

CS FOR SENATE BILL NO. 146(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 1/21/98
Referred: Finance

Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

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, and to the child care grant
4 program; imposing an employment tax in the unorganized borough as a local
5 contribution to public schools; and providing for an effective 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.

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

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

12 **Sec. 14.17.300. Public school account.** (a) The public school account is
13 established. The account consists of appropriations for distribution to school districts,

1 the state boarding school, and for centralized correspondence study under this chapter.

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

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

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

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

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

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

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

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

30 (C) if a funding community is the only funding community in
31 a district with an ADM of 900 or less, the product obtained under (B) of this

1 paragraph is multiplied by the appropriate factor set out in AS 14.17.460(b);

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

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

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

15 (c) In a district that receives a state share under (b) of this section, public
16 school funding includes assessment normalization funding determined by the following
17 formula: $\text{funding} = S_i/S_v - ((D/B_i) \times B_s)$. In this subsection,

18 (1) "B_i" means the full and true value of the taxable real and personal
19 property in the state as of January 1 of the second preceding fiscal year, as determined
20 by the Department of Community and Regional Affairs under AS 14.17.510 and
21 AS 29.45.110;

22 (2) "B_s" means the equivalent of a three mill tax levy on the full and
23 true value of the taxable real and personal property in the state as of January 1 of the
24 second preceding fiscal year, as determined by the Department of Community and
25 Regional Affairs under AS 14.17.510 and AS 29.45.110;

26 (3) "D" means the full and true value of the taxable real and personal
27 property in the district as of January 1 of the second preceding fiscal year, as
28 determined by the Department of Community and Regional Affairs under
29 AS 14.17.510 and AS 29.45.110, except that, in a regional educational attendance area,
30 "D" equals zero;

31 (4) "S_i" means the district's adjusted ADM;

1 (5) "Sv" means the statewide adjusted ADM multiplied by Bs.

2 (d) In the fiscal year following the fiscal year of collection, a regional
3 educational attendance area is, subject to appropriation, entitled to receive money
4 collected under AS 43.42 in that regional educational attendance area.

5 (e) Public school funding may not be provided to a school district if the local
6 contributions required under (b)(2) of this section have not been made.

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

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

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

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

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

26 **Sec. 14.17.430. State funding for correspondence study.** Except as provided
27 in AS 14.17.400(b), funding for the state centralized correspondence study program or
28 a district that offers a statewide correspondence study program includes an allocation
29 from the public school account in an amount calculated by multiplying the ADM of
30 the correspondence program by the base student allocation and multiplying that product
31 by 65 percent.

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

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

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

14 **Sec. 14.17.450. Funding communities.** The department shall adopt
 15 regulations defining funding communities within each district that reflect geographic
 16 and attendance area factors. The regulations may not allow for funding communities
 17 smaller than 10 ADM.

18 **Sec. 14.17.460. Funding community size factor.** (a) For purposes of
 19 calculating a district's adjusted ADM to determine public school funding, the ADM
 20 of each funding community in a district shall be multiplied by a funding community
 21 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
161 - 360	1.40
361 - 1,000	1.10
over 1,000	1.00.

22 (b) For a district that consists of one funding community with an ADM of 900
 23 or less, the district ADM shall be multiplied according to AS 14.17.410(b)(1) by the
 24
 25
 26
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1 appropriate factor as set out in the following table:

2	ADM	Factor
3	1 - 250	1.12
4	251 - 525	1.08
5	526 - 900	1.06

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

9	DISTRICT	FUNDING COMMUNITY	AREA COST FACTOR
10	Alaska Gateway	Alcan Border	1.14
11	Alaska Gateway	Dot Lake	1.14
12	Alaska Gateway	Eagle	1.14
13	Alaska Gateway	Mentasta	1.14
14	Alaska Gateway	Northway	1.14
15	Alaska Gateway	Tanacross	1.14
16	Alaska Gateway	Tetlin	1.14
17	Alaska Gateway	Tok	1.14
18	Aleutians East	Akutan	1.32
19	Aleutians East	Cold Bay	1.32
20	Aleutians East	False Pass	1.32
21	Aleutians East	King Cove	1.32
22	Aleutians East	Nelson Lagoon	1.32
23	Aleutians East	Sand Point	1.32
24	Aleutians Region	Atka	1.32
25	Alyeska Central School	Alyeska Central School	1.00
26	Anchorage	Anchorage	1.00
27	Anchorage	Eagle River	1.00
28	Anchorage	Girdwood	1.00
29	Annette Island	Annette	1.05
30	Bering Strait	Brevig Mission	1.40
31	Bering Strait	Diomedes	1.45

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

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

1	Juneau	Juneau	1.00
2	Kake	Kake	1.05
3	Kashunamiut	Chevak	1.32
4	Kenai Peninsula	Anchor Point	1.00
5	Kenai Peninsula	Cooper Landing	1.00
6	Kenai Peninsula	Homer	1.00
7	Kenai Peninsula	Hope	1.00
8	Kenai Peninsula	Kachemak Selo	1.05
9	Kenai Peninsula	Kasilof	1.00
10	Kenai Peninsula	Kenai	1.00
11	Kenai Peninsula	McNeil Canyon	1.00
12	Kenai Peninsula	Moose Pass	1.00
13	Kenai Peninsula	Nanwalek	1.05
14	Kenai Peninsula	Nikiski	1.00
15	Kenai Peninsula	Nikolaevsk	1.05
16	Kenai Peninsula	Ninilchik	1.00
17	Kenai Peninsula	Port Graham	1.05
18	Kenai Peninsula	Razdolna	1.05
19	Kenai Peninsula	Seldovia	1.05
20	Kenai Peninsula	Seward	1.00
21	Kenai Peninsula	Soldotna	1.00
22	Kenai Peninsula	Sterling	1.00
23	Kenai Peninsula	Tyonek	1.05
24	Kenai Peninsula	Voznesenka	1.05
25	Ketchikan	Ketchikan	1.00
26	Klawock	Klawock	1.05
27	Kodiak Island	Akhiok	1.14
28	Kodiak Island	Big Sandy Lake	1.14
29	Kodiak Island	Chiniak	1.05
30	Kodiak Island	Danger Bay	1.14
31	Kodiak Island	Karluk	1.14

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

1	Lower Kuskokwim	Bethel	1.32
2	Lower Kuskokwim	Chefornak	1.32
3	Lower Kuskokwim	Eek	1.32
4	Lower Kuskokwim	Goodnews Bay	1.32
5	Lower Kuskokwim	Kipnuk	1.32
6	Lower Kuskokwim	Kongiganak	1.32
7	Lower Kuskokwim	Kwethluk	1.32
8	Lower Kuskokwim	Kwigillingok	1.32
9	Lower Kuskokwim	Mekoryuk	1.40
10	Lower Kuskokwim	Napakiak	1.32
11	Lower Kuskokwim	Napaskiak	1.32
12	Lower Kuskokwim	Newtok	1.32
13	Lower Kuskokwim	Nightmute	1.32
14	Lower Kuskokwim	Nunapitchuk	1.32
15	Lower Kuskokwim	Oscarville	1.32
16	Lower Kuskokwim	Platinum	1.32
17	Lower Kuskokwim	Quinhagak	1.32
18	Lower Kuskokwim	Toksook Bay	1.32
19	Lower Kuskokwim	Tuntutuliak	1.32
20	Lower Kuskokwim	Tununak	1.32
21	Lower Yukon	Alakanak	1.32
22	Lower Yukon	Emmonak	1.32
23	Lower Yukon	Hooper Bay	1.32
24	Lower Yukon	Kotlik	1.32
25	Lower Yukon	Marshall	1.32
26	Lower Yukon	Mountain Village	1.32
27	Lower Yukon	Pilot Station	1.32
28	Lower Yukon	Pitkas Point	1.32
29	Lower Yukon	Russian Mission	1.32
30	Lower Yukon	Scammon Bay	1.32
31	Lower Yukon	Sheldon Point	1.32

1	Matanuska-Susitna	Beryozava	1.05
2	Matanuska-Susitna	Big Lake	1.00
3	Matanuska-Susitna	Butte	1.00
4	Matanuska-Susitna	Colony	1.00
5	Matanuska-Susitna	Glacier View	1.00
6	Matanuska-Susitna	Houston	1.00
7	Matanuska-Susitna	Mat-Su Valley	1.00
8	Matanuska-Susitna	Palmer	1.00
9	Matanuska-Susitna	Pt. McKenzie	1.00
10	Matanuska-Susitna	Skwentna	1.05
11	Matanuska-Susitna	Sutton	1.00
12	Matanuska-Susitna	Talkeetna	1.00
13	Matanuska-Susitna	Trapper Creek	1.00
14	Matanuska-Susitna	Wasilla	1.00
15	Matanuska-Susitna	Willow	1.00
16	Mt. Edgecumbe	Mt. Edgecumbe	1.00
17	Nenana	Nenana	1.14
18	Nome	Nome	1.32
19	North Slope	Anaktuvuk Pass	1.45
20	North Slope	Atqasuk	1.45
21	North Slope	Barrow	1.45
22	North Slope	Kaktovik	1.45
23	North Slope	Nuiqsut	1.45
24	North Slope	Point Hope	1.45
25	North Slope	Point Lay	1.45
26	North Slope	Wainwright	1.45
27	Northwest Arctic	Ambler	1.45
28	Northwest Arctic	Buckland	1.45
29	Northwest Arctic	Deering	1.45
30	Northwest Arctic	Kiana	1.45
31	Northwest Arctic	Kivalina	1.45

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

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

1 Yupiit Tuluksak 1.32

2 **Sec. 14.17.475. Base student allocation.** (a) The base student allocation is
3 \$4,020.

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

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

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

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

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

24 (b) The department shall review each district's annual audit under AS 14.14.050
25 for the preceding fiscal year to ascertain its year-end operating fund balance. The
26 amount by which the unreserved portion of that balance exceeds the amount permitted
27 in (a) of this section shall be deducted from the public school funding that would
28 otherwise be paid to the district in the current fiscal year.

29 **Sec. 14.17.510. Determination of full and true value by Department of**
30 **Community and Regional Affairs.** (a) To determine the amount of required local
31 contribution under AS 14.17.440 and to aid the department and the legislature in

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

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

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

19 **Sec. 14.17.600. Student counting periods.** (a) Within two weeks after the
 20 end of the 20-school-day period ending the fourth Friday in October, each district shall
 21 transmit a report to the department that, under regulations adopted by the department,
 22 reports its ADM for that counting period and other student count information that will
 23 aid the department in making a determination of its state aid under the public school
 24 funding program. If it makes the district eligible for more state aid under the program,
 25 a district may transmit, within two weeks after the 20-school-day period ending the
 26 second Friday in February, a similar report for that counting period. For centralized
 27 correspondence study, the October report shall be based on the period from July 1
 28 through the fourth Friday in October, except that summer school students shall be
 29 counted as a proportionate fraction as determined by the department. The department
 30 may make necessary corrections in the report submitted and shall notify the district of
 31 changes made. The commissioner shall notify the governor of additional

1 appropriations the commissioner estimates to be necessary to fully finance the public
2 school funding program for the current fiscal year.

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

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

19 (b) Distribution of public school funds under (a) of this section shall be made
20 as required under AS 14.17.410. If a district receives more public school funding than
21 it is entitled to receive under this chapter, the district shall immediately remit the
22 amount of overpayment to the commissioner, to be returned to the public school
23 account.

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

28 **Article 4. General Provisions.**

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

1 district.

2 (b) Money to carry out the provisions of this chapter may be appropriated
3 annually by the legislature into the public school account. If the amount in the
4 account is insufficient to meet the allocations authorized under AS 14.17.400 -
5 14.17.475 for a fiscal year, public school funding shall be reduced according to
6 AS 14.17.400(b).

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

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

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

20 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
21 otherwise,

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

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

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

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

1 (5) "local contribution" means appropriations and the value of in-kind
 2 services made by a city or borough to its district or money collected under AS 43.42
 3 in the relevant regional educational attendance area;

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

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

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

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

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

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

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

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

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

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

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

24 (c) The charter school shall provide the financial and accounting information
 25 requested by the local school board or the Department of Education [,] and shall
 26 cooperate with the local school district or the department in complying with the
 27 requirements of AS 14.17.910 [AS 14.17.190].

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

29 (b) The required participating share for a municipal school district is based on
 30 the district's full value per **average daily membership (ADM)**, which is calculated
 31 by dividing the full and true value of the taxable real and personal property in the

1 district, calculated as described in **AS 14.17.510** [AS 14.17.025(a)(1),] by the district
 2 **ADM** [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in **AS 14.17.990**
 3 [AS 14.17.250], for the same fiscal year for which the valuation was made. The
 4 municipal district's full value per ADM determines the district's required participating
 5 share, as follows:

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

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

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

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

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

17 (A) **AS 14.17.500** [AS 14.17.080] (relating to student count
 18 estimates);

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

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

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

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

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

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

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

31 (2) the **state support for** [BASIC NEED OF] the school district

1 determined under AS 14.17.410(b)(1) [AS 14.17.021(c) AND ADJUSTED UNDER
 2 AS 14.17.225(b)] decreases by three percent or more from the previous year; **or**
 3 **(3) the state share of public school funding is reduced under**
 4 **AS 14.17.400(b) by three percent or more in a fiscal year.**

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

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

11 * **Sec. 14.** AS 14.30.347 is amended to read:

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

22 * **Sec. 15.** AS 14.30.650 is amended to read:

23 **Sec. 14.30.650. Funding.** Each fiscal year the department shall allocate to the
 24 agency not less than **\$470** [\$85] for each special education student in the state
 25 **included in the federal count of special education students in the state made in the**
 26 **second preceding fiscal year, excluding students reported as learning disabled and**
 27 **speech impaired** [IN AVERAGE DAILY MEMBERSHIP OR THE EQUIVALENT
 28 OF TWO PERCENT OF THE FUNDS APPROPRIATED FOR SPECIAL
 29 EDUCATION FOR THAT FISCAL YEAR, WHICHEVER IS GREATER]. The
 30 amount allocated to the agency shall be reduced each fiscal year by the amount
 31 contributed by the department to the Teachers' Retirement System (AS 14.25) or the

1 Public Employees' Retirement System (AS 39.35) on behalf of employees of the
 2 agency.

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

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

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

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

11 "NOTICE TO TAXPAYER

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

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

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

29	MILLAGE EQUIVALENT	
30	PREVIOUS YEAR	THIS YEAR
31	PUBLIC SCHOOL FUNDING	

1	[FOUNDATION] PROGRAM		
2	ASSISTANCE	. . . . MILLS	. . . . MILLS
3	STATE AID FOR RETIREMENT		
4	OF SCHOOL CONSTRUCTION		
5	DEBT	. . . .MILLS	. . . .MILLS
6	MUNICIPAL TAX RESOURCE		
7	EQUALIZATION	. . . .MILLS	. . . .MILLS
8	PRIORITY REVENUE FOR SHARING		
9	MUNICIPAL SERVICES	. . . .MILLS	. . . .MILLS
10	REVENUE SHARING FOR SAFE		
11	COMMUNITIES	. . . .MILLS	. . . .MILLS
12	TOTAL MILLAGE		
13	EQUIVALENT	. . . .MILLS	. . . .MILLS"

14 Notice shall be provided **by**

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

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

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

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

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

31 (b) A local government or school district covered by the provisions of this

chapter that is found to be in violation of these provisions may be required to forfeit all or part of the state aid made available for the project in which the violation occurs and in addition may be denied up to 12 months of state revenue sharing or public school **funding** [FOUNDATION MONEY]. A state department or agency head found to be in violation of this chapter may be required to forfeit the position of department or agency head.

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

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

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

Chapter 42. Unorganized Borough Employment Tax.

Sec. 43.42.010. Tax imposed. In each calendar year, there is levied an employment tax upon each individual who receives compensation for services performed in the unorganized borough outside of a home rule or first class city as an employee or receives self-employment earnings from business activities conducted in the unorganized borough outside of a home rule or first class city. The tax on an individual is three percent of

(1) compensation paid to that individual by an employer who has a business situs in the unorganized borough outside of a home rule or first class city for services performed in the unorganized borough outside of a home rule or first class city in the calendar year as an employee of that employer;

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

Sec. 43.42.020. Determination of business situs. For purposes of AS 43.42.010, an employer has a business situs in the unorganized borough outside of a home rule or first class city if, at any time in the calendar year, an individual

1 performs services in the unorganized borough outside of a home rule or first class city
2 as an employee of that employer.

3 **Sec. 43.42.030. Collection, reporting, and remittance of tax on employee**
4 **compensation.** (a) An employer making payment of compensation for services
5 performed in the unorganized borough outside of a home rule or first class city shall
6 withhold from the payment the tax levied by this chapter. The employer shall
7 withhold three percent of each payment of compensation and shall file a return and
8 remit the taxes as required by (b) or (c) of this section.

9 (b) Except as provided in (c) of this section, the return required by this section
10 must be filed, and the withheld taxes remitted, by the date the employer's regular
11 quarterly report of employment security contributions under AS 23.20 is required to
12 be filed. The employer shall file a return by reporting amounts withheld under this
13 section during the preceding calendar quarter, and any additional information required
14 by regulation adopted under AS 43.42.040(a), to the Department of Labor on forms
15 provided by the Department of Labor together with the employer's regular quarterly
16 report of employment security contributions under AS 23.20. With each return filed
17 under this subsection, the employer shall remit the taxes required to be withheld under
18 this section during the preceding calendar quarter.

19 (c) An employer who is required to withhold and remit taxes under this section
20 but who is not subject to the reporting requirements of AS 23.20 shall file a return and
21 remit the taxes as required by this subsection. On or before the last day of the month
22 following each calendar quarter in which taxes were withheld under this section, the
23 employer shall file with the department a return on forms provided by the department
24 and shall remit the taxes required to be withheld during the preceding calendar quarter.
25 In the return, the employer shall report amounts withheld under this section during the
26 preceding calendar quarter and any additional information required by regulation
27 adopted under AS 43.42.040(a).

28 **Sec. 43.42.040. Administration of tax on employee compensation.** (a) After
29 consultation with the Department of Labor, the department shall prescribe, by
30 regulation, any additional information that must be included in a return filed under
31 AS 43.42.030 in order for the department to calculate, determine, collect, or enforce

1 the tax levied by this chapter. The Department of Labor shall include, on forms for
2 reporting under AS 23.20, space designated for reporting amounts withheld under
3 AS 43.42.030 and for providing any additional information required by department
4 regulations. The department shall coordinate with the Department of Labor to
5 maximize the use of existing reports to the department and to the Department of
6 Labor.

7 (b) The Department of Labor shall provide to the department the information
8 collected under AS 43.42.030 that relates to the tax levied by this chapter.

9 (c) The Department of Labor shall report to the department a failure of an
10 employer to timely report or remit the tax levied by this chapter. The Department of
11 Labor may not use the provisions of AS 23.20 to enforce the collection or remittance
12 of the tax levied by this chapter. Reporting forms and other records relating to the tax
13 levied by this chapter that are maintained by the Department of Labor are prima facie
14 evidence of timely reporting and remittance, or failure to timely report or remit, under
15 AS 43.42.030.

16 **Sec. 43.42.050. Administration and payment of tax on self-employment**
17 **earnings.** (a) An individual who is subject to the tax on self-employment earnings
18 levied by this chapter shall file a return with the department, and with the return shall
19 pay the tax, in the manner required by this section. The return must be filed on a form
20 provided by the department.

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

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

- 26 (1) April 15, for the first calendar quarter of a year;
27 (2) July 15, for the second calendar quarter of a year;
28 (3) October 15, for the third calendar quarter of a year;
29 (4) January 15 of the following year, for the fourth calendar quarter of
30 a year.

31 **Sec. 43.42.060. Record of tax withheld from employees; refunds.** (a) An

1 employer who withholds tax under AS 43.42.030 shall furnish to the employee before
 2 February 1 of each calendar year a record of the amount of tax withheld from that
 3 employee's compensation in the preceding calendar year. The employer shall pay to
 4 the department a penalty of \$10 for each failure to provide the record required by this
 5 subsection.

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

11 **Sec. 43.42.070. Disposition of and accounting for tax proceeds.** (a) The
 12 money collected by the department under this chapter shall be deposited in the general
 13 fund of the state, and the proceeds from the tax shall be separately accounted for by
 14 regional educational attendance area. The legislature may appropriate the estimated
 15 balance of the account to the public school account established under AS 14.17.300.

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

18 **Sec. 43.42.080. Regulations.** The department may adopt regulations to
 19 interpret and implement this chapter.

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

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

25 (A) providing services as an employee;

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

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

31 (2) "calendar quarter" means each of the three-month periods ending

1 March 31, June 30, September 30, and December 31;

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

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

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

9 (4) "employer" means a person making payment of compensation for
10 services who is required to deduct and withhold income taxes under provisions of
11 26 U.S.C. (Internal Revenue Code);

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

14 (6) "self-employment earnings" means gross receipts from a business
15 activity that are not paid by an employer less the expenses incurred to produce the
16 gross receipts;

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

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

19 (c) A grant under (a) of this section may not exceed \$50 per month for each
20 child the child care facility cares for, or for each full-time equivalent, as determined
21 by the department. The grant shall be adjusted on a geographic basis by the same
22 percentages as **funding communities** [INSTRUCTIONAL UNIT ALLOTMENTS] are
23 adjusted under **AS 14.17.470** [AS 14.17.051].

24 * **Sec. 23.** AS 14.17.010, 14.17.021, 14.17.022, 14.17.024, 14.17.025, 14.17.026, 14.17.031,
25 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051, 14.17.056, 14.17.080, 14.17.082,
26 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200, 14.17.210, 14.17.220, 14.17.225,
27 14.17.250; and AS 14.30.315(a) are repealed.

28 * **Sec. 24.** AS 14.17.460 and 14.17.470 are repealed July 1, 2000.

29 * **Sec. 25.** TRANSITION: TRANSITION FUNDING. (a) Notwithstanding the provisions
30 of secs. 1 - 24 of this Act and except as provided in (c) of this section, if, for a fiscal year
31 beginning July 1, 1998, through July 1, 2001, a school district would receive less public

1 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district would have
 2 received as state aid for the fiscal year beginning July 1, 1998, and, if a city or borough
 3 school district, the district meets the requirements of (b) of this section, the district is eligible
 4 to receive instead a percentage of the state aid the district would have received for the fiscal
 5 year beginning July 1, 1998, according to the following table:

6	For the fiscal year beginning	Percentage of state aid for the fiscal year
7		beginning July 1, 1998
8	July 1, 1998	100
9	July 1, 1999	98
10	July 1, 2000	95
11	July 1, 2001	90

12 (b) A school district in a city or borough is not entitled to the transition funding
 13 percentage set out in (a) of this section for a fiscal year unless the city or borough makes a
 14 local contribution to the district for that fiscal year as required under this subsection. For the
 15 transition funding for the fiscal year beginning July 1, 1998, the required local contribution
 16 is the equivalent of a four mill tax levy; for the fiscal year beginning July 1, 1999, the
 17 required local contribution is the equivalent of a five mill tax levy; for the fiscal year
 18 beginning July 1, 2000, the required local contribution is the equivalent of a six mill tax levy;
 19 and for the fiscal year beginning July 1, 2001, the required local contribution is the equivalent
 20 of a seven mill tax levy.

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

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

28 * **Sec. 26.** TRANSITION: REGULATIONS. To the extent the regulations are not
 29 inconsistent with the language and purposes of this Act, regulations relating to state aid for
 30 public schools adopted by the Department of Education before the effective date of this
 31 section remain in effect as valid regulations implementing this Act; all other regulations

1 relating to state aid for public schools adopted by the Department of Education before the
 2 effective date of this section are annulled. The Department of Education may administer and
 3 enforce those previously adopted regulations relating to state foundation aid for public schools.

4 * **Sec. 27.** TRANSITION: BASE STUDENT ALLOCATION. Notwithstanding
 5 AS 14.17.475, enacted in sec. 2 of this Act, the base student allocation is as follows:

6	For the fiscal year beginning	Base student allocation
7	July 1, 1998	3,800
8	July 1, 1999	3,905
9	July 1, 2000	3,945
10	July 1, 2001	3,975

11 * **Sec. 28.** TRANSITION: FUNDING COMMUNITIES. For purposes of determining
 12 funding communities under AS 14.17.450, enacted under sec. 2 of this Act, the students in a
 13 funding community smaller than 10 ADM on the effective date of this section shall be
 14 included in the largest funding community in the school district existing on the effective date
 15 of this section.

16 * **Sec. 29.** REQUIRED REPORT; ENACTMENT OF COST FACTORS. (a) The chairs
 17 of the House and Senate Health, Education and Social Services Committees shall form a joint
 18 committee for the purpose of conducting a study of funding community size factors under
 19 AS 14.17.460, enacted by sec. 2 of this Act, and area cost factors under AS 14.17.470,
 20 enacted by sec. 2 of this Act. The members of the joint committee shall be selected from the
 21 members of the House and Senate Health, Education and Social Services committees and shall
 22 include a representative from the Department of Education selected by the commissioner of
 23 education. The Department of Education shall, upon request of the joint committee, provide
 24 technical assistance or staff necessary to complete the study described in this subsection.

25 (b) The study required under (a) of this section must be completed by December 31,
 26 1999, and must include recommendations for funding, community size and area cost factors,
 27 school size, school location, and school curriculum. The study may not include
 28 recommendations on the manner in which a school is governed. The recommended factors
 29 contained in the study may be enacted by the legislature, but may not be enacted by the
 30 legislature in amended form.

31 * **Sec. 30.** APPLICABILITY OF UNORGANIZED BOROUGH EMPLOYMENT TAX.

1 AS 43.42 enacted by sec. 21 of this Act, applies to compensation and self-employment
2 earnings income received on or after January 1, 1999.

3 * **Sec. 31.** REGULATIONS. Notwithstanding sec. 32 of this Act, the Department of
4 Revenue may proceed to adopt regulations to implement or interpret AS 43.42, enacted by sec.
5 21 of this Act. Regulations adopted under this section take effect under AS 44.62
6 (Administrative Procedure Act), but not before the effective date of sec. 21 of this Act.

7 * **Sec. 32.** AS 14.17.410(b)(3), added by sec. 2 of this Act, and AS 43.42, enacted by sec.
8 21 of this Act, take effect January 1, 1999.

9 * **Sec. 33.** Sec. 31 of this Act takes effect immediately as provided under AS 01.10.070(c).

10 * **Sec. 34.** Except as provided in sec. 32 and sec. 33 of this Act, this Act takes effect July
11 1, 1998.