

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

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Sponsor Statement SB 216

Over the last four years, the State of Alaska has made it a priority to lower the cost and size of government by eliminating redundant services and addressing departmental inefficiencies. The Legislature can play a critical role in these efforts by eliminating deterrents to addressing these inefficiencies. Senate Bill 216 would eliminate one of the inefficiencies in the school funding formula. Inside the funding formula is the school size factor which currently disincentivizes school districts from consolidating, because they would abruptly lose revenue from the State, even though the schools are operating significantly below their enrollment capacities.

The school size factor is an adjustment factor in the school funding formula, that is applied to the base student allocation. This creates a multiplier in the funding formula that gets applied to every school in a district based on their average daily membership (ADM). Simply put, the larger the student count, the smaller the multiplier; the smaller the student count, the larger the multiplier. This results in large school districts receiving less money per student because their schools tend to have larger student counts, and smaller school districts receiving more money per student because their schools tend to have smaller student counts. The school size factor can prove a challenge for districts that may wish to consolidate schools within the same community/district because of the funding loss to a school district. When a larger school district consolidates multiple small schools to create one larger school, they receive less money per student to fund that school, due to the school size factor formula. For districts that may be experiencing reduced student enrollment and, therefore, excess capacity, consolidation should be an option. However, as it stands, most districts are unwilling or unable to consider consolidation due to the potential of receiving less money per student.

SB 216 works to remove the disincentive for districts to consolidate schools by establishing a new funding mechanism for school consolidation. It does this by keeping their funding the same for two years, as if they were still separate schools (pre-consolidation). Then slowly levels off their funding over the following two years, providing them with ample time to adjust before they receive their new consolidation funding amount (post consolidation).

Additionally, SB 216 allows for communities that have one K-12 school with 425 students or more, to be considered one elementary school and one secondary school and receive funding appropriately.

We appreciate your support for this legislation.

SENATE BILL NO. 216

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 3/21/18

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the calculation of state aid for schools that consolidate; relating to**
2 **the determination of the number of schools in a district; and providing for an effective**
3 **date."**

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

5 *** Section 1.** AS 14.17.410(b) is amended to read:

6 (b) Public school funding consists of state aid, a required local contribution,
7 and eligible federal impact aid determined as follows:

8 (1) state aid equals basic need minus a required local contribution and
9 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum
10 obtained under (D) of this paragraph, multiplied by the base student allocation set out
11 in AS 14.17.470; district adjusted ADM is calculated as follows:

12 (A) the ADM of each school in the district is calculated by
13 applying the school size factor to the student count as set out in AS 14.17.450;

14 (B) the number obtained under (A) of this paragraph is

1 multiplied by the district cost factor described in AS 14.17.460;

2 (C) the ADMs of each school in a district, as adjusted
3 according to (A) and (B) of this paragraph, are added; the sum is then
4 multiplied by the special needs factor set out in AS 14.17.420(a)(1) and the
5 secondary school vocational and technical instruction funding factor set out in
6 AS 14.17.420(a)(3);

7 (D) the number obtained for intensive services under
8 AS 14.17.420(a)(2) and the number obtained for correspondence study under
9 AS 14.17.430 are added to the number obtained under (C) of this paragraph or
10 under (H) and (I) of this paragraph;

11 (E) notwithstanding (A) - (C) of this paragraph, if a school
12 district's ADM adjusted for school size under (A) of this paragraph decreases
13 by five percent or more from one fiscal year to the next fiscal year, the school
14 district may use the last fiscal year before the decrease as a base fiscal year to
15 offset the decrease, according to the following method:

16 (i) for the first fiscal year after the base fiscal year
17 determined under this subparagraph, the school district's ADM adjusted
18 for school size determined under (A) of this paragraph is calculated as
19 the district's ADM adjusted for school size, plus 75 percent of the
20 difference in the district's ADM adjusted for school size between the
21 base fiscal year and the first fiscal year after the base fiscal year;

22 (ii) for the second fiscal year after the base fiscal year
23 determined under this subparagraph, the school district's ADM adjusted
24 for school size determined under (A) of this paragraph is calculated as
25 the district's ADM adjusted for school size, plus 50 percent of the
26 difference in the district's ADM adjusted for school size between the
27 base fiscal year and the second fiscal year after the base fiscal year;

28 (iii) for the third fiscal year after the base fiscal year
29 determined under this subparagraph, the school district's ADM adjusted
30 for school size determined under (A) of this paragraph is calculated as
31 the district's ADM adjusted for school size, plus 25 percent of the

1 difference in the district's ADM adjusted for school size between the
2 base fiscal year and the third fiscal year after the base fiscal year;

3 (F) the method established in (E) of this paragraph is available
4 to a school district for the three fiscal years following the base fiscal year
5 determined under (E) of this paragraph only if the district's ADM adjusted for
6 school size determined under (A) of this paragraph for each fiscal year is less
7 than the district's ADM adjusted for school size in the base fiscal year;

8 (G) the method established in (E) of this paragraph does not
9 apply to a decrease in the district's ADM adjusted for school size resulting
10 from a loss of enrollment that occurs as a result of a boundary change under
11 AS 29;

12 (H) notwithstanding (A) - (C) of this paragraph, if one or
13 more schools close and consolidate with one or more other schools in the
14 same community and district and, as a result of the consolidation, state aid
15 generated by the district's ADM of the consolidated schools as adjusted
16 under (A) - (C) of this paragraph decreases, the district may use the last
17 fiscal year before the consolidation as the base fiscal year to offset that
18 decrease for the first four fiscal years following consolidation according to
19 the following method:

20 (i) for the first two fiscal years after the base fiscal
21 year, the district's ADM of the consolidated schools as adjusted
22 under (A) - (C) of this paragraph is calculated by dividing the sum
23 of the district's ADM of the consolidated schools as adjusted under
24 (A) - (C) of this paragraph for the base fiscal year by the sum of the
25 district's ADM of the consolidated schools for the base fiscal year
26 without adjustment, and subtracting the quotient obtained by
27 dividing the district's ADM of the consolidated schools for the
28 current fiscal year as adjusted under (A) - (C) of this paragraph by
29 the sum of the district's ADM of the consolidated schools for the
30 current fiscal year without adjustment, multiplying that number
31 by the sum of the district's ADM of the consolidated schools for the

1 current fiscal year without adjustment, and adding that number to
2 the sum of the district's ADM of the consolidated schools for the
3 current fiscal year as adjusted under (A) - (C) of this paragraph;

4 (ii) for the third fiscal year after the base fiscal year,
5 the district's ADM of the consolidated schools as adjusted under
6 (A) - (C) of this paragraph is calculated by dividing the sum of the
7 district's ADM of the consolidated schools as adjusted under (A) -
8 (C) of this paragraph for the base fiscal year by the sum of the
9 district's ADM of the consolidated schools for the base fiscal year
10 without adjustment, and subtracting the quotient obtained by
11 dividing the sum of the district's ADM of the consolidated schools
12 for the current fiscal year as adjusted under (A) - (C) of this
13 paragraph by the sum of the district's ADM of the consolidated
14 schools for the current fiscal year, multiplying that number by the
15 sum of the district's ADM of the consolidated schools for the
16 current fiscal year without adjustment, multiplying that number
17 by 66 percent, and adding that number to the sum of the district's
18 ADM of the consolidated schools for the current fiscal year as
19 adjusted under (A) - (C) of this paragraph;

20 (iii) for the fourth fiscal year after the base fiscal
21 year, the district's ADM of the consolidated schools as adjusted
22 under (A) - (C) of this paragraph is calculated by dividing the sum
23 of the district's ADM of the consolidated schools as adjusted under
24 (A) - (C) of this paragraph for the base fiscal year by the sum of the
25 district's ADM of the consolidated schools for the base fiscal year
26 without adjustment, and subtracting the quotient obtained by
27 dividing the sum of the district's ADM of the consolidated schools
28 for the current fiscal year as adjusted under (A) - (C) of this
29 paragraph by the sum of the district's ADM of the consolidated
30 schools for the current fiscal year, multiplying that number by the
31 sum of the district's ADM of the consolidated schools for the

current fiscal year without adjustment, multiplying that number by 33 percent, and adding that number to the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph;

(iv) to calculate the district's state aid for each fiscal year, the number obtained through the calculation in (i), (ii), or (iii) of this subparagraph is added to the number obtained under (C) of this paragraph for the remainder of the district;

(I) if the state aid calculated under (H)(i) - (iii) of this paragraph for one of the first four fiscal years after consolidation is less than the state aid calculated under (A) - (C) of this paragraph for that fiscal year, the state aid may not be adjusted under (H) of this paragraph for that fiscal year;

(J) a district may not offset a decrease under both (E) and (H) of this paragraph in the same fiscal year;

(K) a district may not offset a decrease under (H) of this paragraph if a new facility is constructed in the district for the consolidation;

(L) a district may not reopen and reconsolidate a school that was consolidated in the district more than once every seven years for purposes of the calculations made under (H) of this paragraph;

(M) a district offsetting a decrease under (H) of this paragraph shall provide the department with the appropriate calculations for the department to verify;

(N) in this paragraph, "community" means an organized municipality or an unincorporated village that is a social unit if the organized municipality or unincorporated village has a population of less than 2,000 people;

(2) the required local contribution of a city or borough school district is the equivalent of a 2.65 mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as

1 determined by the Department of Commerce, Community, and Economic
2 Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a
3 district's basic need for the preceding fiscal year as determined under (1) of this
4 subsection.

5 * **Sec. 2.** AS 14.17.905 is amended by adding a new subsection to read:

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

10 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 APPLICABILITY. AS 14.17.410(b), as amended by sec. 1 of this Act, applies to
13 schools that consolidate on or after the effective date of this Act.

14 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

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Sectional Analysis SB 216

Section 1: AS 14.17.410(b)

Adds new language to AS 14.17.410(b)(1) to provide a “consolidation transition” that allows a school district to gradually move from their current state aid amount to a lower state aid amount after consolidation of schools, within a community, and describes how and when the consolidation transition can be used.

(H) Specifies how state aide during the transition period will be calculated. The “pre-consolidation” and “post-consolidation” formula remains the same; the bill will only change how quickly the “post consolidation” amount is instituted:

(H)(i)

Consolidation Years 1 & 2: The district will receive the same funding as if the consolidated school was still separate schools.

(H)(ii)

Consolidation Year 3: The district will receive 66% of the difference between funding from pre-consolidation and post-consolidation.

(H)(iii)

Consolidation Year 4: The district will receive 33% of the difference between funding from pre-consolidation and post-consolidation.

Sections (I) – (L) specify conditions where the “consolidation transition” may not be used.

(I) When the “transitional” state aid amount would result in lower funding than under the traditional funding formula.

(J) When a school district is already receiving additional state aid due to the Hold Harmless Clause in AS 14.17.410(b)(1)(E).

(K) If a new facility was constructed in order to consolidate schools.

- (L) If the school was reopened and reconsolidated within the past five years.
- (M) Requires the district to provide the necessary information and calculations for the Department of Education and Early Development for verification, including a student count by school for the schools involved in the consolidation.
- (N) Defines “community” as an organized municipality or an unincorporated area with a population of less than 2,000 people to clarify which schools can be consolidated.

Section 2: AS 14.17.905

Adds a new subsection that allows a school that services grades K-12 in a single building and has an average daily membership (ADM) greater than 425 to be considered two separate schools for calculating state aid.

Section 3: AS 14.17.410(b)

Makes this Act applicable to schools which consolidate on or after the effective date of this bill.

Section 4: Effective Date

Provides for an immediate effective date.



Anchorage School District

Education Center

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March 22, 2018

The Honorable Senator Natasha von Imhof
Alaska State Senate
State Capitol Room 514
Juneau AK, 99801

Dear Senator von Imhof,

As the Superintendent of Anchorage School District (ASD), I am writing in support of Senate Bill 216. This legislation would provide a phased period in which school districts could plan for school consolidation when experiencing decreased enrollment. Presently, the funding formula for schools does not take into account the needed transition funding to plan for efficient use of facilities and staffing.

Senate Bill 216 proposes provisions for school districts that will greatly assist with initial consolidations, enabling them to scale down using proven efficiencies, while still providing for the education of students. The present legislation would support districts' expenses for transportation adjustments, staffing changes, and the physical aspects of moving furniture and curriculum as districts engage in school consolidation.

Anchorage has historically provided its maximum allowable funding to support its schools, and school consolidation could save tax money for our city due to reductions in capital costs. The State will benefit as it will support fewer building sites, yet continue to support high quality educational experiences and instruction.

In ASD, we are working diligently to identify and implement efficiencies. Nevertheless, the costliest issue in education relates to staffing and compensation. While the need for teachers will continue, by combining student populations, a smaller number of support staff positions would be necessary. Considering capital and operations is a smart way to plan. Please support Alaska's urban districts by extending the school size factor to allow our district a hold harmless, which will permit us to consolidate schools as well as downsize support services.

On behalf of the Anchorage School Board, we recognize the fiscal realities which you are facing and appreciate your willingness to provide school districts with increased flexibility and discretion in a time of constricting resources. ASD embraces innovation and supports creative solutions. I want to thank you for the opportunity to share my support for your work.

Respectfully,

Deena M. Bishop, Ed.D.
Superintendent

cc: Tam Agosti-Gisler, President, Anchorage School Board

Educating All Students for Success in Life

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