

Alaska State Legislature

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Rep. Grier Hopkins
Rep. Tiffany Zulkosky
Rep. Mike Prax
Rep. Mike Cronk
Rep. Ronald Gilham

HOUSE EDUCATION COMMITTEE

Representative Harriet Drummond, Co-Chair
Representative Andi Story Co-Chair

House Bill 413 Facilities Constituting a School

Sponsor Statement

House Bill 413 seeks to remedy a technical problem in the education funding formula which has is occurring in Hooper Bay and affects the entire Lower Yukon School District. The problem occurs when a district with a single school with more than 425 students opens a charter school, which Hooper Bay recently did.

Under current law, the existence of the charter school implies that there is no longer “only one facility administered as a school.” Consequently, the district must calculate the adjusted ADM in the public school with a lower school size factor. As a result, opening a charter school in such a district comes with a financial penalty of about \$1 million per year.

HB 413 adds three words to existing law: “excluding charter schools.” These three words allow the district to restore its full funding and remove the disincentive a school board faces when considering a charter school application.

While one might see the fiscal note as a \$1 million per year funding increase, this is really not the case, because this bill would simply restore the previous level of funding to the district.

The House Education Committee supports charter schools, and Hooper Bay, and the Lower Yukon School District and requests your support in removing this barrier to ensure they are available to students across the state.

HOUSE BILL NO. 413

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE EDUCATION COMMITTEE

Introduced: 4/4/22
Referred: Education

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to facilities constituting a school; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 14.17.905(c) is amended to read:

4 (c) Notwithstanding (a)(2) and (a)(3) of this section, in a community with an
5 ADM of greater than 425 that has only one facility administered as a school,
6 **excluding charter schools,** for students in grades kindergarten through 12, the
7 number of schools for the community shall be counted under (a)(2) of this section.

8 * **Sec. 2.** This Act takes effect July 1, 2022.

Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version: SB 236
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB236-EED-FP-3-18-22
Title: FACILITIES CONSTITUTING A SCHOOL
Sponsor: EDUCATION
Requester: Senate Education

Department: Department of Education and Early Development
Appropriation: K-12 Aid to School Districts
Allocation: Foundation Program
OMB Component Number: 141

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2023	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2023) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

Prepared By: Heidi Teshner, Acting Deputy Commissioner
Division: Finance and Support Services
Approved By: Lacey Sanders, Administrative Services Director
Agency: Department of Education & Early Development

Phone: (907)465-2875
Date: 03/18/2022
Date: 03/18/22

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

BILL NO. SB 236

Analysis

This bill amends AS 14.17.905(c) by excluding charter schools from the average daily membership (ADM) count of a community with an ADM of greater than 425 that has only one facility administered as a school.

Hooper Bay, in the Lower Yukon School District, was the only community affected by AS 14.17.905(c), but when the district opened a charter school in Hooper Bay during the 2020-2021 school year, they were no longer eligible for AS 14.17.905(c) since they now have two schools within the community. This resulted in a loss of Foundation Formula funding to the Lower Yukon School District as they now fall under AS 14.17.905(a)(3).

With the exclusion of charter schools from AS 14.17.905(c), the Hooper Bay School would again be provided two adjustments for a community greater than 425 ADM with a single site facility serving grades Kindergarten through 12. Applying the two adjustments to the FY2023 Projected Foundation Funding, it results in an increase of \$1,082.7 in funding for the Lower Yukon School District.

The funding mechanism is a general fund transfer to the Public Education Fund (PEF). The fiscal note effect for FY2023 through FY2028 is reported in the fiscal note for the PEF, as the funding is deposited to the PEF, not into the Foundation Program funding component. The above analysis is presented here for explanation purposes only.

Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version: SB 236
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB236-EED-PEF-3-18-22
Title: FACILITIES CONSTITUTING A SCHOOL
Sponsor: EDUCATION
Requester: Senate Education

Department: Fund Capitalization
Appropriation: No Further Appropriation Required
Allocation: Public Education Fund
OMB Component Number: 2804

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2023	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	1,082.7		1,082.7	1,082.7	1,082.7	1,082.7	1,082.7
Miscellaneous							
Total Operating	1,082.7	0.0	1,082.7	1,082.7	1,082.7	1,082.7	1,082.7

Fund Source (Operating Only)

1004 Gen Fund (UGF)	1,082.7		1,082.7	1,082.7	1,082.7	1,082.7	1,082.7
Total	1,082.7	0.0	1,082.7	1,082.7	1,082.7	1,082.7	1,082.7

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2023) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
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ASSOCIATED REGULATIONS

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Hooper Bay, in the Lower Yukon School District, was the only community affected by AS 14.17.905(c), but when the district opened a charter school in Hooper Bay during the 2020-2021 school year, they were no longer eligible for AS 14.17.905(c) since they now have two schools within the community. This resulted in a loss of Foundation Formula funding to the Lower Yukon School District as they now fall under AS 14.17.905(a)(3).

With the exclusion of charter schools from AS 14.17.905(c), the Hooper Bay School would again be provided two adjustments for a community greater than 425 ADM with a single site facility serving grades Kindergarten through 12. Applying the two adjustments to the FY2023 Projected Foundation Funding, it results in an increase of \$1,082.7 in funding for the Lower Yukon School District.



LOWER YUKON SCHOOL DISTRICT

P.O. Box 32089 • Mountain Village, Alaska 99632

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George Smith
Chairman

Andrew Leavitt
Chief Business Officer

April 4, 2022

Co-Chair Drummond
Co-Chair Story
Members of the House Education Committee

RE: HB413 – Relating to Facilities Constituting a School.

Good morning

My name is Gene Stone. I am the Chief School Administrator for the Lower Yukon School District (LYSD). I have worked in Lower Yukon School District for five years, three of those years as Chief of Operations and the past two years as the Chief School Administrator (Superintendent).

On behalf of the Lower Yukon School District, allow me to express our appreciation for the introduction of HB413. The district is in full support of HB413.

HB413 will remedy a funding issue that unfairly penalizes the Lower Yukon School District for opening a charter school in Hooper Bay.

The penalty within the statute for adding a charter school in Hooper Bay resulted in an annual reduction in funding of \$1,033,000 for FY 2021, and \$1,021,000 for FY 2022. Until this funding penalty is remedied, LYSD will lose approximately \$1 million each year.

The District operates two separate educational programs in the Hooper Bay School; the conventional K-12 school and a 4th-8th grade charter school that features a culturally relevant, place based learning curriculum for its students. Additionally, the school has a K-3 Yupik Immersion program but is not part of the charter school and functions as part of the conventional school as a special program.

CHILDREN FIRST

Alakanuk Emmonak Hooper Bay Kotlik Marshall Mt. Village Pilot Station Russian Mission Scammon Bay Sheldon Point

Some may argue that HB413 has a fiscal note to the State of Alaska of \$1 million annually.

LYSD sees the opposite; to date our *loss* of foundation funding has resulted in fiscal surplus to the state of \$2 million dollars for FY 21 and FY 22.

As a result of the Hooper Bay Charter School, our district has the same number of students - the exact same students - inside of the same school building- and yet we realize a funding penalty of over \$1 million per year.

By adding the three words “*excluding charter schools*” to AS 14.17.905, the annual funding penalty is remedied and it becomes feasible to fund Hooper Bay’s Charter School. As it stands now, the statute is punitive and this unintended \$1 million annual funding penalty impacts our entire school district and effectively jeopardizes rural Alaskans’ access to school choice.

HB413 would remedy this funding problem and support charter school equity for rural Alaska school districts.

Thank you for sponsoring and scheduling this legislation, thank you for your time and consideration and I’m open for any questions.

Sincerely,

Gene Stone



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George Smith
Chairman

Gene Stone
Chief School Administrator

2/13/22

When the current Foundation formula statute was enacted (CH83 SLA98), it was known and documented in the legislative record that there would be a detrimental funding impact to Lower Yukon School District once the school population of Hooper Bay crossed the 425 ADM threshold. This was an unintended consequence of the formula that only impacted Hooper Bay. The issue was not addressed at the time as only the Lower Yukon School District would be negatively impacted, and it would be many years before Hooper Bay crossed the population threshold to trigger the formula penalty.

As the average daily membership (ADM) count continued to grow in Hooper Bay, the anticipated consequence was realized. When Hooper Bay has an ADM of exactly 425, Hooper Bay School gets a K-6 and 7-12 adjustment, and the formula generates \$8.7 million in funding. When the ADM increases to 425.01- with just a fraction of a student over the threshold- Hooper Bay School only gets a singular K-12 adjustment- and the funding formula generates \$7.7 million in funding. The additional 0.01 student ADM creates a penalty of \$1 million per year. The penalty clearly created a hardship and inequity in education funding that detrimentally impacted rural Alaskan students.

In 2018, the Lower Yukon School District successfully raised the matter before the legislature and AS 14.17.905 was amended to remedy the inequity (CH82 SLA18). The Foundation formula now reads "*A community with an ADM greater than 425: ADM is adjusted once for each facility administered as a separate school; unless it's the only school in the community then it's adjusted as two schools.*" Hooper Bay School was the only school in the community serving grades K-12, and the sentence above- "unless it's the only school in the community then it's adjusted as two schools"- allows Hooper Bay to be funded with two school adjustments- a K-6 adjustment and a 7-12 adjustment, which was the same funding methodology that the school was funded when the ADM was below 425. This restored the full funding and eliminated the \$1 million penalty.

Subsequent to the legislative fix, the community of Hooper Bay fulfilled their desire to open an innovative charter school. As a result, the legislative fix from 2018 (CH82 SLA18) was undone. Formation of the Hooper Bay Charter School has the effect of changing the way the department calculates funding to the district as there are now two schools in the community, and the total ADM in the community is greater than 425. Hooper Bay School no longer gets two adjustments, and instead gets the lesser K-12 adjustment which generates the funding penalty. The students are exactly the same and the population is exactly the same, but because there are two schools in Hooper Bay, the funding formula generates a penalty of \$1 million per year to the district.

The funding formula is clearly discriminatory to Hooper Bay, and punishes the Lower Yukon School District for having a charter school. The Lower Yukon School District requests your assistance to remedy this persistent Foundation formula glitch that directly impacts our District. The enclosed language revision would accomplish our request. The fix is simple- by adding three words, the funding to the District would be restored and the inequitable impact of the funding language would be remedied. The

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language has been reviewed by the Department of Education and Early Development, and Heidi Teshner, Director of Finance and Support Services, confirmed this language would fix the funding inequity at Hooper Bay and would not negatively impact any other location.

Lower Yukon School District supported, in good faith, the origination of the charter school and helped the charter school open with the encouragement of the Department of Education and Early Development, as the Department of Education and Early Development has been clear in their support of school choice. The Native Alaska village of Hooper Bay and the Lower Yukon School District should not be penalized for providing school choice. For fiscal year 2021 and fiscal year 2022, the Lower Yukon School District has incurred a funding penalty of \$2 million. This runs contrary to the belief in school choice and equitable funding.

Sec. 14.17.905. Facilities constituting a school.

(a) For purposes of this chapter, the determination of the number of schools in a district is subject to the following:

(1) a community with an ADM of at least 10, but not more than 100, shall be counted as one school;

(2) a community with an ADM of at least 101, but not more than 425, shall be counted as

(A) one elementary school, which includes those students in grades kindergarten through six; and

(B) one secondary school, which includes students in grades seven through 12;

(3) in a community with an ADM of greater than 425, each facility that is administered as a separate school shall be counted as one school, except that each alternative school with an ADM of less than 175 shall be counted as a part of the school in the district with the highest ADM.

(b) Notwithstanding (a)(3) of this section and for purposes other than calculations under AS 14.17.450, a charter school shall be counted as a separate school if the charter school has an ADM of at least 150 students.

(c) Notwithstanding (a)(2) and (a)(3) of this section, in a community with an ADM of greater than 425 that has only one facility administered as a school for students in grades kindergarten through 12, the number of schools for the community shall be counted under (a)(2) of this section, **excluding charter schools**.