Unorganized Borough Study* did not reach a definitive conclusion whether the Prince of Wales Model Borough satisfies all of the standards for borough incorporation. The Commission, as constituted at that time, did conclude that the Prince of Wales Model Borough had a sufficiently large and stable population to support borough government. That Commission also determined that the region met the borough standards relating to regional commonalities and broad public interests. However, that Commission did not make a conclusion whether the Prince of

⁴³ The communities of Hyder (enrollment 10), Meyers Chuck (no school), and Kupreanof (no school), although part of the Southeast Island REAA, are not part of the Prince of Wales Model Borough.



Thorne Bay School operated by the Southeast Island REAA on Prince of Wales Island.

Wales Model Borough did or did not have the economic capacity to support a borough government. Specifically, the 2003 *Unorganized Borough Study* states:

Based on: (1) anticipated borough functions; (2) anticipated expenses; (3) anticipated income; (4) ability to generate and collect local revenue; (5) economic base, land use, existing and reasonably anticipated industrial, commercial, and resource development; (6) property valuations; (7) personal income; and (8) prior borough feasibility studies, the Commission concluded that the seven unorganized areas previously noted have the human and financial resources needed to provide borough services.



Kasaan School operated by the Southeast Island REAA on Prince of Wales Island.

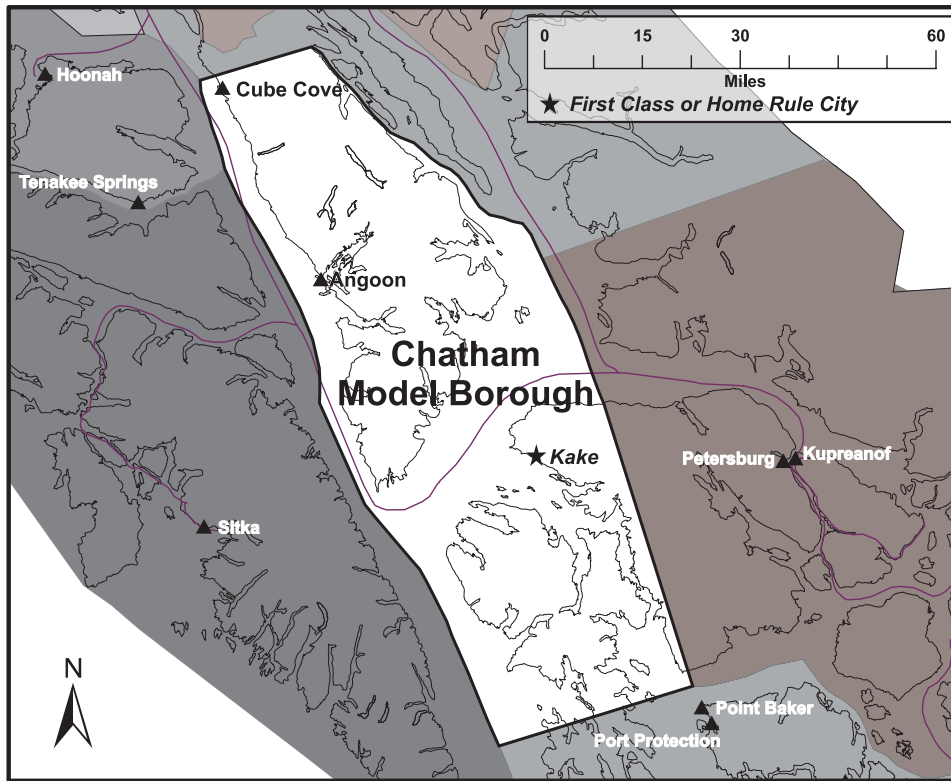
One additional area – the Prince of Wales Island region – was also carefully considered by the Commission. Given the resources and time available for this report, it was necessary for the Commission to use the most current available secondary data (e.g., reports of the 2000 census). Detailed economic data from the 2000 census was released by the U.S. Census Bureau on September 25, 2002 – just one week after the legislative directive for this study took effect. While the data became available less than five months ago, the Commission recognized that recent socioeconomic trends not reflected in such official published data may significantly affect the capacity of the Prince of Wales Island region to support borough government at this time. Therefore, pending more up-to-date information and further



Hollis School operated by the Southeast Island REAA on Prince of Wales Island.

analysis, including fuller analysis of the fiscal impacts of school district consolidation, the Commission declined to render a finding as to whether the Prince of Wales Model Borough has the human and financial resources to support borough government.

The current Commission observes that the population figures presented in the 2003 *Unorganized Borough Study* indicate that nearly 60 percent of the residents of the Prince of Wales Model Borough currently live within first-class cities. As noted earlier, first-class cities in the unorganized borough have the same duties as organized boroughs. Thus, there is a strong presumption that at least the areas within first-class cities on Prince of Wales Island have the economic capacity to support a borough government.



by the Kake School District is 65 percent of its total operating expenditures. That figure is 5 percentage points below the threshold established in law.

If the Chatham Borough were formed, it would have an enrollment of 280.2 (12.8 percent above the 250-student threshold).

It is noteworthy that the Commission determined in 2003 that the Chatham Model Borough meets all of the standards for borough incorporation.⁴⁶

Additionally, it is noted that officials of the City of Kake have expressed interest in forming a borough. No petition, however, has been filed with the Commission.

When circumstances permit, the current Commission intends to pursue the further examination of the capacity of the Prince of Wales Model Borough to meet the standards for incorporation of a borough.

(vi) Chatham Model Borough.

The Chatham Model Borough encompasses the City of Kake School District⁴⁴ and Angoon, which is currently part of the Chatham REAA.⁴⁵ The City of Kake School District had an FY 2004 ADM of 155.2. That figure is 37.9 percent below the 250-student threshold.

In the past twelve years, the number of students enrolled in the Kake City School District dropped by 16.2 percent.

The City of Kake School District has required waivers of the 70 percent instructional spending requirement in every year that the constraint has been in place. The current level of instructional spending

⁴⁴ Please note that the City of Kake School District is designated as part of the *Chatham Model Borough*. It is geographically located in the Southeast Island REAA (not the Chatham REAA) but is not a part of that REAA for educational jurisdiction purposes.

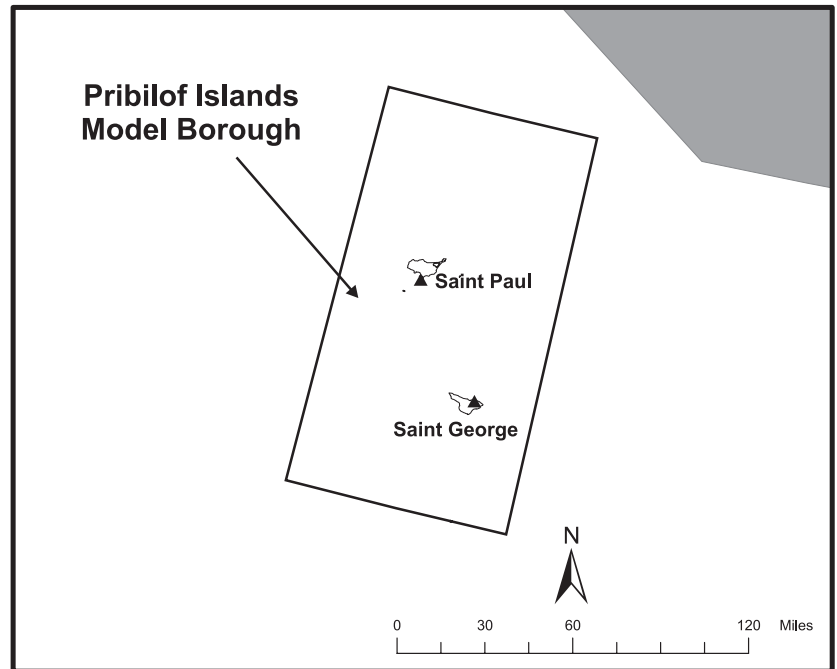
⁴⁵ The community of Angoon (enrollment 125) is part of the Chatham Model Borough. It is noted, however, that when the Commission prepared its 2003 *Unorganized Borough Report*, Commission members discussed the prospect that Angoon might be more properly placed with Glacier Bay Borough communities and Kake might be more properly placed in the Wrangell-Petersburg Model Borough.

⁴⁶ See 2003 *Unorganized Borough Report*.

(vii) Pribilof Islands Model Borough.

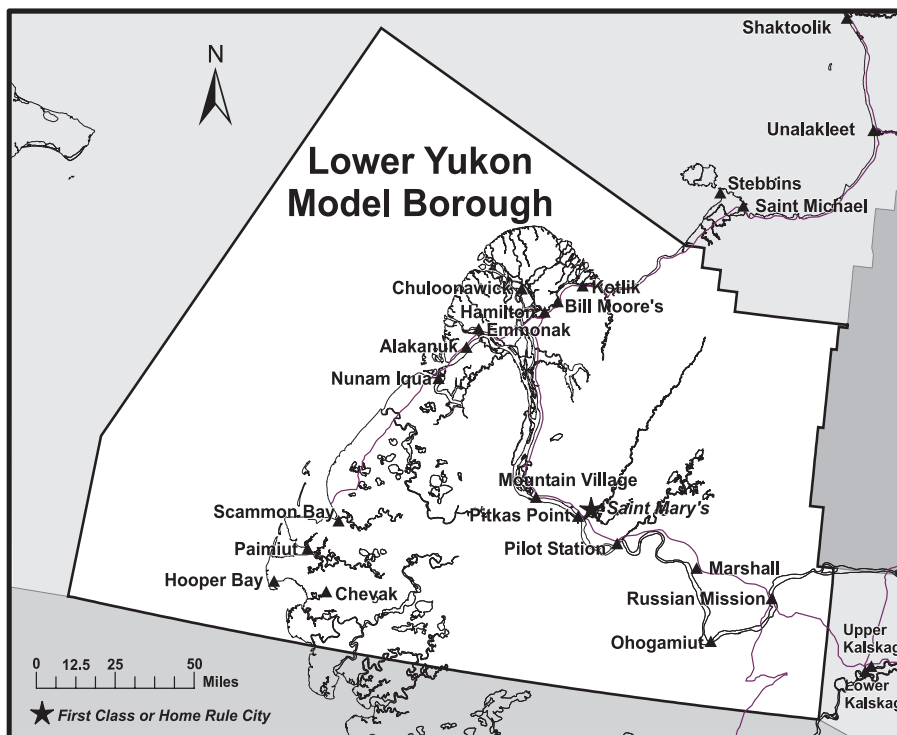
The boundaries of the Pribilof Islands Model Borough are coterminous with those of the Pribilof Islands REAA. That REAA had an FY 2004 ADM of 124.5. The number of students in that district is 50.2 percent below the 250-student threshold for creation of a new school district.

Creation of the Pribilof Island Borough would not consolidate any school districts. It is noteworthy that the Commission did not include this region among those listed in its 2003 *Unorganized Borough Report* as meeting the standards for borough incorporation.

*(viii) Lower Yukon Model Borough.*

The Lower Yukon Model Borough encompasses three school districts. Those are the City of Saint Mary's School District, the Kashunamiut FTREAA, and the Lower Yukon REAA.

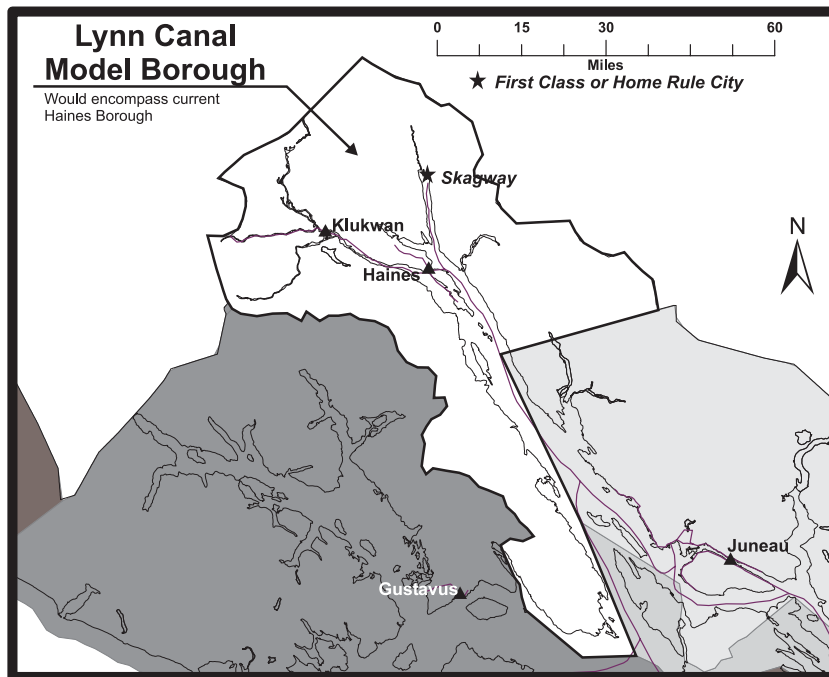
The City of Saint Mary's School District had an FY 2004 ADM of 159. That figure is 36.4 percent below the 250-student threshold for establishment of new school districts. For the same period, the Kashunamiut FTREAA and the Lower Yukon REAA were above the threshold (respectively, 365.6 and 2,040.2).



Creation of the Lower Yukon Borough would consolidate the three school districts listed above. It is noteworthy, however, that the Commission did not include this region among those listed in its 2003 *Unorganized Borough Report* as meeting the standards for borough incorporation.

(b) Borough Annexation.

Two small city school districts and part of one REAA school district lie within the model borough boundaries of two existing organized boroughs. Those are addressed in the discussion below (i – ii).



If the City of Nenana were annexed to the Denali Borough, it would consolidate the Nenana School District with the Denali Borough School District. Based on the most recent figures, the resulting district would have an ADM of 531.9.

(ii) *Lynn Canal Model Borough.*

The Lynn Canal Model Borough encompasses one city school district (City of Skagway, ADM 105.8), one borough school district (Haines Borough, resident ADM 304.9), and a portion of one REAA (Klukwan within the Chatham REAA, enrollment 40 students).

(i) *Expanded Denali Borough.*

The City of Nenana School District is within the model boundaries of the existing Denali Borough.

The City of Nenana School District had an FY 2004 resident ADM of 226.1. That figure is 9.6 percent below the 250-student threshold noted earlier.

The City of Skagway School District is the sixth smallest school district in Alaska in terms of its enrollment. With an ADM of 105.8, the enrollment gap for the City of Skagway School district in terms of the 250-student threshold is 57.7 percent.

It is noteworthy that the Skagway City School District enrollment has declined by 27 percent over the past twelve years. Moreover, the City of Skagway School District has required waivers of the 70 percent instructional spending requirement in every year that the constraint has been in place. The current level of instructional spending by the Skagway School District is 62 percent of its total operating expenditures. That figure is 8 percentage points below the threshold established in law.

The Haines Borough has operated within the instructional spending constraints in all years except the current year. Presently, the Haines

