

MINUTES
SENATE FINANCE COMMITTEE
February 9, 2007
9:01 a.m.

CALL TO ORDER

Co-Chair Lyman Hoffman convened the meeting at approximately [9:01:18 AM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Kim Elton
Senator Joe Thomas
Senator Fred Dyson
Senator Charlie Huggins
Senator Donny Olson

Also Attending: SENATOR GARY STEVENS; SENATOR GARY WILKEN; EDDY JEANS, Director, Division of School Finance, Department of Education and Early Development;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

Presentation by the Department of Education and Early Development.
Public School Funding Formula.

[9:01:46 AM](#)

^Alaska Public School Funding Formula Overview

Co-Chair Hoffman identified two handouts provided for the presentation.

[9:03:55 AM](#)/ [9:04:39 AM](#) AT EASE

[9:04:44 AM](#)

EDDY JEANS, Director, Division of School Finance, Department of Education and Early Development communicated he would provide an overview of the public school funding program, and directed members' attention to the handout titled "Alaska Public School Funding Formula Overview, Presented by Eddy Jeans, Director."

[9:06:20 AM](#)

Page 1B

Senate Bill 36

The current state public school funding formula was adopted under SB 36 in 1998. And was implemented in 1999.

The public school funding formula is defined in Alaska Statute 14.17

Mr. Jeans read the slide.

Page 1C

This presentation provides an overview of:

1. Calculation of Adjusted Average Daily Membership (ADM)
2. Calculations of Basic Need ~ (Entitlement)
3. Components of Basic Need ~ (Who pays)
4. Additional Funds above Basic Need
5. Components of State Aid

Mr. Jeans reviewed the information on the slide.

[9:06:45 AM](#)

Page 2A

Average Daily Membership

ADM Reporting Requirements

- ❖ Average Daily Membership - is the number of enrolled students during the first 20-school-day count period ending on the fourth Friday of October.

- ❖ Reports are due within two weeks after the end of the 20-school-day count period.
- ❖ Projected student count reports are due November 5.

Mr. Jeans reviewed the slide, and added that a student who enrolled half-way through the 20-school-day count period would be counted as one half of a full time student. The projected student count data is used to make projections for the following year.

[9:07:31 AM](#)

Senator Huggins asked the implications if a district's enrollment varied from the initial November 5 projection for the subsequent year.

[9:07:44 AM](#)

Mr. Jeans informed that the Department relies on the initial projections, as continual updates to student counts would be unreasonably cumbersome.

[9:07:53 AM](#)

Page 2B

Who Qualifies as a Student?

Eligibility for State Foundation Funding

- ❖ A child who is 6 years of age before September 1st, and under the age of 20, and has not completed the 12th grade. (AS 14.03.070)
- ❖ A child who is 5 years of age before September 1st, following the beginning of the school year, may enter kindergarten. (AS 14.30.180 (d))
- ❖ A child with a disability and an active Individualized Education Program (IEP) may enter school at the age of 3 and under the age of 22. (AS 14.30.180(1))

Mr. Jeans clarified that the school year begins July 1 and ends June 30, mirroring the fiscal year, but schools are only required to operate 180 days of the year.

[9:08:50 AM](#)

Page 2C

5 Steps to District Adjusted ADM

Used to Calculate Entitlement

- Step 1. Adjust: ADM for School Size
- Step 2. Apply: District Cost Factor
- Step 3. Apply: Special Needs Factor
- Step 4. Add: Intensive Services Counts
- Step 5. Add: Correspondence Student Counts

= District Adjusted ADM

Mr. Jeans overviewed the steps listed on the slide.

[9:09:38 AM](#)

Page 3A

Step 1. Adjust the ADM for School Size

ADM under 10: Added to the smallest school with an ADM greater than 10

A Community with an ADM of 10 through 100: Grades K-12 ADM is combined and adjusted once; adjusted as one school.

A Community with an ADM of 101 through 425: ADM for grades K-6 and 7-12 are adjusted separately; adjusted as two schools.

A Community with an ADM greater than 425: The ADM of each facility administered separately as one school is adjusted.

*Alternative schools with an ADM of less than 200 shall be counted as a part of the school in the district with the highest ADM.

*If the ADM is greater than 200 and administered as a separate facility the ADM will be adjusted separately.

*Charter school with an ADM of 150 or greater is adjusted as a separate facility.

Mr. Jeans reviewed the slide.

[9:11:23 AM](#)

Page 3B

Step 1. Example: Nome City Schools
Projected FY08 ADM by School

- ❖ Nome Elementary School: 400.00
- ❖ Nome-Beltz Jr/Sr High School: 340.00
- ❖ Anvil City Science Academy: 44.00
- ❖ Nome Youth Facility: 14.00

- ❖ Total ADM: 798.00

Mr. Jeans informed that Nome City Schools would be used as an example to illustrate the application of the funding formula throughout the presentation. He added that there are approximately ten Youth Facilities in the State funded as autonomous schools using the Formula.

[9:12:36 AM](#)

Page 3C

Example: Nome City Schools
Adding ADM's to the appropriate School in the District
School Size Adjustment

- ❖ The alternative schools ADM are added to the highest ADM school in the district before adjusting for size
- ❖ A school with a population under 10 should be added to the smallest school in the district.

Nome Elementary + Anvil
400 + 44 = 444.00

Mr. Jeans noted that because the ADM was less than 100 at the Anvil City Science Academy, those students were included in the ADM for the Nome Elementary School

Page 4A

Step 1. Example: Nome City Schools

[Table depicting:

Reference: 1.

School Size: 10-19.99

Formula: 39.60

Reference: 2.

School Size: 20-29.99

Formula: $39.60 + (1.62 * (ADM - 20))$

Reference: 3.

School Size: 30-74.99

Formula: $55.80 + (1.49 * (ADM - 30))$

Reference: 4.

School Size: 75-149.99

Formula: $122.85 + (1.27 * (ADM - 75))$

Reference: 5.

School Size: 150-249.99

Formula: $218.10 + (1.08 * (ADM - 150))$

Reference: 6.

School Size: 250-399.99

Formula: $326.10 + (.97 * (ADM - 250))$

Reference: 7.

School Size: 400-749.99

Formula: $471.60 + (.92 * (ADM - 400))$

Reference: 8.

School Size: Over 750

Formula: $793.60 + (.84 * (ADM - 750))$]

K-6 Adjusted ADM's

(Ref. 7) $471.60 + \{ .92 * (444.00 - 400) \}$

512.08

7-12 Adjusted ADM's

(Ref. 6) $326.10 + \{ .97 * (340.00 - 250) \}$

413.40

(Ref. 1) Youth facility's ADM 14	+39.60
School Size Adjusted ADM	965.08]

Mr. Jeans summarized the information provided in the table.

[9:15:47 AM](#)

Page 4B

Step 2. District Cost Factors

The Department monitors District Cost Factors and submits a report to the Legislature on January 15th every other fiscal year, beginning January 2001.

- ❖ Cost factors are specific to each school district.
- ❖ Lowest District Cost Factor is 1.000 and the highest is 1.736

Multiply the School Size Adjusted ADM by the District Cost Factor for Nome:

$$965.08 \times 1.139 = 1,272.94$$

Mr. Jeans reviewed the slide.

[9:16:17 AM](#)

Page 4C

Step 3: Special Needs Funding

- ❖ All categorical programs; special education (except intensive), vocational education, gifted/talented and bilingual/bicultural are block funded at 20%.
- ❖ To qualify for funding under this section school districts must file a plan with the department indicating special needs services that will be provided.

AS 14.17.420(b)

Mr. Jeans read the information on the slide.

[9:16:48 AM](#)

Page 5A

Step 3. Example: Nome City Schools

Multiply the adjusted ADM (from Step 2) by the Special Needs Factor

$$1,272.94 \times 1.20 = 1,527.53$$

(Shown on column R, page 8)

Mr. Jeans overviewed the slide.

[9:17:04 AM](#)

Page 5B

Step 4. Intensive Services Funding

A school district will receive funding for intensive services students that:

1. Are receiving intensive services and are;
2. Enrolled on the last day of the 20 school-day count period and who have;
3. Established Individual Education Plan (IEP) for each intensive services student.

An Intensive Services Student generates \$26,900.

(Intensive Student Count) x 5 = Intensive Student Funding

Mr. Jeans summarized the slide, and added that students requiring intensive services funding are also included in the school's total ADM count and base funding.

[9:18:01 AM](#)

Senator Elton asked if the intensive services funding issue had recently been in the news.

Mr. Jeans affirmed. He explained that a legislative appropriation made two years ago funded a state-wide audit of all intensive claims. Before the audit, random sampling was conducted to determine the appropriateness of the intensive

claims. If a portion of the sample was determined to not meet the requirements for intensive services funding, the school was held liable for only the number of students in the sample determined to be ineligible for funding, rather than the percentage of the total funds received. Upon completion of the full audit, the Department now holds districts accountable for the full amount of their intensive services claims. The new monitoring techniques revealed that many of the funding claims were not eligible for intensive services monies.

Senator Elton requested additional information on the Department's monitoring practices and the financial impact on the districts that had been audited.

[9:20:05 AM](#)

Mr. Jeans informed that the Department hired a contractor to assist in the monitoring effort. The contractor spent time with Department staff in order to be fully informed as to the Department's methods and criteria, and then went into the schools with Department staff. Mr. Jeans characterized the initial audit as an "educational review" to inform districts how the regulations would be applied, hence school districts were not asked to return intensive services funds for students who were determined ineligible that year. Mr. Jeans suggested that school districts may have a different understanding of "intensive" than the Department, as defined by SB 36.

[9:21:38 AM](#)

Senator Olson asked if schools were penalized for applying a more liberal definition of "intensive".

[9:21:54 AM](#)

Mr. Jeans responded that Senator Elton had alluded to that issue. He repeated that school districts were not asked to return funds upon completion of the initial audit, but the Department was "very clear" in defining to the districts what would constitute a valid claim. The Department was currently conducting subsequent audits, holding districts accountable for invalid claims, and that had lead to the situation in Anchorage that appeared in the media.

Senator Olson interjected that the withholding of funds is different from a penalty.

Mr. Jeans clarified that no interest was levied based on invalid claims.

[9:23:08 AM](#)

Page 5C

Step 4. Example: Nome City Schools

Multiply the Intensive Student Count by 5 and add to the adjusted ADM (from Step 3)

~Nome City Schools has 4 Intensive Student~

$$\begin{aligned} 4 \times 5 &= 20 \\ 1,527.53 + 20 &= 1,547.53 \\ &\text{(Shown on Column U, page 8)} \end{aligned}$$

Mr. Jeans summarized the slide.

[9:23:29 AM](#)

Page 6A

Step 5. Correspondence Programs

Districts offering correspondence programs receive funding based on 80% of correspondence ADM.

Each correspondence student generates \$4,304.

(Correspondence ADM) x .80 = Level of Correspondence Funding

Mr. Jeans remarked that all correspondences students were funded at 80 percent, regardless of whether the program was "in-district" or "statewide".

[9:23:51 AM](#)

Page 6B

Step 5. Example: Nome City Schools

Multiply the Correspondence Student ADM by 80% and add to the Adjusted ADM to get Final District Adjusted ADM. (from Step 4)

~Nome City Schools has 6 Correspondence Students~

$$\begin{aligned} 6 \times .80 &= 4.80 \\ 1,547.53 + 4.80 &= 1,552.33 \\ &\text{(Shown on Column V, page 8)} \end{aligned}$$

Mr. Jeans reviewed the slide.

[9:24:08 AM](#)

Page 6C

BASIC NEED Entitlement

Multiply the district adjusted ADM by the base student allocation = BASIC NEED

$$\begin{aligned} 1,552.33 \times \$5,380 &= \$8,351,535 \\ &\text{(Shown on Column W, page 9)} \end{aligned}$$

Mr. Jeans read the information on the slide.

[9:24:31 AM](#)

Page 7A

NOME: Summarized District Adjusted ADM & Basic Need

$$\begin{aligned} \text{Projected ADM for Nome:} \\ 798.00 + 6 \text{ corresp.} &= 804.00 \end{aligned}$$

$$\begin{aligned} \text{Step 1. Adjusted ADM for School Size:} \\ 965.08 \end{aligned}$$

$$\begin{aligned} \text{Step 2. Apply the District Cost Factor:} \\ \times 1.319 \\ = 1,272.94 \end{aligned}$$

$$\begin{aligned} \text{Step 3. Apply the Special Needs Factor:} \\ \times 1.20 \end{aligned}$$

= 1,527.53

Step 4. Add Intensive Service Counts:

(4.00 x 5 = 20)

+ 20.00

= 1,547.53

Step 5. Add Correspondence Student Counts:

(6 x .80 = 4.80)

+ 4.80

= 1,552.33 District Adjusted ADM

X \$5,380 base student allocation

= \$8,351,535 BASIC NEED

Mr. Jeans overviewed the information on the table.

[9:25:20 AM](#)

Page 7B

Components of Basic Need
(Who Pays?)

- ❖ Required Local Contribution
- ❖ Federal Impact Aid
- ❖ State Aid

Mr. Jeans reviewed the slide.

[9:25:36 AM](#)

Page 7C

SB 174 Full & True Value/Local Effort Calculation

As a result of SB 174: (enacted in 2001)
Beginning FY2002, half of the increased full & true value over 1999 (base year), is added to 199 base year to determine the full & true value for the purposes of calculating Required Local Effort for education.

(If the full & true value did not increase over the 1999 base year, then the current full & true value stands and is multiplied by .004 mills to reach local effort.)

Mr. Jeans summarized the slide.

[9:26:08 AM](#)

Page 8A

Calculating Nome's True and Full Value

Nome's 2006 Full Value	252,725,500
Nome's 1999 Full Value	191,926,100
Full Value Increase Difference	60,799,400
Divided in Half	30,399,700
Half of the Increase is Added to 1999 Value	
$191,926,100 + 30,399,700 = 222,325,800$	

Mr. Jeans referred to the total of \$222,325,800 as the "education full value", and told that the 4 mills are applied to that number. The fiscal impact to the State was \$3.6 million when the provision implementing this calculation was first passed in 2001, but has now risen to \$50.5 million in FY 08, and would continue to grow.

[9:27:20 AM](#)

Co-Chair Hoffman categorized this as a reduction communities are allowed to take in their contribution due to provisions of SB 174. He asked how the State would justify this action in a disparity test.

[9:28:09 AM](#)

Mr. Jeans responded that this provision does not have an impact on the federal disparity test, as the local contribution requirements are applied uniformly throughout the State. He acknowledged there may be opposition, however, from taxpayers.

Mr. Jeans exemplified a \$100,000 home that would generate \$100 if it were levied a 1 mill tax. Property values in Bristol Bay and other areas that are "struggling economically" are set by the State assessor and have been decreasing over the years, yet those areas are still required to pay 4 mills, or the equivalent of \$400 on a \$100,000 home. Areas that are growing, such as Anchorage and the Matanuska-Susitna Valley, also pay based on the State assessor's set values, but those properties are increasing in value. Required local contribution rates in those

economically healthy areas amount to approximately 2.8 mills, or \$280 for a \$100,000 property.

[9:30:15 AM](#)

Senator Elton asked why legislation has not been introduced to address the "growing disparity".

[9:30:52 AM](#)

Mr. Jeans replied that the State Board hasn't taken a firm stand on the issue.

Senator Elton realized that he may be "speaking against" the best fiscal interest of the community he represents, but opined that the Governor's goal of reducing the budget ought to lead to a revisit of the provision.

[9:32:50 AM](#)

Mr. Jeans explained that his intent in addressing the issue of required local contribution was to bring awareness to the disparity. He was not urging the Committee to enforce the 4 mill rate, and opined that a 3 mill rate may be more appropriate. However, that was a policy decision the legislature must make.

[9:33:29 AM](#)

Co-Chair Stedman identified two areas of concern within the funding formula. First was the computation of the operating costs, which he considered "a little off". His other concern was the millage rate. He listed the millage rates paid by Southeastern Alaska school districts as: Juneau, 3.2; Sitka, 3.3; Petersburg, 3.7; Wrangell, 4.0. He informed that while Wrangell was contributing at a rate of 4 mills, that community was the least "financially healthy" within his Senate district. He continued that the disparities will continue to increase, with the financially stagnant areas of the State required to contribute a disproportionate amount based on the current required local contribution schedule.

[9:36:16 AM](#)

Co-Chair Hoffman commented that Mr. Jeans provided that "exact testimony" in his example of Bristol Bay's required local effort.

[9:36:31 AM](#)

Page 8B

Required Local Contribution
Example: Nome City Schools

The lesser or minimum of 4 mills of the education full & true value, but not to exceed 45% of the school districts prior year basic need.

.004 of Tax Base:
 .004 x \$222,325,800 (Education Full & True Value)
 = \$889,303

45% of Prior Year Basic Need:
 .45 x \$8,157,425
 = \$3,670,841
 (Shown on Column C, page 9)

Mr. Jeans explained that the formula puts a "cap" on the amount a community is required to contribute at 45 percent of the previous year's Basic Need. The districts that fall under this provision are the North Slope, Valdez, and Skagway. The required local effort of these areas is less than four mills, and the "cap" is in place to ensure that these areas receive some amount of State funding for their public schools. The 45 percent limit on the required local effort could be adjusted by the legislature if it was deemed appropriate.

[9:38:38 AM](#)

Co-Chair Stedman asked for an explanation of why Skagway was impacted by this provision, as that area seemed to differ demographically from the other two.

Mr. Jeans told that Skagway is a "booming" community due to an extensive tourism industry during summer months. The "boom", however, is seasonal, and Skagway has a small year-round population with a student population of approximately 100. The

great community wealth compared to the student population is the cause of the anomaly.

[9:39:49 AM](#)

Page 8C

Title VIII Federal Impact Aid Payments

- ❖ Title VIII Federal Impact Aid Payments received from March 1 through the last day of February are used for calculations of state aid.
- ❖ The dates on the payment vouchers are used to indicate that a school has received Title VIII Payments

Mr. Jeans informed that homes on military bases or Alaska Native Claims Settlement Act (ANCSA) lands are not taxable, and the Federal Impact Aid payments are akin to the federal government paying the taxes on those lands. Alaska receives \$110 to \$120 million annually in Federal Impact Aid payments. Some of these payments contain "add-ons", such as an additional 25 percent added to the payments for people who reside on ANSCA lands. These "add-ons" cannot be included in the State-wide funding formula, thus Federal Impact Aid is considered at approximately 50 percent.

[9:41:12 AM](#)

Page 9A

Title VIII Federal Impact Aid Payments

Example: Nome City Schools

Payments received by the Nome City Schools from March 1 through the end of February.

\$86,382

(Amount eligible for Deduction)

(Shown on Column D, page 9)

[9:42:40 AM](#)

Senator Olson asked why Federal Impact Aid is not counted as a local contribution.

Mr. Jeans replied that the federal government does not allow those lands to be taxed.

Senator Olson understood that the lands could not be developed or taxed, but again asked why the payments provided by the federal government were not considered a local contribution.

Mr. Jeans responded that he considered both local tax contributions and Federal Impact Aid as part of the local contribution effort for the purposes of the formula calculations.

[9:44:04 AM](#)

Senator Olson was still under the impression that Federal Impact Aid was not considered local contribution by the State.

Mr. Jeans allowed that whether federal aid is considered local contribution "depends on who you talk to".

[9:44:19 AM](#)

Page 9B

Impact Aid Percentage

Required Local Contribution divided by Budgeted Local Contribution

Budgeted Local Contribution, for the purposes of calculating the Impact Aid percentage is found in the Budgets submitted on July 15th of each year and may consist of:

- ❖ Appropriations
- ❖ Investment Earnings
- ❖ In-Kind Services
- ❖ "Other Local"

Mr. Jeans summarized the slide.

[9:44:48 AM](#)

Page 9C

Title VIII Percentage

Example: Nome City Schools

Required Local: \$889,303 = 46.52%
Budgeted Local: \$1,911,850
(This percentage is only derived for City & Boroughs)

(Shown on Column E, page 9)

Mr. Jeans reviewed the slide.

[9:45:17 AM](#)

Page 10A

Impact Aid
Example: Nome City Schools

90% of the Impact Aid received by a school district is multiplied by the Impact Aid Percentage

Nome's Deductible Impact Aid Calculation:
 $\$85,947 \times 46.52\% \times 90\% = \$35,984$
Eligible Impact Aid x Title VIII % x 90% =
Deductible Impact Aid

(Shown on Column D, Column E, Column F, page 9)

Mr. Jeans read the slide.

[9:45:53 AM](#)

Page 10B

State Aid
Nome City Schools

Nome's State Aid:

Basic Need	\$8,351,535
Less Required Local	(889,303)
Less Impact Aid	(35,984)
State Aid	\$7,426,248

(Shown on Column G, page 9)

Mr. Jeans explained that this slide illustrated how Federal Impact Aid is taken into account in the funding formula.

[9:46:20 AM](#)

Mr. Jeans returned to the previous slide to address Regional Educational Attendance Areas (REAA's). Due to the fact that those districts do not have a required local contribution rate, the unorganized areas are calculated by multiplying 85,000 by 90 percent.

[9:46:57 AM](#)

Page 10C

Additional Funds Above Basic Need

- ❖ Additional Local Contribution
- ❖ Quality Schools Grant
- ❖ Supplemental Funding Floor

Mr. Jeans read the slide.

[9:47:07 AM](#)

Page 11A

Additional Local Contribution

Example: Nome City Schools

The greater of 2 mills of the tax base or 23% of the district's current year Basic Need can be contributed but not to exceed.

.002 of the Full & True Value Tax Base:

$.002 \times \$252,725,500 = \$505,451$

23% of Basic Need:

$.23 \times \$8,351,535 = \$1,920,853$

Mr. Jeans summarized the slide, adding that the districts that fall under the 2 mill additional local contribution are North Slope, Valdez and Skagway.

[9:47:54 AM](#)

Page 11B

Maximum Local Contribution

Example: Nome City Schools

Required Local Contribution plus Additional Local Contribution

Required Local Contribution:	\$889,303
Additional Local Contribution:	\$1,920,853
Maximum Local Contribution:	\$2,810,156

Mr. Jeans reviewed the slide.

[9:48:18 AM](#)

Page 11C

Quality Schools Grant

AS 14.17.480 explains a district is eligible to receive a quality school funding grant not to exceed the district's Adjusted ADM multiplied by \$16.

Example: Nome City Schools
 $1,552.33 \times \$16 = \$24,837$

(Column W, page 8 and Column 1, page 9)

Mr. Jeans overviewed the slide and added that schools must apply for these funds, and all districts do so. The funds are generally used for remedial programs, after school tutoring, and other activities.

[9:48:48 AM](#)

Page 12A

Supplementary Funding Floor

- ❖ What is "The Floor"?
- ❖ How is it established?
- ❖ How is it adjusted?

Mr. Jeans read the slide.

[9:48:56 AM](#)

Page 12B

"The Floor"

By providing additional funds "The Floor" bridges the transition between the new funding formula implemented in 1999 and the old formula that was in place in 1998.

Mr. Jeans explained that "The Floor" was established as a provision of SB 36 to facilitate the transition from the previous funding scheme to the new funding formula. If a school qualified for more funding dollars under the prior calculation, those funds were provided as supplemental funding for the first year.

[9:49:22 AM](#)

Page 12C

How "The Floor" was Established

"The Floor" was established in FY1999

For example:

Old Formula State Aid	= \$1,100,000
New Formula State Aid	(Less)= \$1,000,000
Supplementary Funding Floor	(Result)= \$100,000

Mr. Jeans summarized the slide.

[9:49:39 AM](#)

Page 13A

Nome's Transition to New Formula

❖ Old Formula State Aid:
FY 99 = \$5,206,292

- ❖ New Formula State Aid:
 (Less) FY 99 = \$5,095,932
- ❖ Supplementary Funding Floor:
 (Results) FY 99 = \$110,360

Mr. Jeans reviewed the funding floor for Nome City Schools.

[9:49:52 AM](#)

Page 13B

Adjustments to the "Floor"

All Adjustments to "The Floor" are reductions!

Decreases to "The Floor" occur because of:

1. an increase in Basic Need
- OR
2. a decrease in ADM

Mr. Jeans informed that the floor was designed to "erode away", thus all adjustments to the floor were reductions in supplemental funding. He added that increases in basic need occurred due to an increase in student population or an increase in the base student allocation.

[9:50:23 AM](#)

Page 14B

Establishing Nome City School's Floor

FY 99 Old Formula	=\$5,206,292
FY 99 New Formula	(\$5,095,932)
Nome's Funding Floor Established at	=\$110,360
FY 00 No Deduction	=\$110,360
FY 01 Floor reduced due to increase in Basic Need	(\$14,562)
FY 01 Floor Balance	=\$95,798

FY 02 Floor No reduction floor	(0.000)
FY 02 Floor Balance	=\$95,798
FY 03 Floor reduced due to increase in Basic Need	(73,206)
FY03 Floor Balance	\$22,592
FY 04 Floor reduced due to increase in Basic Need	(49,268)
Difference exceeds Floor ~ Balance set to zero	(0.00)

Mr. Jeans walked the Committee through the calculation, adding that in 2004 Nome had "fully transitioned" to the new funding formula.

[9:51:52 AM](#)

Page 14C

Supplementary Funding Floor

Remember:

- o The floor is reduced by 40% of the increase in the Basic Need over the prior year.
- OR
- o The floor is reduced if ADM decreases by more than 5%, initially, of the FY1999 ADM.

Mr. Jeans reviewed the slide and added that only 10 school districts are on the supplemental funding floor in fiscal year 2008, with a total of less than \$1 million committed to that funding.

[9:52:21 AM](#)

Page 15A

Components of State Aid

A Permanent Funding Component of State Aid

Nome's Total State Aid equals:

Calculated State Aid	\$7,426,248
----------------------	-------------

Plus the Funding Floor	\$0
Plus the Quality Schools Grant	\$24,837
Total State Entitlement	\$7,451,085

Mr. Jeans summarized the slide.

[9:52:42 AM](#)

Page 15B

Please Note:
Prorating the Public School Funding Formula

If insufficient funds are appropriated by the legislature to meet the total entitlement, then all components of the Public School Funding Formula will be reduced by the same percentage.

AS 14.17.400(b)

Mr. Jeans concluded his presentation by reading the slide.

[9:53:08 AM](#)

Senator Olson asked how funding for home school students is determined.

Mr. Jeans responded that home school students that enroll in a correspondence program are funded at the correspondence rate of 0.8.

Senator Olson mentioned that Nome is first class city with a property tax, and asked how Nome compares to other boroughs.

[9:54:15 AM](#)

Mr. Jeans replied that all first class cities in unified municipalities are required to make a 4 mill contribution as required under SB 174. He noted that the differing property wealth of each area would dictate the amount of the required contribution.

Senator Olson asked how a city such as Tanana would differ in their required local contribution.

[9:54:56 AM](#)

Mr. Jeans informed that Tanana, as a first class city, is required to make a 4 mill contribution. He added that Tanana has a declining property value, but the area is required to make the full 4 mill contribution on the value if the current year.

[9:55:17 AM](#)

Senator Dyson asked the effect of large school districts with decreasing student population.

Mr. Jeans understood Senator Dyson was referring to Kenai and Anchorage, districts that have experienced declining enrollment. He reported that the funding formula currently does not have a "hold harmless" provision to address the issue and provide transition for those districts. He had drafted language to address the problem, and would be willing to provide it to interested parties.

[9:56:24 AM](#)

Senator Dyson asked if any large districts other than Anchorage were not providing their full contribution amount.

Mr. Jeans told that Juneau was the only district he was aware of that was providing the entire allowed contribution amount. He understood Kenai intended to request additional funds from their borough assembly to reach the limit placed on local contributions.

[9:57:08 AM](#)

Senator Thomas remarked that Mr. Jeans presented "quite a formula". He asked the effect of the school size adjustment on charter schools, as a charter school in his area lost approximately \$500,000 in funding due to a slight decrease in enrollment. He was interested in possible avenues to assist in these situations.

[9:58:12 AM](#)

Mr. Jeans was familiar with the aforementioned "struggles". The 150 student threshold for charter schools was reduced from 200 after the passage of SB 36. Further assistance could be provided through legislative action.

#

ADJOURNMENT

Co-Chair Lyman Hoffman adjourned the meeting at [9:59:46 AM](#)