

SENATE BILL NO. 146

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Introduced: 3/19/97

Referred: HESS, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the public school funding program; relating to the definition
2 of a school district, to the transportation of students, to school district layoff
3 plans, to the special education service agency, to the child care grant program;
4 imposing a school tax in the unorganized borough; and providing for an effective
5 date."

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

7 * **Section 1.** PURPOSE OF SECTION 2. The purpose of sec. 2 of this Act is to provide
8 a level of funding through the public school funding program that allows for an equitable level
9 of educational opportunities for those students attending the public schools of the state, to
10 promote local decision-making, and, through increased control of funding, to provide more
11 local responsibility and accountability for decisions affecting public schools.

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

13 **Article 1. State Funding to Public Schools.**

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

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

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

11 (b) If the amount in the public school account (AS 14.17.300) is insufficient
12 to meet the amounts authorized under (a) of this section for a fiscal year, the
13 department shall reduce pro rata the state share of public school funding for which
14 districts are eligible by the necessary percentage as determined by the department. If
15 the state share of public school funding is reduced under this subsection, the
16 department shall also reduce state funding for centralized correspondence study and the
17 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 this section.

20 (b) Public school funding consists of a state share and a local contribution,
21 determined as follows:

22 (1) the state share equals need minus local contribution; need equals
23 the product obtained under (d) of this paragraph, multiplied by the base student
24 allocation set out at AS 14.17.475, plus any intensive services funding for which the
25 district qualifies under AS 14.17.420(a)(2); district adjusted ADM is calculated as
26 follows:

27 (A) the ADM of a funding community is multiplied by the
28 funding community size factor set out in AS 14.17.460;

29 (B) the product obtained under (A) of this paragraph is
30 multiplied by the funding community area cost factor described in
31 AS 14.17.470;

1 (C) if a funding community is the only funding community in
 2 a district with an ADM of 900 or less, the product obtained under (B) of this
 3 paragraph is multiplied by the appropriate factor set out in AS 14.17.460(b);

4 (D) the ADMs of each funding community in a district, as
 5 adjusted according to (A) - (C) of this paragraph, are added; the sum is then
 6 multiplied by the special needs factor set out in AS 14.17.420(a)(1);

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

13 (3) the local contribution of a regional educational attendance area is
 14 an income tax imposed under AS 43.45.011.

15 (c) Public school funding may not be provided to a school district if the local
 16 contributions required under (b) of this section have not been made.

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

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

24 (2) in addition to the special needs funding for which a district is
 25 eligible under (1) of this subsection, a district is eligible for intensive services funding
 26 for each special education student who needs and receives intensive services and is
 27 enrolled on the last day of the count period; for each such student, intensive services
 28 funding is equal to \$22,500 multiplied by the area cost factor of the funding
 29 community in which the student is enrolled.

30 (b) In this section, "intensive services" has the meaning given by the
 31 department by regulation adopted under AS 14.30.180 - 14.30.350.

1 **Sec. 14.17.430. State funding for centralized correspondence study.** Except
 2 as provided in AS 14.17.400(b), funding for the state centralized correspondence study
 3 program includes an allocation from the public school account (AS 14.17.300) in an
 4 amount calculated by multiplying the ADM of the correspondence program by the base
 5 student allocation and multiplying that product by 55 percent.

6 **Sec. 14.17.435. State funding for state boarding school.** Except as provided
 7 in AS 14.17.400(b), funding for the state boarding school established under
 8 AS 14.16.010 includes an allocation from the public school account (AS 14.17.300)
 9 in an amount calculated by multiplying the ADM of the state boarding school by the
 10 special needs factor in AS 14.17.420(a)(1) and multiplying that product by the base
 11 student allocation. The state boarding school is also eligible for intensive services
 12 funding under AS 14.17.420(a)(2).

13 **Sec. 14.17.440. Local contribution.** (a) The required local contribution to
 14 a school district is a district's local contribution as calculated according to
 15 AS 14.17.410(b)(2) and (3).

16 (b) Nothing in this section prohibits a city or borough from contributing to its
 17 district amounts in excess of the local contribution required under this section if the
 18 local contribution is also in compliance with federal law.

19 **Sec. 14.17.450. Funding communities.** The department shall adopt
 20 regulations defining funding communities within each district that reflect geographic
 21 and attendance area factors. The regulations may not allow for funding communities
 22 smaller than 10 ADM.

23 **Sec. 14.17.460. Funding community size factor.** (a) For purposes of
 24 calculating a district's adjusted ADM to determine public school funding, the ADM
 25 of each funding community in a district shall be multiplied by a funding community
 26 size factor as set out in the following table:

ADM	Funding Community Size Factor
10 - 20	2.75
21 - 40	2.20
41 - 80	1.90
81 - 160	1.55

1	161 - 400	1.40
2	401 - 1,000	1.10
3	over 1,000	1.00.

4 (b) For a district that consists of one funding community with an ADM of 900
5 or less, the district ADM shall be multiplied according to AS 14.17.410(b)(1) by the
6 appropriate factor as set out in the following table:

7	ADM	Factor
8	1 - 250	1.12
9	251 - 525	1.08
10	526 - 900	1.06

11 **Sec. 14.17.470. Area cost and transportation factors.** For purposes of
12 calculating a district's adjusted ADM under AS 14.17.410(b)(1), the area cost factor
13 for a funding community in a school district is as follows:

14	DISTRICT	FUNDING COMMUNITY	AREA COST FACTOR
15	Alaska Gateway	Alcan Border	1.14
16	Alaska Gateway	Dot Lake	1.14
17	Alaska Gateway	Eagle	1.14
18	Alaska Gateway	Mentasta	1.14
19	Alaska Gateway	Northway	1.14
20	Alaska Gateway	Tanacross	1.14
21	Alaska Gateway	Tetlin	1.14
22	Alaska Gateway	Tok	1.14
23	Aleutians East	Akutan	1.32
24	Aleutians East	Cold Bay	1.32
25	Aleutians East	False Pass	1.32
26	Aleutians East	King Cove	1.32
27	Aleutians East	Nelson Lagoon	1.32
28	Aleutians East	Sand Point	1.32
29	Aleutians Region	Atka	1.32
30	Alyeska Central School	Alyeska Central School	1.00
31	Anchorage	Anchorage	1.00

1	Anchorage	Eagle River	1.00
2	Anchorage	Girdwood	1.00
3	Annette Island	Annette	1.05
4	Bering Strait	Brevig Mission	1.40
5	Bering Strait	Diomede	1.45
6	Bering Strait	Elim	1.40
7	Bering Strait	Gambell	1.55
8	Bering Strait	Golovin	1.40
9	Bering Strait	Koyuk	1.40
10	Bering Strait	Savoonga	1.45
11	Bering Strait	Shaktoolik	1.40
12	Bering Strait	Shishmaref	1.40
13	Bering Strait	St. Michael	1.40
14	Bering Strait	Stebbins	1.40
15	Bering Strait	Teller	1.40
16	Bering Strait	Unalakleet	1.40
17	Bering Strait	Wales	1.40
18	Bering Strait	White Mountain	1.40
19	Bristol Bay	Bristol Bay	1.40
20	Bristol Bay	South Naknek	1.40
21	Chatham	Angoon	1.05
22	Chatham	Cube Cove	1.05
23	Chatham	Elfin Cove	1.05
24	Chatham	Gustavus	1.05
25	Chatham	Hobart Bay	1.05
26	Chatham	Klukwan	1.05
27	Chatham	Tenakee Springs	1.05
28	Chugach	Chenega Bay	1.14
29	Chugach	Icy Bay	1.14
30	Chugach	Tatitlek	1.14
31	Chugach	Whittier	1.05

1	Chugach	Yakataga	1.14
2	Copper River	Chistochina	1.05
3	Copper River	Copper Center	1.05
4	Copper River	Gakona	1.05
5	Copper River	Glennallen	1.05
6	Copper River	Kenny Lake	1.05
7	Copper River	Lottie Sparks	1.05
8	Copper River	Slana	1.05
9	Cordova	Cordova	1.14
10	Craig	Craig	1.05
11	Delta/Greely	Delta Junction	1.14
12	Delta/Greely	Healy Lake	1.14
13	Denali	Anderson	1.14
14	Denali	Cantwell	1.14
15	Denali	Healy	1.14
16	Dillingham	Dillingham	1.32
17	Fairbanks	Eielson	1.00
18	Fairbanks	Fairbanks	1.00
19	Fairbanks	North Pole	1.00
20	Fairbanks	Salcha	1.05
21	Fairbanks	Two Rivers	1.05
22	Galena	Galena	1.32
23	Haines	Haines	1.05
24	Haines	Mosquito Lake	1.05
25	Hoonah	Hoonah	1.05
26	Hydaburg	Hydaburg	1.05
27	Iditarod	Anvik	1.32
28	Iditarod	Grayling	1.32
29	Iditarod	Holy Cross	1.32
30	Iditarod	Lake Minchumina	1.32
31	Iditarod	Lime Village	1.32

1	Iditarod	McGrath	1.32
2	Iditarod	Nikolai	1.32
3	Iditarod	Shageluk	1.32
4	Iditarod	Takotna	1.32
5	Iditarod	Telida	1.32
6	Juneau	Juneau	1.00
7	Kake	Kake	1.05
8	Kashunamiut	Chevak	1.32
9	Kenai Peninsula	Anchor Point	1.00
10	Kenai Peninsula	Cooper Landing	1.00
11	Kenai Peninsula	Homer	1.00
12	Kenai Peninsula	Hope	1.00
13	Kenai Peninsula	Kachemak Selo	1.05
14	Kenai Peninsula	Kasilof	1.00
15	Kenai Peninsula	Kenai	1.00
16	Kenai Peninsula	McNeil Canyon	1.00
17	Kenai Peninsula	Moose Pass	1.00
18	Kenai Peninsula	Nanwalek	1.05
19	Kenai Peninsula	Nikiski	1.00
20	Kenai Peninsula	Nikolaevsk	1.05
21	Kenai Peninsula	Ninilchik	1.00
22	Kenai Peninsula	Port Graham	1.05
23	Kenai Peninsula	Razdolna	1.05
24	Kenai Peninsula	Seldovia	1.05
25	Kenai Peninsula	Seward	1.00
26	Kenai Peninsula	Soldotna	1.00
27	Kenai Peninsula	Sterling	1.00
28	Kenai Peninsula	Tyonek	1.05
29	Kenai Peninsula	Voznesenka	1.05
30	Ketchikan	Ketchikan	1.00
31	Klawock	Klawock	1.05

1	Kodiak Island	Akhiok	1.14
2	Kodiak Island	Big Sandy Lake	1.14
3	Kodiak Island	Chiniak	1.05
4	Kodiak Island	Danger Bay	1.14
5	Kodiak Island	Karluk	1.14
6	Kodiak Island	Kodiak	1.05
7	Kodiak Island	Larsen Bay	1.14
8	Kodiak Island	Old Harbor	1.14
9	Kodiak Island	Ouzinkie	1.14
10	Kodiak Island	Port Lions	1.14
11	Kuspuk	Aniak	1.32
12	Kuspuk	Chuathbaluk	1.32
13	Kuspuk	Crooked Creek	1.32
14	Kuspuk	Lower Kalskag	1.32
15	Kuspuk	Red Devil	1.32
16	Kuspuk	Sleetmute	1.32
17	Kuspuk	Stony River	1.32
18	Kuspuk	Upper Kalskag	1.32
19	Lake and Peninsula	Chignik Bay	1.32
20	Lake and Peninsula	Chignik Lagoon	1.32
21	Lake and Peninsula	Chignik Lake	1.32
22	Lake and Peninsula	Egegik	1.32
23	Lake and Peninsula	Igiugig	1.32
24	Lake and Peninsula	Ivanof Bay	1.32
25	Lake and Peninsula	Kokhanok	1.32
26	Lake and Peninsula	Levelok	1.32
27	Lake and Peninsula	Newhalen	1.32
28	Lake and Peninsula	Nondalton	1.32
29	Lake and Peninsula	Pedro Bay	1.32
30	Lake and Peninsula	Perryville	1.32
31	Lake and Peninsula	Pilot Point	1.32

1	Lake and Peninsula	Port Alsworth	1.32
2	Lake and Peninsula	Port Heiden	1.32
3	Lower Kuskokwim	Akiuk	1.32
4	Lower Kuskokwim	Akula	1.32
5	Lower Kuskokwim	Atmautlauk	1.32
6	Lower Kuskokwim	Bethel	1.32
7	Lower Kuskokwim	Chefornak	1.32
8	Lower Kuskokwim	Eek	1.32
9	Lower Kuskokwim	Goodnews Bay	1.32
10	Lower Kuskokwim	Kipnuk	1.32
11	Lower Kuskokwim	Kongiganak	1.32
12	Lower Kuskokwim	Kwethluk	1.32
13	Lower Kuskokwim	Kwigillingok	1.32
14	Lower Kuskokwim	Mekoryuk	1.40
15	Lower Kuskokwim	Napakiak	1.32
16	Lower Kuskokwim	Napaskiak	1.32
17	Lower Kuskokwim	Newtok	1.32
18	Lower Kuskokwim	Nightmute	1.32
19	Lower Kuskokwim	Nunapitchuk	1.32
20	Lower Kuskokwim	Oscarville	1.32
21	Lower Kuskokwim	Platinum	1.32
22	Lower Kuskokwim	Quinhagak	1.32
23	Lower Kuskokwim	Toksook Bay	1.32
24	Lower Kuskokwim	Tuntutuliak	1.32
25	Lower Kuskokwim	Tununak	1.32
26	Lower Yukon	Alakanak	1.32
27	Lower Yukon	Emmonak	1.32
28	Lower Yukon	Hooper Bay	1.32
29	Lower Yukon	Kotlik	1.32
30	Lower Yukon	Marshall	1.32
31	Lower Yukon	Mountain Village	1.32

1	Lower Yukon	Pilot Station	1.32
2	Lower Yukon	Pitkas Point	1.32
3	Lower Yukon	Russian Mission	1.32
4	Lower Yukon	Scammon Bay	1.32
5	Lower Yukon	Sheldon Point	1.32
6	Mat-Su	Beryozava	1.05
7	Mat-Su	Big Lake	1.00
8	Mat-Su	Butte	1.00
9	Mat-Su	Colony	1.00
10	Mat-Su	Glacier View	1.00
11	Mat-Su	Houston	1.00
12	Mat-Su	Mat-Su Valley	1.00
13	Mat-Su	Palmer	1.00
14	Mat-Su	Pt. McKenzie	1.00
15	Mat-Su	Skwentna	1.05
16	Mat-Su	Sutton	1.00
17	Mat-Su	Talkeetna	1.00
18	Mat-Su	Trapper Creek	1.00
19	Mat-Su	Wasilla	1.00
20	Mat-Su	Willow	1.00
21	Mt. Edgecumbe	Mt. Edgecumbe	1.00
22	Nenana	Nenana	1.14
23	Nome	Nome	1.32
24	North Slope	Anaktuvuk Pass	1.55
25	North Slope	Atqasuk	1.45
26	North Slope	Barrow	1.45
27	North Slope	Kaktovik	1.45
28	North Slope	Nuiqsut	1.45
29	North Slope	Point Hope	1.45
30	North Slope	Point Lay	1.45
31	North Slope	Wainwright	1.45

1	Northwest Arctic	Ambler	1.45
2	Northwest Arctic	Buckland	1.45
3	Northwest Arctic	Deering	1.45
4	Northwest Arctic	Kiana	1.45
5	Northwest Arctic	Kivalina	1.45
6	Northwest Arctic	Kobuk	1.45
7	Northwest Arctic	Kotzebue	1.45
8	Northwest Arctic	Noatak	1.45
9	Northwest Arctic	Noorvik	1.45
10	Northwest Arctic	Selawik	1.45
11	Northwest Arctic	Shungnak	1.45
12	Pelican	Pelican	1.05
13	Petersburg	Petersburg	1.00
14	Pribilof	St. George	1.40
15	Pribilof	St. Paul	1.40
16	Sitka	Sitka	1.00
17	Skagway	Skagway	1.05
18	Southeast Island	Craik	1.05
19	Southeast Island	Edna Bay	1.05
20	Southeast Island	Hollis	1.05
21	Southeast Island	Howard Valentine	1.05
22	Southeast Island	Jr. Gildersleeve	1.05
23	Southeast Island	Kasaan	1.05
24	Southeast Island	Naukati	1.05
25	Southeast Island	Polk Inlet	1.05
26	Southeast Island	Port Alexander	1.05
27	Southeast Island	Port Protection	1.05
28	Southeast Island	Thorne Bay	1.05
29	Southeast Island	Whale Pass	1.05
30	Southwest Region	Aleknagik North	1.32
31	Southwest Region	Clarks Point	1.32

1	Southwest Region	Ekwok	1.32
2	Southwest Region	Koliganek	1.32
3	Southwest Region	Manokotak	1.32
4	Southwest Region	New Stuyahok	1.32
5	Southwest Region	Portage	1.32
6	Southwest Region	Togiak	1.32
7	Southwest Region	Twin Hills	1.32
8	St. Mary's	St. Mary's	1.32
9	Tanana	Tanana	1.40
10	Unalaska	Unalaska	1.32
11	Valdez	Valdez	1.05
12	Wrangell	Wrangell	1.00
13	Yakutat	Yakutat	1.14
14	Yukon Flats	Arctic Village	1.45
15	Yukon Flats	Beaver	1.45
16	Yukon Flats	Birch Creek	1.45
17	Yukon Flats	Central	1.32
18	Yukon Flats	Chalkyitsik	1.45
19	Yukon Flats	Circle	1.32
20	Yukon Flats	Fort Yukon	1.45
21	Yukon Flats	Northern Lights	1.32
22	Yukon Flats	Rampart	1.45
23	Yukon Flats	Stevens Village	1.45
24	Yukon Flats	Venetie	1.45
25	Yukon/Koyukuk	Allakaket	1.40
26	Yukon/Koyukuk	Bettles	1.40
27	Yukon/Koyukuk	Hughes	1.40
28	Yukon/Koyukuk	Huslia	1.40
29	Yukon/Koyukuk	Kaltag	1.40
30	Yukon/Koyukuk	Koyukuk	1.40
31	Yukon/Koyukuk	Manley Hot Springs	1.40

1	Yukon/Koyukuk	Minto	1.32
2	Yukon/Koyukuk	Nulato	1.40
3	Yukon/Koyukuk	Ruby	1.40
4	Yupiit	Akiachak	1.32
5	Yupiit	Akiak	1.32
6	Yupiit	Tuluksak	1.32

7 **Sec. 14.17.475. Base student allocation.** (a) The base student allocation is
8 \$4,165.

9 (b) The department shall prepare and submit to the legislature by October 15
10 of each fiscal year a proposed base student allocation. In determining the proposed
11 base student allocation, the department shall consider cost-of-living changes as
12 measured by the Anchorage Consumer Price Index for all urban consumers.

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

14 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
15 submit to the department by November 5 of each fiscal year, in the manner and on
16 forms prescribed by the department, an estimate of its ADM and other student count
17 data for the succeeding fiscal year upon which computations can be made to estimate
18 the amount of public school funding for which the district may be eligible under
19 AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall
20 consider its ADM, other student count data, the pattern of growth or decline of the
21 student population in preceding years, and other pertinent information available to the
22 district.

23 (b) Part-time students and district correspondence students shall be included
24 in the student count data in accordance with regulations adopted by the department.

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

29 (b) The department shall review each district's annual audit under AS 14.14.050
30 for the preceding fiscal year to ascertain its year-end operating fund balance. The
31 amount by which the unreserved portion of that balance exceeds the amount permitted

1 in (a) of this section shall be deducted from the public school funding that would
2 otherwise be paid to the district in the current fiscal year.

3 **Sec. 14.17.510. Determination of full and true value by Department of**
4 **Community and Regional Affairs.** (a) To determine the amount of required local
5 contribution under AS 14.17.440 and to aid the department and the legislature in
6 planning, the Department of Community and Regional Affairs, in consultation with the
7 assessor for each district in a city or borough, shall determine the full and true value
8 of the taxable real and personal property in each district in a city or borough. If there
9 is no local assessor or current local assessment for a city or borough school district,
10 then the Department of Community and Regional Affairs shall make the determination
11 of full and true value from information available. In making the determination, the
12 Department of Community and Regional Affairs shall be guided by AS 29.45.110.
13 The determination of full and true value shall be made by October 1 and sent by
14 certified mail, return receipt requested, on or before that date to the president of the
15 school board in each city or borough school district. Duplicate copies shall be sent to
16 the commissioner. The governing body of a city or borough that is a school district
17 may obtain judicial review of the determination. The superior court may modify the
18 determination of the Department of Community and Regional Affairs only upon a
19 finding of abuse of discretion or upon a finding that there is no substantial evidence
20 to support the determination.

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

23 **Article 3. Procedure for Payments of Public School Funding.**

24 **Sec. 14.17.600. Student counting periods.** (a) Within two weeks after the
25 end of the 20-school-day period ending the fourth Friday in October, each district shall
26 transmit a report to the department that, under regulations adopted by the department,
27 reports its ADM for that counting period and other student count information that will
28 aid the department in making a determination of its state aid under the public school
29 funding program. If it makes the district eligible for more state aid under the program,
30 a district may transmit, within two weeks after the 20-school-day period ending the
31 second Friday in February, a similar report for that counting period. For centralized

1 correspondence study, the October report shall be based on the period from July 1
2 through the fourth Friday in October, except that summer school students shall be
3 counted as a proportionate fraction as determined by the department. The department
4 may make necessary corrections in the report submitted and shall notify the district of
5 changes made. The commissioner shall notify the governor of additional
6 appropriations the commissioner estimates to be necessary to fully finance the public
7 school funding program for the current fiscal year.

8 (b) Upon written request and for good cause shown, the commissioner may
9 permit a district to use a 20-school-day counting period other than the periods set out
10 in (a) of this section. However, a counting period approved under this subsection must
11 be 20 consecutive school days unless one or more alternate counting periods are
12 necessary to permit a district to implement flexible scheduling that meets the district's
13 needs and goals without jeopardizing the public school funding for which the district
14 would be ordinarily be eligible under this chapter.

15 **Sec. 14.17.610. Distribution of public school funding.** (a) The department
16 shall determine the public school funding for each school district in a fiscal year on
17 the basis of the district's student count data reported under AS 14.17.600. On or
18 before the 15th day of each of the first nine months of each fiscal year, one-twelfth
19 of each district's public school funding shall be distributed on the basis of the data
20 reported for the preceding fiscal year. On or before the 15th day of each of the last
21 three months of each fiscal year, one-third of the balance of each district's public
22 school funding shall be distributed, after the balance has been recomputed on the basis
23 of student count and other data reported for the current fiscal year.

24 (b) If a district receives more public school funding than it is entitled to
25 receive under this chapter, the district shall immediately remit the amount of
26 overpayment to the commissioner, to be returned to the public school account
27 (AS 14.17.300).

28 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
29 discretion of the commissioner, the department may make advance payments to a
30 district. The total of advance payments may not exceed the amount of public school
31 funding for which the district is eligible for the fiscal year.

Article 4. General Provisions.

1
2 **Sec. 14.17.900. Construction and implementation of chapter.** (a) This
3 chapter does not create a debt of the state. Each district shall establish, maintain, and
4 operate under a balanced budget. The state is not responsible for the debts of a school
5 district.

6 (b) Money to carry out the provisions of this chapter may be appropriated
7 annually by the legislature into the public school account (AS 14.17.300). If the
8 amount in the account is insufficient to meet the allocations authorized under
9 AS 14.17.400 - 14.17.475 for a fiscal year, public school funding shall be reduced
10 according to AS 14.17.400(b).

11 **Sec. 14.17.910. Restrictions governing receipt and expenditure of district**
12 **money.** (a) Each district shall maintain complete financial records of the receipt and
13 disbursement of public school funding, money acquired from local effort, and other
14 money received or held by the district. The records must be in the form required by
15 the department and are subject to audit by the department at a time and place
16 designated by the department.

17 (b) Public school funding provided under this chapter is for general operational
18 purposes of the district. All district money, including public school funding, shall be
19 received, held, allocated, and expended by the district under applicable local law and
20 state and federal constitutional provisions, statutes, and regulations, including those
21 related to ethical standards and accounting principles.

22 **Sec. 14.17.920. Regulations.** The department shall adopt regulations to
23 interpret and implement this chapter.

24 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
25 otherwise,

26 (1) "ADM or average daily membership" means the aggregate number
27 of full-time equivalent students enrolled in a funding community during the student
28 count period for which a determination is being made, divided by the actual number
29 of days that school is in session for the student count period for which the
30 determination is being made;

31 (2) "district" means a city or borough school district or a regional

1 educational attendance area;

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

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

5 (5) "local contribution" means appropriations and the value of in-kind
6 services made by a city or borough to its district or money collected under
7 AS 43.45.011 from residents of the unorganized borough in the relevant regional
8 educational attendance area;

9 (6) "public school funding" means money provided under the public
10 school funding program established in this chapter;

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

13 * **Sec. 3.** AS 14.03.120(g) is amended to read:

14 (g) In this section, "district" has the meaning given in AS 14.17.990
15 [AS 14.17.250].

16 * **Sec. 4.** AS 14.03.125(e) is amended to read:

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

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

20 (c) The department may not award a school construction or major maintenance
21 grant under AS 14.11 to a municipality that is a school district or a regional
22 educational attendance area that is not in compliance with (a) of this section. The
23 department shall reduce the amount of **public school funding** [STATE FOUNDATION
24 AID] under AS 14.17.400 [AS 14.17.021] for which a school district may qualify [,]
25 by the amount, if any, paid by the department under (b) of this section.

26 * **Sec. 6.** AS 14.03.160(f)(2) is amended to read:

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

28 * **Sec. 7.** AS 14.03.260(c) is amended to read:

29 (c) The charter school shall provide the financial and accounting information
30 requested by the local school board or the Department of Education [,] and shall
31 cooperate with the local school district or the department in complying with the

1 requirements of **AS 14.17.910** [AS 14.17.190].

2 * **Sec. 8.** AS 14.11.008(b) is amended to read:

3 (b) The required participating share for a municipal school district is based on
4 the district's full value per **average daily membership** (ADM), which is calculated
5 by dividing the full and true value of the taxable real and personal property in the
6 district, calculated as described in **AS 14.17.510** [AS 14.17.025(a)(1),] by the district
7 **ADM** [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in **AS 14.17.990**
8 [AS 14.17.250], for the same fiscal year for which the valuation was made. The
9 municipal district's full value per ADM determines the district's required participating
10 share, as follows:

11	Full Value Per ADM	District Participating Share
12	\$1 - \$100,000	5 percent
13	100,001 - 200,000	10 percent
14	200,001 - 600,000	30 percent
15	over 600,000	35 percent.

16 * **Sec. 9.** AS 14.14.115(c)(2) is amended to read:

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

18 * **Sec. 10.** AS 14.16.050(a)(2) is amended to read:

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

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

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

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

29 * **Sec. 11.** AS 14.16.080(a) is amended to read:

30 (a) **AS 14.17.435** [AS 14.17.024] applies to the calculation of **public school**
31 **funding** [STATE AID] payable for operation of the state boarding school.

1 * **Sec. 12.** AS 14.20.177(a) is amended to read:

2 (a) A school district may implement a layoff plan under this section if it is
3 necessary for the district to reduce the number of tenured teachers because

4 (1) school attendance in the district has decreased; [OR]

5 (2) the [BASIC] need of the school district determined under
6 AS 14.17.410(b)(1) [AS 14.17.021(b) AND ADJUSTED UNDER AS 14.17.225(b)]
7 decreases by three percent or more from the previous year; or

8 (3) the state share of public school funding is reduced under
9 AS 14.17.400(b) by three percent or more in a fiscal year.

10 * **Sec. 13.** AS 14.30.305 is amended to read:

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

16 * **Sec. 14.** AS 14.30.315(a) is amended to read:

17 (a) To be eligible for state support under the public school **funding**
18 [FOUNDATION] program, special education and related services for gifted children
19 must be provided in a program that has been approved in advance by the department.

20 * **Sec. 15.** AS 14.30.347 is amended to read:

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

31 * **Sec. 16.** AS 14.36.030(a) is amended to read:

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

* **Sec. 17.** AS 29.45.020(a) is amended to read:

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

"NOTICE TO TAXPAYER

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

PUBLIC SCHOOL FUNDING PROGRAM

[PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE] (AS 14.17)	\$
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT (AS 14.11.100)	\$
MUNICIPAL TAX RESOURCE EQUALIZATION ASSISTANCE (AS 29.60.010 - 29.60.080)	\$
STATE AID FOR MISCELLANEOUS MUNICIPAL SERVICES (AS 29.60.010 - 29.60.180)	\$
TOTAL AID	\$

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

MILLAGE EQUIVALENT
PREVIOUS YEAR THIS YEAR

PUBLIC SCHOOL FUNDING PROGRAM [PUBLIC SCHOOL

1	FOUNDATION PROGRAM		
2	ASSISTANCE]	....MILLS	....MILLS
3	STATE AID FOR RETIREMENT		
4	OF SCHOOL CONSTRUCTION DEBT	....MILLS	....MILLS
5	MUNICIPAL TAX RESOURCE		
6	EQUALIZATION ASSISTANCE	....MILLS	....MILLS
7	STATE AID FOR MISCELLANEOUS		
8	MUNICIPAL SERVICES	....MILLS	....MILLS
9	TOTAL MILLAGE EQUIVALENT	....MILLS	....MILLS"

10 Notice shall be provided **by**

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

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

17 * **Sec. 18.** AS 29.60.030(d) is amended to read:

18 (d) The full and true assessed property value shall be determined by the
19 department in the manner provided for the computation of state aid to education under
20 AS 14.17.510 [AS 14.17.140]. When the determination of locally generated revenue
21 includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true
22 assessed property value must include the computed assessed value of the utility,
23 determined by dividing the amount of the payment in place of taxes made by the
24 utility by the millage rate that would apply to the utility if the utility were subject to
25 levy and collection of taxes under AS 29.45.

26 * **Sec. 19.** AS 36.10.090(b) is amended to read:

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

1 to be in violation of this chapter may be required to forfeit the position of department
2 or agency head.

3 * **Sec. 20.** AS 36.10.125(c) is amended to read:

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

10 * **Sec. 21.** AS 43 is amended by adding a new chapter to read:

11 **Chapter 45. School Tax in the Unorganized Borough.**

12 **Sec. 43.45.011. Tax imposed.** There is imposed a school tax of \$525 a year
13 upon each person 19 years of age or older who resides and is employed, including self-
14 employed, in the unorganized borough of the state outside of a city.

15 **Sec. 43.45.021. Collection of tax.** The tax imposed under AS 43.45.011 shall
16 be paid before April 16 of the calendar year following the year for which it is
17 imposed. An employer in the unorganized borough of the state outside a city, upon
18 the first regular payroll after March 1 of each calendar year or, in the case of an
19 employee on a later payroll, on the first payroll after employment, shall deduct the tax
20 from the employee's salary or other compensation and send it to the department. A
21 deduction may not be made in the salary or other compensation of a person who
22 provides proof to the employer that the tax imposed under this section has been paid.
23 The department shall provide a return form for the tax collected under this section.

24 **Sec. 43.45.031. Record of withholding.** An employer who withholds a school
25 tax under AS 43.45.021 shall furnish to the employee upon request a record of the
26 amount of tax withheld from the employee. The department shall provide a form for
27 that purpose.

28 **Sec. 43.45.051. Definition.** In this chapter, "reside" means to have residency,
29 as defined in AS 01.10.055.

30 * **Sec. 22.** AS 44.47.305(c) is amended to read:

31 (c) A grant under (a) of this section may not exceed \$50 per month for each

1 child the child care facility cares for, or for each full-time equivalent, as determined
 2 by the department. The grant shall be adjusted on a geographic basis by the same
 3 percentages as **funding communities** [INSTRUCTIONAL UNIT ALLOTMENTS] are
 4 adjusted under **AS 14.17.470** [AS 14.17.051].

5 * **Sec. 23.** AS 14.17.010, 14.17.021, 14.17.022, 14.17.024, 14.17.025, 14.17.026, 14.17.031,
 6 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051, 14.17.056, 14.17.080, 14.17.082,
 7 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200, 14.17.210, 14.17.220, 14.17.225, and
 8 14.17.250 are repealed.

9 * **Sec. 24.** TRANSITION: TRANSITION FUNDING. (a) Notwithstanding the provisions
 10 of secs. 1 - 23 of this Act and except as provided in (c) of this section, if, for a fiscal year
 11 beginning July 1, 1997, through July 1, 2000, a school district would receive less public
 12 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district would have
 13 received as state aid for the fiscal year beginning July 1, 1997, and, if a city or borough
 14 school district, the district meets the requirements of (b) of this section, the district is eligible
 15 to receive instead a percentage of the state aid the district would have received for the fiscal
 16 year beginning July 1, 1997, according to the following table:

17 For the fiscal year beginning	Percentage of state aid for the fiscal year
18	beginning July 1, 1997
19 July 1, 1997	100
20 July 1, 1998	98
21 July 1, 1999	95
22 July 1, 2000	90

23 (b) A school district in a city or borough is not entitled to the transition funding
 24 percentage set out in (a) of this section for a fiscal year unless the city or borough makes a
 25 local contribution to the district for that fiscal year as required under this subsection. For the
 26 transition funding for the fiscal year beginning July 1, 1997, the required local contribution
 27 is the equivalent of a four mill tax levy; for the fiscal year beginning July 1, 1998, the
 28 required local contribution is the equivalent of a five mill tax levy; for the fiscal year
 29 beginning July 1, 1999, the required local contribution is the equivalent of a six mill tax levy;
 30 and for the fiscal year beginning July 1, 2000, the required local contribution is the equivalent
 31 of a seven mill tax levy.

1 (c) For the purposes of the reduction required under AS 14.17.400(b), enacted by
 2 sec. 2 of this Act, transition funding authorized under (a) and (b) of this section is treated the
 3 same as the state share of public school funding under AS 14.17.410, enacted by sec. 2 of this
 4 Act.

5 (d) For purposes of this section, "state aid" means state foundation aid distributed
 6 under the provisions of AS 14.17, repealed by this Act, and additional district support
 7 appropriated by the legislature.

8 * **Sec. 25.** TRANSITION: REGULATIONS. To the extent the regulations are not
 9 inconsistent with the language and purposes of this Act, regulations relating to state aid for
 10 public schools adopted by the Department of Education before the effective date of this Act
 11 remain in effect as valid regulations implementing this Act; all other regulations relating to
 12 state aid for public schools adopted by the Department of Education before the effective date
 13 of this Act are annulled. The Department of Education may administer and enforce those
 14 previously adopted regulations relating to state foundation aid for public schools.

15 * **Sec. 26.** TRANSITION: BASE STUDENT ALLOCATION. Notwithstanding
 16 AS 14.17.475, enacted in sec. 2 of this Act, the base student allocation is as follows:

17	For the fiscal year beginning	Base student allocation
18	1997	\$3,790
19	1998	3,910
20	1999	3,990
21	2000	4,075
22	2001	4,165

23 * **Sec. 27.** TRANSITION: FUNDING COMMUNITIES. For purposes of determining
 24 funding communities under AS 14.17.450, enacted under sec. 2 of this Act, the students in a
 25 funding community smaller than 10 ADM on the effective date of this Act shall be included
 26 in the largest funding community in the school district existing on the effective date of this
 27 Act.

28 * **Sec. 28.** REQUIRED REPORT; ENACTMENT OF COST FACTORS. (a) The chairs
 29 of the House and Senate Health, Education and Social Services Committees shall form a joint
 30 committee for the purpose of conducting a study of funding community size factors under
 31 AS 14.17.450, enacted by sec. 2 of this Act, and area cost factors under AS 14.17.470,

1 enacted by sec. 2 of this Act. The members of the joint committee will be selected from the
2 members of the House and Senate Health, Education and Social Services committees. The
3 committee may allow members of the executive branch or the public to participate in the work
4 of the committee.

5 (b) The study required under (a) of this section must be completed by December 31,
6 1998, and must include recommended funding community size and area cost factors. The
7 recommended factors contained in the study may be enacted by the legislature, but may not
8 be enacted by the legislature in amended form.

9 * **Sec. 29.** AS 43.45, enacted by sec. 21 of this Act, applies to income received on or after
10 January 1, 1998.

11 * **Sec. 30.** AS 14.17.410(b)(3), added by sec. 2 of this Act, takes effect January 1, 1998.

12 * **Sec. 31.** Except as provided in sec. 30 of this Act, this Act takes effect July 1, 1997.