

HOUSE CS FOR CS FOR SENATE BILL NO. 36(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 4/2/98

Referred: Finance

Sponsor(s): SENATORS PHILLIPS, Taylor, Halford, Wilken, Torgerson

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to public schools; relating to the definition of a school district,**
2 **to the transportation of students, to employment of chief school administrators, to**
3 **school district layoff plans, to the special education service agency, and to the**
4 **child care grant program; and providing for an effective date."**

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

6 *** Section 1. PURPOSE.** The purposes of sec. 2 of this Act are to

7 (1) provide a level of funding through the public school funding program that
8 allows for an equitable level of educational opportunities for those students attending the
9 public schools of the state;

10 (2) provide an equitable level of funding to each school within a school
11 district; and

12 (3) impose a public school local contribution requirement on regional
13 educational attendance areas by imposition of a three percent employment tax in the
14 unorganized borough.

1 * **Sec. 2.** AS 14.17 is amended by adding new sections to read:

2 **Article 1. State Aid to Public Schools.**

3 **Sec. 14.17.300. Public school account.** (a) The public school account is
4 established. The account consists of appropriations for distribution to school districts,
5 the state boarding school, and for centralized correspondence study under this chapter.

6 (b) The money in the account may be used only in aid of public schools,
7 including community school programs, and for centralized correspondence study
8 programs under this chapter.

9 **Sec. 14.17.400. State aid for districts.** (a) The state aid for which a school
10 district is eligible in a fiscal year is equal to the amount for which a district qualifies
11 under AS 14.17.410.

12 (b) If the amount in the public school account is insufficient to meet the
13 amounts authorized under (a) of this section for a fiscal year, the department shall
14 reduce pro rata each district's basic need by the necessary percentage as determined
15 by the department. If the basic need of each district is reduced under this subsection,
16 the department shall also reduce state funding for centralized correspondence study and
17 the state boarding school by the same percentage.

18 **Sec. 14.17.410. Public school funding.** (a) A district is eligible for public
19 school funding in an amount equal to the sum calculated under (b) and (c) of this
20 section.

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

23 (1) state aid equals basic need minus a required local contribution and
24 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum
25 obtained under (D) of this paragraph, multiplied by the base student allocation set out
26 in AS 14.17.470; district adjusted ADM is calculated as follows:

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

29 (B) the number obtained under (A) of this paragraph is
30 multiplied by the district cost factor described in AS 14.17.460;

31 (C) the ADMs of each school in a district, as adjusted according

1 to (A) and (B) of this paragraph, are added; the sum is then multiplied by the
2 special needs factor set out in AS 14.17.420(a)(1);

3 (D) the number obtained for intensive services under
4 AS 14.17.420(a)(2) and the number obtained for correspondence study under
5 AS 14.17.430 are added to the number obtained under (C) of this paragraph;

6 (2) the required local contribution of a city or borough school district
7 is the equivalent of a four mill tax levy on the full and true value of the taxable real
8 and personal property in the district as of January 1 of the second preceding fiscal
9 year, as determined by the Department of Community and Regional Affairs under
10 AS 14.17.510 and AS 29.45.110, not to exceed 100 percent of a district's basic need
11 for the preceding fiscal year as determined under (1) of this subsection;

12 (3) the local contribution of a regional educational attendance area is
13 equal to the employment tax imposed under AS 43.42 that is collected in the previous
14 fiscal year from individuals, including nonresidents, employed in the regional
15 educational attendance area.

16 (c) In addition to the local contribution required under (b)(2) of this section,
17 a city or borough school district in a fiscal year may make a local contribution of not
18 more than the greater of

19 (1) the equivalent of a two mill tax levy on the full and true value of
20 the taxable real and personal property in the district as of January 1 of the second
21 preceding fiscal year, as determined by the Department of Community and Regional
22 Affairs under AS 14.17.510 and AS 29.45.110; or

23 (2) 23 percent of the district's basic need for the fiscal year under
24 (b)(1) of this section.

25 (d) State aid may not be provided to a city or borough school district if the
26 local contributions required under (b)(2) of this section have not been made.

27 (e) If a city or borough school district is established after July 1, 1998, for the
28 first three fiscal years in which the city or borough school district operates schools,
29 local contributions may be less than the amount that would otherwise be required
30 under (b)(2) of this section, except that

31 (1) in the second fiscal year of operations, local contributions must be

1 at least the greater of

2 (A) the local contributions, excluding federal impact aid, for the
3 previous fiscal year; or

4 (B) the sum of 10 percent of the district’s eligible federal
5 impact aid for that year and the equivalent of a two mill tax levy on the full
6 and true value of the taxable real and personal property in the city or borough
7 school district as of January 1 of the second preceding fiscal year, as
8 determined by the Department of Community and Regional Affairs under
9 AS 14.17.510 and AS 29.45.110; and

10 (2) in the third year of operation, local contributions must be at least
11 the greater of

12 (A) the local contributions, excluding federal impact aid, for the
13 previous fiscal year; or

14 (B) the sum of 10 percent of the district’s eligible federal
15 impact aid for that year and the equivalent of a three mill tax levy on the full
16 and true value of the taxable real and personal property in the district as of
17 January 1 of the second preceding fiscal year, as determined by the Department
18 of Community and Regional Affairs under AS 14.17.510 and AS 29.45.110.

19 (f) A school district is eligible for additional state aid in the amount by which
20 the local contributions that would otherwise have been required under (b)(2) of this
21 section exceed the district’s actual local contributions under (e) of this section.

22 (g) In the fiscal year following the fiscal year of collection, a regional
23 educational attendance area is, subject to appropriation, entitled to receive money
24 collected under AS 43.42 in that regional educational attendance area.

25 **Sec. 14.17.420. Special needs and intensive services funding.** (a) As a
26 component of public school funding, a district is eligible for special needs funding and
27 may be eligible for intensive services funding as follows:

28 (1) special needs funding is available to a district to assist the district
29 in providing special education, gifted and talented education, vocational education, and
30 bilingual education services to its students; a special needs funding factor of 1.20 shall
31 be applied as set out in AS 14.17.410(b)(1);

1 (2) in addition to the special needs funding for which a district is
 2 eligible under (1) of this subsection, a district is eligible for intensive services funding
 3 for each special education student who needs and receives intensive services and is
 4 enrolled on the last day of the count period; for each such student, intensive services
 5 funding is equal to the intensive student count multiplied by five.

6 (b) A district is not eligible to receive funding under (a) of this section unless
 7 the district has on file with the department a plan that indicates the services that will
 8 be provided to students who receive special education, gifted and talented education,
 9 vocational education, and bilingual education services.

10 (c) In this section, "intensive services" has the meaning given by the
 11 department by regulation adopted under AS 14.30.180 - 14.30.350.

12 **Sec. 14.17.430. State funding for correspondence study.** Except as provided
 13 in AS 14.17.400(b), funding for

14 (1) the state centralized correspondence study program or a district that
 15 offers a statewide correspondence study program includes an allocation from the public
 16 school account in an amount calculated by multiplying the ADM of the correspondence
 17 program by the base student allocation and multiplying that product by 65 percent; and

18 (2) a district correspondence program includes an allocation from the
 19 public school account in an amount calculated by multiplying the ADM of the district
 20 correspondence program by the base student allocation.

21 **Sec. 14.17.440. State funding for state boarding schools.** (a) Except as
 22 provided in AS 14.17.400(b), funding for state boarding schools established under
 23 AS 14.16.010 includes an allocation from the public school account in an amount
 24 calculated by

25 (1) determining the ADM of state boarding schools by applying the
 26 school size factor to the student count as described in AS 14.17.450;

27 (2) multiplying the number obtained under (1) of this subsection by the
 28 special needs factor in AS 14.17.420(a)(1) and multiplying that product by the base
 29 student allocation; and

30 (3) multiplying the product determined under (2) of this subsection by
 31 the district cost factor that is applicable to calculation of the state aid for the adjacent

1 school district under AS 14.17.460.

2 (b) State boarding schools are also eligible for intensive services funding under
3 AS 14.17.420(a)(2).

4 **Sec. 14.17.450. School size factor.** (a) For purposes of calculating a school’s
5 ADM to determine state aid, the ADM of each school in a district shall be computed
6 by applying the following formula:

7	If the student count			The adjusted student count is				
8	in a school is			The number of				
9				students in				
10	At least	But less than	Base	Multiplier	excess of			
11	10	- 20	39.6					
12	20	- 30	39.6	+ (1.62	x	20)		
13	30	- 75	55.8	+ (1.49	x	30)		
14	75	- 150	122.85	+ (1.27	x	75)		
15	150	- 250	218.1	+ (1.08	x	150)		
16	250	- 400	326.1	+ (0.97	x	250)		
17	400	- 750	471.6	+ (0.92	x	400)		
18	750 or over		793.6	+ (0.84	x	750).		

19 (b) If the ADM in a school is less than 10, those students shall be included in
20 the ADM of the school in that district with the highest ADM as determined by the
21 most recent student count data for that district.

22 **Sec. 14.17.460. District cost factors.** (a) For purposes of calculating a
23 district’s adjusted ADM under AS 14.17.410(b)(1), the district cost factor for a school
24 district is as follows:

25	DISTRICT	DISTRICT COST FACTOR
26	Alaska Gateway	1.291
27	Aleutians East	1.423
28	Aleutians Region	1.736
29	Alyeska Central School	1.000
30	Anchorage	1.000
31	Annette Island	1.011

1	Bering Strait	1.525
2	Bristol Bay	1.262
3	Chatham	1.120
4	Chugach	1.294
5	Copper River	1.176
6	Cordova	1.096
7	Craig	1.010
8	Delta/Greely	1.106
9	Denali	1.313
10	Dillingham	1.254
11	Fairbanks	1.039
12	Galena	1.348
13	Haines	1.008
14	Hoonah	1.055
15	Hydaburg	1.085
16	Iditarod	1.470
17	Juneau	1.005
18	Kake	1.025
19	Kashunamiut	1.389
20	Kenai Peninsula	1.004
21	Ketchikan	1.000
22	Klawock	1.017
23	Kodiak Island	1.093
24	Kuspuk	1.434
25	Lake and Peninsula	1.558
26	Lower Kuskokwim	1.491
27	Lower Yukon	1.438
28	Matanuska-Susitna	1.010
29	Mt. Edgecumbe	1.000
30	Nenana	1.270
31	Nome	1.319

1	North Slope	1.504
2	Northwest Arctic	1.549
3	Pelican	1.290
4	Petersburg	1.000
5	Pribilof	1.419
6	Sitka	1.000
7	Skagway	1.143
8	Southeast Island	1.124
9	Southwest Region	1.423
10	St. Mary's	1.351
11	Tanana	1.496
12	Unalaska	1.245
13	Valdez	1.095
14	Wrangell	1.000
15	Yakutat	1.046
16	Yukon Flats	1.668
17	Yukon/Koyukuk	1.502
18	Yupiit	1.469.

19 (b) The department shall monitor the cost factors established under (a) of this
20 section and shall prepare and submit to the legislature by January 15 of every other
21 fiscal year proposed district cost factors. In determining the proposed district cost
22 factors, the department shall consider cost-of-living changes as measured by the
23 Anchorage Consumer Price Index for all urban consumers.

24 **Sec. 14.17.470. Base student allocation.** The base student allocation is
25 \$3,944.

26 **Article 2. Preparation of Public School Funding Budget.**

27 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
28 submit to the department by November 5 of each fiscal year, in the manner and on
29 forms prescribed by the department, an estimate of its ADM and other student count
30 data, including per school student count data, for the succeeding fiscal year upon
31 which computations can be made to estimate the amount of state aid for which the

1 district may be eligible under AS 14.17.400 in the succeeding fiscal year. In making
 2 its report, the district shall consider its ADM, other student count data, the pattern of
 3 growth or decline of the student population in preceding years, and other pertinent
 4 information available to the district.

5 (b) Part-time students shall be included in the student count data in accordance
 6 with regulations adopted by the department.

7 **Sec. 14.17.505. Fund balance in school operating fund.** (a) A district may
 8 not accumulate in a fiscal year an unreserved portion of its year-end fund balance in
 9 its school operating fund, as defined by department regulations, that is greater than 10
 10 percent of its expenditures for that fiscal year.

11 (b) The department shall review each district's annual audit under
 12 AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund
 13 balance. The amount by which the unreserved portion of that balance exceeds the
 14 amount permitted in (a) of this section shall be deducted from the state aid that would
 15 otherwise be paid to the district in the current fiscal year.

16 **Sec. 14.17.510. Determination of full and true value by Department of**
 17 **Community and Regional Affairs.** (a) To determine the amount of required local
 18 contribution under AS 14.17.410(b)(2) and to aid the department and the legislature
 19 in planning, the Department of Community and Regional Affairs, in consultation with
 20 the assessor for each district in a city or borough, shall determine the full and true
 21 value of the taxable real and personal property in each district in a city or borough.
 22 If there is no local assessor or current local assessment for a city or borough school
 23 district, then the Department of Community and Regional Affairs shall make the
 24 determination of full and true value from information available. In making the
 25 determination, the Department of Community and Regional Affairs shall be guided by
 26 AS 29.45.110. The determination of full and true value shall be made by October 1
 27 and sent by certified mail, return receipt requested, on or before that date to the
 28 president of the school board in each city or borough school district. Duplicate copies
 29 shall be sent to the commissioner. The governing body of a city or borough that is a
 30 school district may obtain judicial review of the determination. The superior court
 31 may modify the determination of the Department of Community and Regional Affairs

1 only upon a finding of abuse of discretion or upon a finding that there is no substantial
2 evidence to support the determination.

3 (b) Motor vehicles subject to the motor vehicle registration tax under
4 AS 28.10.431 shall be treated as taxable property under this section.

5 **Sec. 14.17.520. Minimum expenditure for instruction.** (a) A district shall
6 budget for and spend a minimum of 70 percent of its school operating expenditures in
7 each fiscal year on the instructional component of the district budget.

8 (b) The commissioner shall reject a district budget that does not comply with
9 (a) of this section and, unless a waiver has been granted by the board under (d) of this
10 section, shall withhold payments of state aid from that district, beginning with the
11 payment for the second full month after rejection and continuing until the school board
12 of the district revises the district budget to comply with (a) of this section.

13 (c) The commissioner shall review the annual audit of each district for
14 compliance with the expenditure requirements of (a) of this section. If the
15 commissioner determines that a district does not meet those requirements, the
16 commissioner shall advise the district of the determination, calculate the amount of the
17 deficiency, and deduct that amount from state aid paid to the district for the current
18 fiscal year. A deduction in state aid required under this subsection begins with the
19 payment for the second full month after the determination, unless a waiver has been
20 granted by the board under (d) of this section.

21 (d) A district that has been determined by the commissioner to be out of
22 compliance with the requirements of this section may, within 20 days of the
23 commissioner's determination, request a waiver by the board of the imposition by the
24 commissioner of any reduction in state aid payments under (b) or (c) of this section.
25 The request must be in writing and must include an analysis of the reasons and causes
26 for the district's inability to comply with the requirements of this section. The board
27 shall either grant or deny the waiver. The request must also be submitted to the
28 Legislative Budget and Audit Committee, which shall review the district's request and
29 forward the committee's recommendations on it to the board.

30 (e) The commissioner shall submit an annual report on actions taken by the
31 commissioner or the board under this section to the Legislative Budget and Audit

1 Committee by April 15 of each year.

2 (f) In this section, "instructional component" includes expenditures for teachers
3 and for pupil support services.

4 **Article 3. Procedure for Payments of State Aid.**

5 **Sec. 14.17.600. Student counting periods.** (a) Within two weeks after the
6 end of the 20-school-day period ending the fourth Friday in October, each district shall
7 transmit a report to the department that, under regulations adopted by the department,
8 reports its ADM for that counting period and other student count information that will
9 aid the department in making a determination of its state aid under the public school
10 funding program. For centralized correspondence study, the October report shall be
11 based on the period from July 1 through the fourth Friday in October, except that
12 summer school students shall be counted as a proportionate fraction as determined by
13 the department. The department may make necessary corrections in the report
14 submitted and shall notify the district of changes made. The commissioner shall notify
15 the governor of additional appropriations the commissioner estimates to be necessary
16 to fully finance the public school funding program for the current fiscal year.

17 (b) Upon written request and for good cause shown, the commissioner may
18 permit a district to use a 20-school-day counting period other than the period set out
19 in (a) of this section. However, a counting period approved under this subsection must
20 be 20 consecutive school days unless one or more alternate counting periods are
21 necessary to permit a district to implement flexible scheduling that meets the district's
22 needs and goals without jeopardizing the state aid for which the district would be
23 ordinarily be eligible under this chapter.

24 **Sec. 14.17.610. Distribution of state aid.** (a) The department shall determine
25 the state aid for each school district in a fiscal year on the basis of the district's
26 student count data reported under AS 14.17.600. On or before the 15th day of each
27 of the first nine months of each fiscal year, one-twelfth of each district's state aid shall
28 be distributed on the basis of the data reported for the preceding fiscal year. On or
29 before the 15th day of each of the last three months of each fiscal year, one-third of
30 the balance of each district's state aid shall be distributed, after the balance has been
31 recomputed on the basis of student count and other data reported for the current fiscal

1 year.

2 (b) Distribution of state aid under (a) of this section shall be made as required
3 under AS 14.17.410. If a district receives more state aid than it is entitled to receive
4 under this chapter, the district shall immediately remit the amount of overpayment to
5 the commissioner, to be returned to the public school account. The department may
6 make adjustments to a district's state aid to correct underpayments made in previous
7 fiscal years.

8 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
9 discretion of the commissioner, the department may make advance payments to a
10 district. The total of advance payments may not exceed the amount of state aid for
11 which the district is eligible for the fiscal year.

12 **Article 4. General Provisions.**

13 **Sec. 14.17.900. Construction and implementation of chapter.** (a) This
14 chapter does not create a debt of the state. Each district shall establish, maintain, and
15 operate under a balanced budget. The state is not responsible for the debts of a school
16 district.

17 (b) Money to carry out the provisions of this chapter may be appropriated
18 annually by the legislature into the public school account. If the amount in the
19 account is insufficient to meet the allocations authorized under AS 14.17.400 -
20 14.17.470 for a fiscal year, state aid shall be reduced according to AS 14.17.400(b).

21 **Sec. 14.17.910. Restrictions governing receipt and expenditure of district**
22 **money.** (a) Each district shall maintain complete financial records of the receipt and
23 disbursement of state aid, money acquired from local effort, and other money received
24 or held by the district. The records must be in the form required by the department
25 and are subject to audit by the department at a time and place designated by the
26 department.

27 (b) State aid provided under this chapter is for general operational purposes
28 of the district. All district money, including state aid, shall be received, held,
29 allocated, and expended by the district under applicable local law and state and federal
30 constitutional provisions, statutes, and regulations, including those related to ethical
31 standards and accounting principles.

1 **Sec. 14.17.920. Regulations.** The department shall adopt regulations necessary
2 to implement this chapter.

3 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
4 otherwise,

5 (1) "ADM or average daily membership" means the aggregate number
6 of full-time equivalent students enrolled in a school district during the student count
7 period for which a determination is being made, divided by the actual number of days
8 that school is in session for the student count period for which the determination is
9 being made;

10 (2) "district" means a city or borough school district or a regional
11 educational attendance area;

12 (3) "district adjusted ADM" means the number resulting from the
13 calculations under AS 14.17.410(b)(1);

14 (4) "district ADM" means the sum of the ADMs in a district;

15 (5) "eligible federal impact aid" means the amount of federal impact
16 aid received by a district as of March 1 of the fiscal year as a result of an application
17 submitted in the preceding fiscal year, including advance payments and adjustments
18 received since March 1 of the preceding fiscal year from prior year applications, under
19 20 U.S.C. 7701 - 7714, except payments received under 20 U.S.C. 7703(f)(2)(B), to
20 the extent the state may consider that aid as local resources under federal law;

21 (6) "local contribution" means appropriations and the value of in-kind
22 services made by a district;

23 (7) "taxable real and personal property" means all real and personal
24 property taxable under the laws of the state.

25 * **Sec. 3.** AS 14.03.120(d) is amended to read:

26 (d) Each public school shall, by May 31 of each year, prepare a report on the
27 school's performance and the performance of the school's students. The report shall
28 be presented to parents, students, and community members at a public meeting [AND
29 FORWARDED TO THE CHIEF SCHOOL ADMINISTRATOR OF THE DISTRICT].

30 * **Sec. 4.** AS 14.03.120(g) is amended to read:

31 (g) In this section, "district" has the meaning given in **AS 14.17.990**

1 [AS 14.17.250].

2 * **Sec. 5.** AS 14.03.125(e) is amended to read:

3 (e) In this section, "district" has the meaning given in **AS 14.17.990**
4 [AS 14.17.250].

5 * **Sec. 6.** AS 14.03.150(c) is amended to read:

6 (c) The department may not award a school construction or major maintenance
7 grant under AS 14.11 to a municipality that is a school district or a regional
8 educational attendance area that is not in compliance with (a) of this section. The
9 department shall reduce the amount of state [FOUNDATION] aid under **AS 14.17.400**
10 [AS 14.17.021] for which a school district may qualify [,] by the amount, if any, paid
11 by the department under (b) of this section.

12 * **Sec. 7.** AS 14.03.160(f)(2) is amended to read:

13 (2) "district" has the meaning given in **AS 14.17.990** [AS 14.17.250].

14 * **Sec. 8.** AS 14.03.260(c) is amended to read:

15 (c) The charter school shall provide the financial and accounting information
16 requested by the local school board or the Department of Education [,] and shall
17 cooperate with the local school district or the department in complying with the
18 requirements of **AS 14.17.910** [AS 14.17.190].

19 * **Sec. 9.** AS 14.07.020 is amended by adding a new subsection to read:

20 (c) In implementing its duties under (a)(2) of this section, the department shall
21 develop

22 (1) performance standards in reading, writing, and mathematics to be
23 met at designated age levels by each student in public schools in the state; and

24 (2) a comprehensive system of student assessments, composed of
25 multiple indicators of proficiency in reading, writing, and mathematics; this
26 comprehensive system must

27 (A) be made available to all districts and regional educational
28 attendance areas;

29 (B) include a developmental profile for students entering
30 kindergarten or first grade; and

31 (C) include performance standards in reading, writing, and

1 mathematics for students in age groups five through seven, eight through 10,
 2 and 11 - 14.

3 * **Sec. 10.** AS 14.08.101 is amended by adding a new paragraph to read:

4 (11) employ a chief school administrator.

5 * **Sec. 11.** AS 14.08.111(3) is amended to read:

6 (3) [EMPLOY A CHIEF SCHOOL ADMINISTRATOR AND] approve
 7 the employment of the professional administrators, teachers, and noncertificated
 8 personnel necessary to operate its schools;

9 * **Sec. 12.** AS 14.09.010(b) is repealed and reenacted to read:

10 (b) A school district that enters into a contract described under (a)(1) of this
 11 section shall be reimbursed for

12 (1) at least 90 percent of the cost of operating the student transportation
 13 system if the transportation is provided by the school district; and

14 (2) 100 percent of the cost of operating the student transportation
 15 system when the transportation is provided under a contract with the school district.

16 * **Sec. 13.** AS 14.11.008(b) is amended to read:

17 (b) The required participating share for a municipal school district is based on
 18 the district's full value per **average daily membership (ADM)**, which is calculated
 19 by dividing the full and true value of the taxable real and personal property in the
 20 district, calculated as described in **AS 14.17.510** [AS 14.17.025(a)(1),] by the district
 21 **ADM** [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in **AS 14.17.990**
 22 [AS 14.17.250], for the same fiscal year for which the valuation was made. The
 23 municipal district's full value per ADM determines the district's required participating
 24 share, as follows:

25	Full Value Per ADM	District Participating Share
26	\$1 - \$100,000	5 percent
27	100,001 - 200,000	10 percent
28	200,001 - 600,000	30 percent
29	over 600,000	35 percent.

30 * **Sec. 14.** AS 14.14.115(c)(2) is amended to read:

31 (2) "district" has the meaning given in **AS 14.17.990** [AS 14.17.250].

1 * **Sec. 15.** AS 14.14.130(a) is amended to read:

2 (a) A [EACH] school board **may** [SHALL] select and employ a qualified
3 person as the chief school administrator for the district. In this subsection, "employ"
4 includes employment by contract.

5 * **Sec. 16.** AS 14.14.130(b) is amended to read:

6 (b) **If the district employs a** [THE] chief school administrator, **the**
7 **administrator** [OF THE DISTRICT] shall administer the district in accordance with
8 the policies that the school board prescribes by bylaw.

9 * **Sec. 17.** AS 14.14.130(c) is amended to read:

10 (c) **If the district employs a** [THE] chief school administrator, **the**
11 **administrator** shall select, appoint, and otherwise control all school district employees
12 that serve under the chief school administrator subject to the approval of the school
13 board.

14 * **Sec. 18.** AS 14.16.020(2) is amended to read:

15 (2) [EMPLOY CHIEF SCHOOL ADMINISTRATORS AND] approve
16 the employment of [OTHER] personnel necessary to operate state boarding schools;

17 * **Sec. 19.** AS 14.16.050(a)(2) is amended to read:

18 (2) requirements relating to **the public school funding program**
19 [STATE FINANCIAL ASSISTANCE FOR EDUCATION] and the receipt and
20 expenditure of that **funding** [ASSISTANCE]:

21 (A) **AS 14.17.500** [AS 14.17.080] (relating to student count
22 estimates);

23 (B) **AS 14.17.505** [AS 14.17.082] (relating to school operating
24 fund balances);

25 (C) **AS 14.17.500 - 14.17.910** [AS 14.17.160 - 14.17.220]
26 (setting out the procedure for payment of **public school funding** [FINANCIAL
27 ASSISTANCE,] and imposing general requirements and limits on money paid);

28 * **Sec. 20.** AS 14.16.080(a) is amended to read:

29 (a) **AS 14.17.440** [AS 14.17.024] applies to the calculation of **public school**
30 **funding** [STATE AID] payable for operation of a state boarding school.

31 * **Sec. 21.** AS 14.20.025 is amended to read:

1 **Sec. 14.20.025. Limited teacher certificates.** Notwithstanding
 2 AS 14.20.020(b), a person may be issued a limited certificate, valid only in the area
 3 of expertise for which it is issued, to teach Alaska Native language or culture, military
 4 science, or a vocational or technical course for which the board determines by
 5 regulation that baccalaureate degree training is not sufficiently available. A limited
 6 certificate may be issued under this section only if the school board of the district or
 7 regional educational attendance area in which the person will be teaching
 8 [, THROUGH THE CHIEF SCHOOL ADMINISTRATOR,] has requested its issuance.
 9 A person who applies for a limited certificate shall demonstrate, as required by
 10 regulations adopted by the board, instructional skills and subject matter expertise
 11 sufficient to ensure the public that the person is competent as a teacher. The board
 12 may require a person issued a limited certificate to undertake academic training as may
 13 be required by the board by regulation and make satisfactory progress in the academic
 14 training.

15 * **Sec. 22.** AS 14.20.147(a) is amended to read:

16 (a) When an attendance area is transferred from a currently operating district
 17 to, or absorbed into, a new or existing school district, the teachers for the attendance
 18 area also shall be transferred unless otherwise mutually agreed by the teacher or
 19 teachers and the chief school administrator of the new district **if the district employs**
 20 **a chief school administrator**. Accumulated or earned benefits, including [BUT NOT
 21 LIMITED TO,] seniority, salary level, tenure, leave, and retirement, accompany the
 22 teacher who is transferred.

23 * **Sec. 23.** AS 14.20.148 is amended to read:

24 **Sec. 14.20.148. Intradistrict teacher reassignments.** When a teacher is
 25 involuntarily transferred or reassigned to a position for which the teacher is qualified,
 26 within the district, the teacher's moving expenses shall be paid unless the one-way
 27 driving distance is 20 miles or less from the teacher's present place of residence, or
 28 unless otherwise mutually agreed by the teacher and chief school administrator of the
 29 district **if the district employs a chief school administrator**.

30 * **Sec. 24.** AS 14.20.177(a) is amended to read:

31 (a) A school district may implement a layoff plan under this section if it is

1 necessary for the district to reduce the number of tenured teachers because

2 (1) school attendance in the district has decreased; or

3 (2) the basic need of the school district determined under
4 AS 14.17.410(b)(1) [AS 14.17.021(c) AND ADJUSTED UNDER AS 14.17.225(b)]
5 decreases by three percent or more from the previous year.

6 * **Sec. 25.** AS 14.30.305 is amended to read:

7 **Sec. 14.30.305. State support of programs for children hospitalized or**
8 **confined to their homes.** A child who is hospitalized or confined to home and who
9 receives at least 10 hours of special education and related services per week may be
10 counted as a pupil in average daily membership when computing state support under
11 the public school **funding** [FOUNDATION] program.

12 * **Sec. 26.** AS 14.30.347 is amended to read:

13 **Sec. 14.30.347. Transportation of exceptional children.** When transportation
14 is required to be provided as related services, **an** exceptional **child** [CHILDREN] shall
15 be carried with other children **if the district provides transportation to other**
16 **children in the district** [,] except when the nature of **the** [THEIR] physical or mental
17 **disability** [DISABILITIES] is such that it is in the best interest of the exceptional
18 **child** [CHILDREN], as determined by the school district, that **the child** [THEY] be
19 transported separately. State reimbursement for transportation of exceptional children
20 shall be as provided for transportation of all other pupils except that eligibility for
21 reimbursement is not subject to restriction based on the minimum distance between the
22 school and the residence of the exceptional child.

23 * **Sec. 27.** AS 14.30.650 is amended to read:

24 **Sec. 14.30.650. Funding.** Each fiscal year the department shall allocate to the
25 agency not less than **\$15.75 times the number of students in the state in average**
26 **daily membership in the preceding fiscal year as determined under AS 14.17.600.**
27 **Money to carry out the provisions of this section may be appropriated annually**
28 **by the legislature. If amounts are insufficient to meet the allocation authorized**
29 **under this section for a fiscal year, the allocation shall be reduced pro rata** [\$85
30 FOR EACH SPECIAL EDUCATION STUDENT IN THE STATE IN AVERAGE
31 DAILY MEMBERSHIP OR THE EQUIVALENT OF TWO PERCENT OF THE

1 FUNDS APPROPRIATED FOR SPECIAL EDUCATION FOR THAT FISCAL
 2 YEAR, WHICHEVER IS GREATER]. The amount allocated to the agency shall be
 3 reduced each fiscal year by the amount contributed by the department to the Teachers'
 4 Retirement System (AS 14.25) or the Public Employees' Retirement System
 5 (AS 39.35) on behalf of employees of the agency.

6 * **Sec. 28.** AS 14.36.030(a) is amended to read:

7 (a) A district operating a community school program under an approved plan
 8 of operation may receive an annual grant from the state of one-half of one percent of
 9 its public school **funding** [FOUNDATION SUPPORT] or \$10,000, whichever is
 10 greater.

11 * **Sec. 29.** AS 29.45.020(a) is amended to read:

12 (a) If a municipality levies and collects property taxes, the governing body
 13 shall provide the following notice:

14 "NOTICE TO TAXPAYER

15 For the current fiscal year the (city)(borough) has been allocated the following amount
 16 of state aid for school and municipal purposes under the applicable financial assistance
 17 Acts:

18	PUBLIC SCHOOL FUNDING [FOUNDATION]	
19	PROGRAM [ASSISTANCE] (AS 14.17)	\$
20	STATE AID FOR RETIREMENT OF SCHOOL	
21	CONSTRUCTION DEBT (AS 14.11.100)	\$
22	MUNICIPAL TAX RESOURCE EQUALIZATION	
23	(AS 29.60.010 - 29.60.080)	\$
24	PRIORITY REVENUE SHARING FOR	
25	MUNICIPAL SERVICES (AS 29.60.100 - 29.60.180)	\$
26	REVENUE SHARING FOR SAFE COMMUNITIES	
27	(AS 29.60.350 - 29.60.375)	\$
28	TOTAL AID	\$

29 The millage equivalent of this state aid, based on the dollar value of a mill in the
 30 municipality during the current assessment year and for the preceding assessment year,
 31 is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
1		
2		
3	PUBLIC SCHOOL FUNDING	
4	[FOUNDATION] PROGRAM	
5	ASSISTANCE MILLS MILLS
6	STATE AID FOR RETIREMENT	
7	OF SCHOOL CONSTRUCTION	
8	DEBTMILLSMILLS
9	MUNICIPAL TAX RESOURCE	
10	EQUALIZATIONMILLSMILLS
11	PRIORITY REVENUE FOR SHARING	
12	MUNICIPAL SERVICESMILLSMILLS
13	REVENUE SHARING FOR SAFE	
14	COMMUNITIESMILLSMILLS
15	TOTAL MILLAGE	
16	EQUIVALENT	
MILLSMILLS"

17 Notice shall be provided **by**

18 (1) [BY] furnishing a copy of the notice with tax statements mailed for
 19 the fiscal year for which aid is received; or

20 (2) [BY] publishing in a newspaper of general circulation in the
 21 municipality a copy of the notice once each week for a period of three successive
 22 weeks, with publication to occur not later than 45 days after the final adoption of the
 23 municipality’s budget.

24 * **Sec. 30.** AS 29.60.030(d) is amended to read:

25 (d) The full and true assessed property value shall be determined by the
 26 department in the manner provided for the computation of state aid to education under
 27 **AS 14.17.510** [AS 14.17.140]. When the determination of locally generated revenue
 28 includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true
 29 assessed property value must include the computed assessed value of the utility,
 30 determined by dividing the amount of the payment in place of taxes made by the
 31 utility by the millage rate that would apply to the utility if the utility were subject to

1 levy and collection of taxes under AS 29.45.

2 * **Sec. 31.** AS 36.10.090(b) is amended to read:

3 (b) A local government or school district covered by the provisions of this
4 chapter that is found to be in violation of these provisions may be required to forfeit
5 all or part of the state aid made available for the project in which the violation occurs
6 and in addition may be denied up to 12 months of state revenue sharing or public
7 school **funding** [FOUNDATION MONEY]. A state department or agency head found
8 to be in violation of this chapter may be required to forfeit the position of department
9 or agency head.

10 * **Sec. 32.** AS 36.10.125(c) is amended to read:

11 (c) In an action brought under (b) of this section, the court may, in its
12 discretion, order denial of state revenue sharing or public school **funding**
13 [FOUNDATION MONEY], forfeiture of office or position, or injunctive or other
14 relief. If the court finds for the plaintiff in an action brought under (b) of this section,
15 it may award the plaintiff an amount equal to the actual costs and attorney fees
16 incurred by the plaintiff.

17 * **Sec. 33.** AS 43 is amended by adding a new chapter to read:

18 **Chapter 42. Unorganized Borough Employment Tax.**

19 **Sec. 43.42.010. Purpose; nonresident taxation.** It is the purpose of this
20 chapter to impose an employment tax on individuals who are employed in the
21 unorganized borough, including those individuals who are nonresidents who are
22 employed in the unorganized borough.

23 **Sec. 43.42.020. Tax imposed.** In each calendar year, there is levied an
24 employment tax upon each individual who receives compensation for services
25 performed in the unorganized borough outside of a home rule or first class city as an
26 employee or receives self-employment earnings from business activities conducted in
27 the unorganized borough outside of a home rule or first class city. The tax on an
28 individual is three percent of

29 (1) compensation paid to that individual by an employer who has a
30 business situs in the unorganized borough outside of a home rule or first class city for
31 services performed in the unorganized borough outside of a home rule or first class

1 city in the calendar year as an employee of that employer;

2 (2) that individual's self-employment earnings from business activities
3 conducted in the unorganized borough outside of a home rule or first class city in the
4 calendar year.

5 **Sec. 43.42.030. Determination of business situs.** For purposes of
6 AS 43.42.020, an employer has a business situs in the unorganized borough outside
7 of a home rule or first class city if, at any time in the calendar year, an individual
8 performs services in the unorganized borough outside of a home rule or first class city
9 as an employee of that employer.

10 **Sec. 43.42.035. Credit against tax.** An individual is entitled to a tax credit
11 against the tax levied on the individual by this chapter equal to the amount paid by the
12 individual in taxes in a city or borough school district that is contributed to the school
13 district. An individual may claim a credit under this section by providing proof of
14 payment to the employer on a form approved by the Department of Labor or by
15 providing proof satisfactory to the Department of Labor of payment of the tax in the
16 city or borough school district.

17 **Sec. 43.42.040. Collection, reporting, and remittance of tax on employee**
18 **compensation.** (a) An employer making payment of compensation for services
19 performed in the unorganized borough outside of a home rule or first class city shall
20 withhold from the payment the tax levied by this chapter. Unless a credit is allowed
21 under AS 43.42.035, the employer shall withhold three percent of each payment of
22 compensation and shall file a return and remit the taxes as required by (b) or (c) of
23 this section.

24 (b) Except as provided in (c) of this section, the return required by this section
25 must be filed, and the withheld taxes remitted, by the date the employer's regular
26 quarterly report of employment security contributions under AS 23.20 is required to
27 be filed. The employer shall file a return by reporting amounts withheld under this
28 section during the preceding calendar quarter, and any additional information required
29 by regulation adopted under AS 43.42.050(a), to the Department of Labor on forms
30 provided by the Department of Labor together with the employer's regular quarterly
31 report of employment security contributions under AS 23.20. With each return filed

1 under this subsection, the employer shall remit the taxes required to be withheld under
2 this section during the preceding calendar quarter.

3 (c) An employer who is required to withhold and remit taxes under this section
4 but who is not subject to the reporting requirements of AS 23.20 shall file a return and
5 remit the taxes as required by this subsection. On or before the last day of the month
6 following each calendar quarter in which taxes were withheld under this section, the
7 employer shall file with the department a return on forms provided by the department
8 and shall remit the taxes required to be withheld during the preceding calendar quarter.
9 In the return, the employer shall report amounts withheld under this section during the
10 preceding calendar quarter and any additional information required by regulation
11 adopted under AS 43.42.050(a).

12 **Sec. 43.42.050. Administration of tax on employee compensation.** (a) After
13 consultation with the Department of Labor, the department shall prescribe, by
14 regulation, any additional information that must be included in a return filed under
15 AS 43.42.040 in order for the department to calculate, determine, collect, or enforce
16 the tax levied by this chapter. The Department of Labor shall include, on forms for
17 reporting under AS 23.20, space designated for reporting amounts withheld under
18 AS 43.42.040 and for providing any additional information required by department
19 regulations. The department shall coordinate with the Department of Labor to
20 maximize the use of existing reports to the department and to the Department of
21 Labor.

22 (b) The Department of Labor shall provide to the department the information
23 collected under AS 43.42.040 that relates to the tax levied by this chapter.

24 (c) The Department of Labor shall report to the department a failure of an
25 employer to timely report or remit the tax levied by this chapter. The Department of
26 Labor may not use the provisions of AS 23.20 to enforce the collection or remittance
27 of the tax levied by this chapter. Reporting forms and other records relating to the tax
28 levied by this chapter that are maintained by the Department of Labor are prima facie
29 evidence of timely reporting and remittance, or failure to timely report or remit, under
30 AS 43.42.040.

31 **Sec. 43.42.060. Administration and payment of tax on self-employment**

1 **earnings.** (a) An individual who is subject to the tax on self-employment earnings
 2 levied by this chapter shall file a return with the department, and with the return shall
 3 pay the tax, in the manner required by this section. The return must be filed on a form
 4 provided by the department.

5 (b) The individual shall file a return for each calendar quarter in which the
 6 individual had self-employment earnings and make a payment of three percent of the
 7 individual's self-employment earnings in that quarter.

8 (c) Returns must be filed and payments made, as required by (b) of this
 9 section, on or before the following dates:

10 (1) April 15, for the first calendar quarter of a year;

11 (2) July 15, for the second calendar quarter of a year;

12 (3) October 15, for the third calendar quarter of a year;

13 (4) January 15 of the following year, for the fourth calendar quarter of
 14 a year.

15 **Sec. 43.42.070. Record of tax withheld from employees; refunds.** (a) An
 16 employer who withholds tax under AS 43.42.040 shall furnish to the employee before
 17 February 1 of each calendar year a record of the amount of tax withheld from that
 18 employee's compensation in the preceding calendar year. The employer shall pay to
 19 the department a penalty of \$10 for each failure to provide the record required by this
 20 subsection.

21 (b) On or before April 15 of a calendar year, an individual may file with the
 22 department, on forms provided by the department, a claim for the refund of excess tax
 23 withheld or paid for the preceding calendar year. The individual shall attach the
 24 records provided by employers or other proof of payment acceptable to the department
 25 to support the refund claim.

26 **Sec. 43.42.080. Disposition of and accounting for tax proceeds.** (a) The
 27 money collected by the department under this chapter shall be deposited in the general
 28 fund of the state, and the proceeds from the tax shall be separately accounted for by
 29 regional educational attendance area. A regional educational attendance area is, subject
 30 to appropriation, entitled to receive money collected under this chapter from that area.
 31 The legislature may appropriate the estimated balance of the account to the public

1 school account established under AS 14.17.300.

2 (b) In this section, "regional educational attendance area" means an area of the
3 unorganized borough specified as an educational service area under AS 14.08.031(a).

4 **Sec. 43.42.090. Regulations.** The department may adopt regulations to
5 interpret and implement this chapter.

6 **Sec. 43.42.099. Definitions.** In this chapter,

7 (1) "business activities" means activities or acts of a commercial,
8 occupational, professional, or like nature, that are engaged in or caused to be engaged
9 in with the object of financial or pecuniary gain, profit, or benefit; "business activities"
10 does not include

11 (A) providing services as an employee;

12 (B) furnishing or selling of property, services, substances, or
13 things by a person who does not represent to be regularly engaging in those
14 transactions;

15 (C) an individual's investment or banking activities relating to
16 that individual's personal property;

17 (2) "calendar quarter" means each of the three-month periods ending
18 March 31, June 30, September 30, and December 31;

19 (3) "compensation for services" means gross wages, salaries, tips, and
20 other remuneration paid to an employee by an employer; "compensation for services"
21 does not include

22 (A) remuneration for attendance at events such as trade shows,
23 conventions, or educational or scientific workshops or seminars; or

24 (B) compensation earned by a prisoner under AS 33 at a rate
25 less than the minimum wage established under AS 23.10;

26 (4) "employer" means a person making payment of compensation for
27 services who is required to deduct and withhold income taxes under provisions of
28 26 U.S.C. (Internal Revenue Code);

29 (5) "individual" means a natural person who was 19 years of age or
30 older on January 1 of a calendar year;

31 (6) "self-employment earnings" means gross receipts from a business

1 activity that are not paid by an employer less the expenses incurred to produce the
2 gross receipts;

3 (7) "tax" means the employment tax levied by this chapter.

4 * **Sec. 34.** AS 44.47.305(c) is amended to read:

5 (c) A grant under (a) of this section may not exceed \$50 per month for each
6 child the child care facility cares for, or for each full-time equivalent, as determined
7 by the department. The grant shall be adjusted on a geographic basis by the same
8 **factor** [PERCENTAGES] as **funding for a school district is** [INSTRUCTIONAL
9 UNIT ALLOTMENTS ARE] adjusted under **AS 14.17.460** [AS 14.17.051].

10 * **Sec. 35.** AS 14.16.050(a)(1)(G); AS 14.17.010, 14.17.021, 14.17.022, 14.17.024,
11 14.17.025, 14.17.026, 14.17.031, 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051,
12 14.17.056, 14.17.080, 14.17.082, 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200,
13 14.17.210, 14.17.220, 14.17.225, 14.17.250; and AS 14.30.315(a) are repealed.

14 * **Sec. 36.** TRANSITION: TRANSITION FUNDING. (a) Except as provided in (b) and
15 (c) of this section, if, for a fiscal year beginning July 1, 1998, or July 1, 1999, a city or
16 borough school district or a regional educational attendance area would receive less public
17 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district or area
18 would have received as state aid for the fiscal year beginning July 1, 1998, the district or area
19 is eligible to receive additional public school funding equal to a percentage of the difference
20 between the state aid the district or area would have received for the fiscal year beginning
21 July 1, 1998, and the public school funding the district or area is eligible to receive under
22 AS 14.17.410, enacted by sec. 2 of this Act, according to the following table:

23 For the fiscal year beginning	Percentage of difference
24 July 1, 1998	75
25 July 1, 1999	50

26 (b) A city or borough school district is not eligible for additional funding authorized
27 under (a) of this section unless, during the fiscal year beginning July 1, 1997, the district
28 received the local contribution described under AS 14.17.025(a)(1), as that provision existed
29 on the day before the effective date of this Act.

30 (c) For the purposes of the reduction required under AS 14.17.400(b), enacted by sec.
31 2 of this Act, transition funding authorized under (a) of this section is treated the same as the

1 state share of public school funding under AS 14.17.410, enacted by sec. 2 of this Act.

2 (d) For purposes of this section, "state aid" means state foundation aid distributed
3 under the provisions of AS 14.17, if those provisions had not been repealed by this Act, and
4 additional district support appropriated by the legislature.

5 * **Sec. 37.** TRANSITION: REGULATIONS. (a) To the extent the regulations are not
6 inconsistent with the language and purposes of this Act, regulations relating to state aid for
7 public schools adopted by the Department of Education before the effective date of this
8 section remain in effect as valid regulations implementing this Act; all other regulations
9 relating to state aid for public schools adopted by the Department of Education before the
10 effective date of this section are annulled. The Department of Education may administer and
11 enforce those previously adopted regulations relating to state foundation aid for public schools.

12 (b) The Department of Education shall, by regulation, define the term "school" for
13 purposes of AS 14.17.

14 * **Sec. 38.** TRANSITION: PROPOSED DISTRICT COST FACTORS. The Department
15 of Education shall submit the initial proposed district cost factors, required under
16 AS 14.17.460(b), enacted in sec. 2 of this Act, to the Alaska State Legislature by January 15,
17 2001.

18 * **Sec. 39.** TRANSITION: BASE STUDENT ALLOCATION. Notwithstanding
19 AS 14.17.470, enacted in sec. 2 of this Act, the base student allocation is as follows:

20	For the fiscal year beginning	Base student allocation
21	July 1, 1998	\$3,856
22	July 1, 1999	\$3,889

23 * **Sec. 40.** TRANSITION: MINIMUM EXPENDITURE FOR INSTRUCTION.
24 Notwithstanding AS 14.17.520, enacted in sec. 2 of this Act, the minimum expenditure for the
25 instructional component of the school district budget is as follows:

26	For the fiscal year beginning	Minimum expenditure
27	July 1, 1998	60 percent
28	July 1, 1999	65 percent

29 * **Sec. 41.** TRANSITION: UNORGANIZED BOROUGH EMPLOYMENT TAX. (a)
30 AS 43.42, enacted by sec. 33 of this Act, applies to compensation and self-employment
31 earnings income received on or after January 1, 1999.

1 * **Sec. 42.** TRANSITION: SPECIAL EDUCATION FUNDING. If, for fiscal year 1999,
2 the special education service agency would receive less funding under AS 14.30.650, as
3 amended by sec. 27 of this Act, than the agency would have received for fiscal year 1999
4 under AS 14.30.650 as that provision read before the effective date of this Act, the agency is
5 eligible to receive additional state funding equal to the difference between the state funding
6 the agency is eligible to receive under AS 14.30.650, as amended by sec. 27 of this Act, and
7 the state funding the agency is eligible to receive on the day before the effective date of this
8 Act.

9 * **Sec. 43.** This Act takes effect July 1, 1998.