

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

January 28, 2009

8:03 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Cathy Engstrom Munoz, Vice Chair
Representative Wes Keller
Representative Peggy Wilson
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

Representative Bryce Edgmon

COMMITTEE CALENDAR

OVERVIEW(S): EDUCATION FUNDING FORMULA 101

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

EDDY JEANS, Director
School Finance and Facilities Section
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Provided a power point presentation on the education funding formula.

ACTION NARRATIVE

[8:03:55 AM](#)

CHAIR PAUL SEATON called the House Education Standing Committee meeting to order at 8:03 a.m. Representatives Seaton, Munoz, Keller, Wilson, Gardner, and Buch were present at the call to order. Representative Edgmon was excused.

[8:04:23 AM](#)

OVERVIEW(S): EDUCATION FUNDING FORMULA 101

CHAIR SEATON announced that the only order of business would be the Department of Education and Early Development (EED) overview - Education Funding Formula 101.

8:05:50 AM

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), informed the committee that Alaska has 53 school districts: 19 regional education attendance areas (REAA's); 34 city and borough school districts, which are either first class cities or organized boroughs; and one state operated school, Mt. Edgecumbe in Sitka. In total, Alaska's public school system serves approximately 130,000 students. The REAAs typically serve multiple communities within a region. He illustrated this point by drawing the committee's attestation to the projected map, area 32, representing the Lower Yukon School District. The Lower Yukon district is comprised of eleven communities, serves approximately 2,000 students, and encompasses about 19,000 square miles. He contrasted this image with the island of Kake, which is a first class city, has one school, 95 students, and encompasses one square mile. In the Anchorage area 55,000 students are served throughout the municipality. Emphasized the diverse variety of geographic/political districts throughout the state, and said that districts in unorganized areas do not have the authority to impose a school tax; relying on state support via the impact data program.

8:09:10 AM

MR. JEANS described the diversity of the districts and added that, in the eleven communities of the Lower Yukon, student populations range from as few as 42 to as many as 400. In response to a request from Chair Seaton, he agreed to provide the committee with a chart of these demographics.

8:09:48 AM

CHAIR SEATON asked whether all of the REAA's serve multiple schools or if any single school sites are under this category.

MR. JEANS responded that Chevak, on the central coast of the Yukon-Kuskokwim Delta, in the Kashunamiut School District, is the sole example. The next smallest, the Yupiit district,

serves three schools [Akiachak, Akiak, and Tuluksak]. He explained that both of these districts were the last schools transferred to the state from the Bureau of Indian Affairs (BIA), in 1985. He approximated that 50 schools in the state serve less than 100 students, of the 500 schools in the state. He agreed to provide a chart to illustrate the population categories. On Chair Seaton's request, it will also include schools that have a population of 15 and under.

REPRESENTATIVE KELLER expressed interest in having the teacher student ratios per community made available, particularly for the smaller schools, and Mr. Jeans said he could have that data made available to the committee, also.

[8:14:05 AM](#)

REPRESENTATIVE MUNOZ asked what occurs when a school population falls below 10, and is there a process that allows the school to regain population rather than face closure.

MR. JEANS clarified that the state does not the schools, as it is incumbent on the local school board to make that determination. Additionally, there is a hold harmless provision, set in statute by HB 273, which provides transition funding to any district that has a school(s) with low enrollment. A district may elect to use this funding to keep a school open for an additional year, as an opportunity for the school to boost student population.

[8:16:11 AM](#)

CHAIR SEATON inquired how 10 [students] became the minimum enrollment number.

MR. JEANS answered that when the funding formula was rewritten in 1998, the legislature established the policy of 10 as the minimum number. Prior to 1998, local school boards were operating schools with only two or three students.

[8:17:26 AM](#)

MR. JEANS directed attention to slides 1 and 2 to explain that SB 36, implemented in 1999, defines the public school funding formula under AS 14.17, and to set forth the five points to be presented in the overview: 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, and 5) components of state aid.

[8:18:14 AM](#)

MR. JEANS projected slide 3, setting out the ADM reporting requirements. The ADM is the number of enrolled students during the 20-school-day count period ending on the fourth Friday of October; it is not related to attendance. The reports are due to EED within two weeks after the end of the count period, and projected student count reports are due on November 5. He said that typically, schools file these reports simultaneously. The projected count is used by the department to create the following year's budget, as presented to the legislature each January. Responding to a committee question, he stated that, for the first nine months, each school district receives 1/12 of the total entitlement, from the previous year's projections, and the final three months are funded based on the actual ADM provided in October. He also clarified that average daily attendance (ADA) is used for a different purpose, but the ADM is utilized for budget purposes. To a follow-up question he said that the ADA may be used for federal reports such as the food service program. Unlike some states, Alaska does not use the ADA to calculate state aid.

[8:22:03 AM](#)

MR. JEANS moved on to slide 4 bulleting the statutes and definition of who qualifies as a student: 1) a child who is 6 years of age before September 1, and under the age of 20, and has not completed grade 12, AS 14.03.070, 2) a child who is 5 years of age before September 1, following the beginning of the school year, may enter kindergarten, AS 14.03.080(d), and 3) 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). He elaborated on the first eligibility point, that for a student to graduate, they must have met the requirements of completing 21 high school credits and passes a three part high school qualifying examination. When a high school has a student who returns for classes to support their efforts to graduate, they are not usually full time students and are counted as part-time for funding purposes.

[8:23:11 AM](#)

REPRESENTATIVE GARDNER stated her concern for the percentage of high school graduates who are entering college requiring

remedial classes. She asked if there needs to be recourse on the high school from which they graduated. Should it not be incumbent on the high school to offer appropriate classes for college preparation, she conjectured, stipulating that a recent graduate should not be held monetarily responsible for remedial class tuition.

MR. JEANS responded that EED, under Commissioner Larry LeDoux, is interested in the concept of middle colleges. He pointed out that the high school exam is to establish a competency level for graduation. It is a minimal proficiency test, not a college readiness test, which he suggested, could be replaced.

REPRESENTATIVE GARDNER restated that her concern is for an accomplished student expecting to enter college freshman level classes. She opined that the student would be within bounds to assume that attaining a high school diploma would ensure that they possess adequate skills to enter college, and not be burdened with the cost of remedial classes. She asked whether requirements need to be placed on high schools to assure college readiness, or if a middle college is a good option.

MR. JEANS expressed his understanding that the middle college level would help with the high school-college transition, and the intent is that the expense would be borne by the public K-12 system.

[8:26:56 AM](#)

REPRESENTATIVE KELLER offered his understanding that despite a student having 21 credits and passing the qualifying exam, if they are not over 20 years of age, they could take additional high school classes, in preparation for college. He stated his belief that many senior students are attending high school, on this status, across the state.

MR. JEANS clarified that many seniors take credits beyond the requirement; however, a student who is over the age of 18 that has completed their senior year with at least 21 credits, and has passed the qualifying exam, would not be welcomed back into the K-12 system.

[8:28:21 AM](#)

REPRESENTATIVE WILSON asked if a time line has been established for a middle college approach. She shared the same concerns for providing students appropriate preparation for college, and said

it is an embarrassment to the state when a diligent student arrives at college and is required to take remedial classes.

MR. JEANS said that the department is not in a position to address this topic fully in the coming year; however, it is on the agenda for the near future.

CHAIR SEATON pointed out that the University of Alaska regional and main campus administrators are scheduled to address the committee, and the question of providing standards for post secondary education will be a topic for discussion.

REPRESENTATIVE GARDNER stressed her continued concern that college be an option for as many students as possible, particularly in light of current nation wide statistics.

[8:32:48 AM](#)

MR. JEANS continued explaining slide 4, stating that all of the public schools offer a non-required, full time, kindergarten program to any child who has a fifth birthday prior to the cut off date of September 1.

CHAIR SEATON inquired what percentages of eligible children attend kindergarten.

MR. JEANS responded that the percentage has not been tracked, however, it appears that the majority of eligible families choose to take advantage of the program.

[8:34:16 AM](#)

MR. JEANS moved to the final point on slide 4, stipulating that an individual with an IEP may attend public school between the ages of 3-22. Schools are required to perform child finds to assist in identifying children with disabilities who require services. Slide 5 lists the 5 steps used to calculate a district's adjusted ADM: 1) adjustment for school size, 1a) review eligibility for hold harmless standing, 2) apply the area cost differential or district cost factor, 3) apply any special needs factor, 4) add intensive services counts, and 5) add correspondence student counts. He stated that each of these steps would be explained in detail as well as applied practically using Nome as an example.

[8:35:40 AM](#)

CHAIR SEATON queried how alternative initiatives are counted/considered, and if they relate in any way to correspondence schools.

MR. JEANS explained that a correspondence school is defined as less than three hours per week of face to face interaction with a certified teacher. Charter schools may be correspondence schools, and home school support programs are classified as correspondence schools under state statute.

8:36:31 AM

MR. JEANS brought up slide 6 to explain the first step for adjusting a districts ADM; adjusting for school size. He explained that the student population is determined within the community. In a community with a student count between 10 and 100 grade K-12 students, the ADM for grade and high school are combined and run through the size adjustment table one time; adjusted as one school. If the student population is 101-425, the K-6 and 7-12 counts are segregated and run through the table twice; adjusted as two schools. In a community with an ADM greater than 425, each of the school facilities are adjusted through the table independently. Alternative schools, with an ADM of less than 200, are counted as a part of the school in the district with the highest ADM. If the alternative school has an ADM of greater than 200, and is administered as a separate facility, the ADM will be adjusted separately. He pointed out that typically, the alternative programs are specialized and located in larger communities. A charter school is required to have an ADM of 150 or greater to be adjusted as a separate facility.

8:37:57 AM

REPRESENTATIVE BUCH requested that Mr. Jeans provide improvement comments, throughout the presentation.

8:38:52 AM

REPRESENTATIVE MUNOZ questioned the funding levels for charter schools of under 150 versus over 150.

MR. JEANS said it was a policy call on the part of the legislature to establish ADM minimums for alternative and charter schools. Statute allows up to 60 charter schools to exist in Alaska, and it was deemed more cost efficient, when considering economies of scale, to mandate a minimum size

requirement. To a further question, he responded that there are 22 charter schools throughout the state.

REPRESENTATIVE MUNOZ described the local charter school and proceeded to discuss operational funding issues.

MR. JEANS stated that EED is aware of the funding concerns surrounding charter schools, that a Senate Bill has been introduced on the subject, and he stated his belief that the committee would be reviewing that subject at length. Then he directed attention to slide 7 to begin the practical example of calculating Nome city school entitlement, utilizing actual projected numbers for FY 10.

[8:42:15 AM](#)

MR. JEANS pointed out that the Nome elementary school has 355 students, and the High School has 255. Additionally, Nome has a charter school with 44 and a youth detention facility program with 14. Continuing to slide 8, showing that the alternative Nome school ADM is added to the school with the highest ADM in the district, the grade school in this example, arriving at a figure of 399. A school with a population of under 10 would be added to the smallest school in the district. The resulting number is referenced to the table, on slide 9, where student count translates as school size. Reference 1, on the table indicates that a school with an ADM of 10-[19.99] students will be funded at the formula weighted average daily membership level of 39.60. For a school of 20-[29.99] students, the formula calls for a funding level of 39.60 + 1.62 for every child over 20.

CHAIR SEATON asked for clarification/genesis of the variable multipliers used in the formula.

MR. JEANS said that the formula was developed by a study group, in 1998, it was determined that funding based only on enrollment numbers; number of students multiplied by a certain number of dollars. An economy of scale occurs, as a school grows. The larger the school the less expensive it becomes to operate per student served. The sliding scale was established to create a base level of funding for the minimum ADM, with adjustment for population increases. The weighting for additional students above 20 is a sliding scale beginning at 1.62 down to 0.84.

[8:45:39 AM](#)

REPRESENTATIVE BUCH emphasized that the formula is based on a per student ratio, regardless of the geographic region.

MR. JEANS concurred, and said it is an economy of scale adjustment. Clarifying further, he said that for a school with over 750 students, the number above 750 would be multiplied by 0.84, and that product added to the product of the base formula 793.6 times 750. He directed attention back to slide 9, and the example showing how the school size for Nome resulted in an adjusted ADM product of 841.18. Responding to comments from the committee, he pointed out that the same formula factors are used for elementary and secondary schools, and, if Nome had a separate middle school, the calculation would be run three times, because Nome has an ADM above 425.

[8:50:42 AM](#)

REPRESENTATIVE WILSON noted that with an ADM of 425, every building is counted, but if the ADM is under 425 only two buildings are considered. She asked how many communities come under the category of having multiple buildings that are not counted, because of the way the numbers fall.

MR. JEANS offered to provide these statistics to the committee.

[8:51:30 AM](#)

CHAIR SEATON asked how the REAA's (rural education attendance areas) are calculated.

MR. JEANS replied that the REAA's are considered by community, and calculated individually.

[8:52:48 AM](#)

MR. JEANS moved to slide 10, to explain step 1A, the Hold Harmless provision adjustment. House Bill 273, enacted in 1998, established a Hold Harmless provision to support districts experiencing a reduction in enrollment. To determine eligibility, the district's sum total of the school size adjustment is compared against the prior fiscal year, to see if a decrease of 5 percent or greater has occurred. If there is a decrease of 5 percent, the prior fiscal year becomes the base. Hold Harmless funding is provided to the district for up to three years, should the enrollment numbers remain below the base year. The funding is paid with yearly incremental decreases, he explained: the first year 75 percent, the second year 50

percent, and the third year 25 percent. The Nome example, slide 11, indicates that the FY 09 size adjusted ADM was 965.08, and in FY 10 it fell to 841.18; a difference of 123.90 or 12.84 percent triggering the hold harmless provision. In this case 75 percent of the difference, 92.93 is added to the FY 10 school size ADM to equal 934.11. He stressed the importance of noting that 2010 becomes Nome's base year for future Hold Harmless calculations.

[8:54:53 AM](#)

REPRESENTATIVE WILSON inquired if there appears to be a relocation trend of students moving from rural to urban settings, causing the Hold Harmless provision to trigger.

MR. JEANS explained that this is the first year the Hold Harmless rule has been in place. The old funding formula had a similar provision that was dropped some time ago.

[8:56:30 AM](#)

CHAIR SEATON asked what would happen should the enrollment numbers increase, possibly to 940.

MR. JEANS responded that the district would then be funded at the 940 level.

[8:57:35 AM](#)

REPRESENTATIVE WILSON clarified that the funds would be available for three years, even if the enrollment did not continue to drop.

MR. JEANS concurred, and explained that the initial trigger year becomes the base for the following years.

REPRESENTATIVE KELLER asked whether another 5 percent loss would initiate a new trigger for the Hold Harmless provision.

MR. JEANS said that it did happen that way under the old formula. Today the department calculates the provision using both formulas, and pays the amount that will be the most beneficial to the district.

REPRESENTATIVE KELLER inquired how many districts qualify for the hold harmless provision, and how much money is involved.

MR. JEANS will provide the committee with that information. He pointed out that the example utilizes projected ADM's but when the final calculation is done, actual ADM's are used.

[8:59:07 AM](#)

REPRESENTATIVE MUNOZ asked whether schools that fall below 10 are eligible for site funding under the Hold Harmless provision.

MR. JEANS replied no, the Hold Harmless funds are paid to the school district as a whole, not to an individual school.

[8:59:57 AM](#)

MR. JEANS continued with slide 12, step 2, to calculate the district cost factors. The department monitors district cost factors and submits a report to the legislature on January 15 every other fiscal year, since January 2001. He explained that last year the legislature adopted the cost factors recommended by ISER (Institute of Social and Economic Research), to be phased in over a five year period. At that time a resolution was also passed establishing a task force to address geographic cost differentials. Any recommended changes that effect the cost differential will come through the committee, not the department, he pointed out. The lowest cost factor in the state is 1.000 and the highest is 1.948. The next step in the formula, he continued, is to multiply the district's cost factor with the school size adjusted ADM. For the Nome example it is 934.11×1.402 arriving at the product of 1,309.62. He added that the regional cost factors are to adjust for regional cost differences identified by ISER; such as getting fuel to an area, hiring/retaining qualified teachers in various regions, and shipping costs.

[9:01:47 AM](#)

MR. JEANS directed attention to slide 13, step 3, to calculate special needs funding. Programs included under this 20 percent block grant are: special education, save intensive, vocational education; gifted/talented programs; and bilingual/bicultural programs. Each district files a plan with the department, to indicate special needs services that will be provided. He indicated slide 14 to demonstrate multiplying Nome's adjusted ADM, 1,309.62, by the special needs factor of 1.20 to arrive at the product of 1,571.54. He pointed out the note, at the bottom of the slide, which refers to the hand out titled "Public School

Funding Program Overview, Updated January 1009," and where this product is found in that overview.

9:02:55 AM

CHAIR SEATON asked for an opinion on how the block funding is working, how it ties in with federal fund programs, and for suggestions to assure appropriate distribution in each educational category.

MR. JEANS contrasted the ease of tracking the combined categories using the previous funding formula, compared with how it is now handled. He opined that vocational education funding has suffered under the No Child Left Behind Act (NCLB), where the focus is to provide achievement levels in reading, writing, and arithmetic.

9:06:18 AM

REPRESENTATIVE KELLER referred to step 5, and asked whether it is policy to assume that the correspondence students do not qualify under the special needs funding block.

MR. JEANS responded that it was not a policy call, stating "That's just where it fell out in the formula, when we were discussing the new funding formula." The policy call at the time was that, under the previous formula, correspondence was treated and funded like a school. The legislature recognized that these programs did not have the same associated building/operational costs, and the policy call that occurred was to fund these program at the 80 percent level.

CHAIR SEATON mentioned that the committee would be reviewing school policy issues in detail.

9:10:10 AM

REPRESENTATIVE GARDNER remembered that, at one time, each element of the special education category was funded independently. The advocates who worked in the field could easily track specific portions of the funding. She conjectured that the enactment of NCLB has influenced, altered, and possibly complicated the process.

MR. JEANS opined that NCLB has not had an adverse effect on services provided to the special education children. He said that the special education students each receive an IEP for

services required, effectively a contract, and the district is bound to provide the services regardless of the cost. He clarified that the categorical funding, as had existed, covered vocational, bilingual/bicultural, and special education. These were not categorical expenditure requirements: the districts were not required to spend the funds for the programs, and they became a means to generate funding. Educational trends of the 1980's, spawned concern that students were being inappropriately identified for special education and bilingual/bicultural programs, which stimulated the move to block funding. In 1998, he reported that he conducted a review of the cost effectiveness for funding these programs to compare the two methods. The results indicated the funds that school districts receive using the current formula is slightly more than with the original method, but with significant variance between districts. Some states use a system of categorical expenditure requirements he explained, "You generate so much money for this purpose, you need to spend it there, and if you don't the excess comes back to the state." Alaska does not ascribe to this method.

REPRESENTATIVE GARDNER mentioned that her office has received reports that special education students, in her district, are not receiving an appropriate share of the funding or effective services.

[9:15:06 AM](#)

REPRESENTATIVE MUNOZ asked if the Architecture Construction Engineering (ACE) academy, at [Juneau Douglas High School], would be considered vocational and funded under the 20 percent guideline, or under the ADM calculation.

MR. JEANS pointed out that individual programs are not considered, and said that as the presentation unfolds it will become apparent how that mechanism is figured in. Through further panel discussion of how the 20 percent is determined, he pointed out that the component is a mechanism to provide additional state resources to assist in the three specified areas; it's up to local school boards to determine how to deliver those services.

REPRESENTATIVE MUNOZ asked whether a school must demonstrate a need, via a specific number of students, in order to qualify for the 20 percent special needs funding.

MR. JEANS said no, and reiterated that the district, as a whole, receives the 20 percent adjustment, which is why it is called

block funding. The district can then determine how many, and by what means programs for gifted/talented and bilingual/bicultural will be offered. However, a special education IEP is a contract, and schools must comply.

REPRESENTATIVE BUCH commented on how an entire community can be encumbered, in order to provide for certain students.

[9:19:29 AM](#)

MR. JEANS continued with, slide 15, step 4, titled "Intensive Services Funding," enumerating the three requirements for an intensive, multi-need student. He pointed out that these students are also counted in the base ADM. The funding per child in FY 09 is \$49,320, with an increase in FY 10 to \$61,380, and the projection for FY 11 is approximately \$75,000. In this category, Alaska has just below 2,000 student's state wide.

[9:20:47 AM](#)

CHAIR SEATON asked if these students are tracked when they move between districts.

MR. JEANS said that typically this population doesn't move, as families attempt to provide continuous community services, and a stable environment. Further, he mentioned that the increased funding for the intensive students, serves to free up funding for districts to apply to other programs/services.

[9:22:36 AM](#)

REPRESENTATIVE MUNOZ asked about accountability, and what system is used to assure that a district has met the criteria for intensive student funding.

MR. JEANS explained that every new intensive claim is scrutinized. He is requesting additional funding to allow his department to perform 100 percent review on an annual basis. It will require a \$150,000 budget increase to contract with a special education retirees to perform these duties.

[9:23:24 AM](#)

REPRESENTATIVE WILSON questioned what occurs when a student holding an IEP moves between districts.

MR. JEANS responded that the contract accompanies the student to the new district, but it is subject to review.

REPRESENTATIVE WILSON asked about the impact of a student relocating from an urban setting, with readily available services, into a rural area.

MR. JEANS answered that the state is still bound to fulfill the stipulations of the IEP, and the services of the Special Education Service Agency (SESA) are often employed. SESA is a state funded agency, he pointed out.

[9:25:11 AM](#)

MR. JEANS continued with the Nome calculation of Step 4, on slide 16. The increase percentage, for the intensive services funding between the fiscal years, becomes the multiplying factor. In this case, the increase is 11 percent. Thus, the intensive student count is multiplied by 11 and added to the adjusted ADM, from step 3. He reported that Nome has 5 intensive students, times the factor of 11, equals 55. The 55 is added to the adjusted ADM, 1,571.54, for a new total of 1,626.54. Step 5, slides 17 and 18, show the adjustments for the correspondence programs. Districts offering these programs receive funding based on 80 percent of the correspondence ADM. Each correspondence student generates \$4,464 as of FY 10. Relating this to the example, Mr. Jeans indicated that Nome claims 8.5 correspondent students, multiplied by .80 percent factor, arriving at a product of 6.80. The adjusted ADM is combined with the 6.80 for a sum of 1,633.34. The final product, the basic need entitlement, is arrived at by multiplying the district adjusted ADM by the base student allocation (BSA). The FY 10 BSA is \$5,580, applied to the factor of 1,633.34 to arrive at Nome's entitlement of \$9,114,037.

[9:26:22 AM](#)

REPRESENTATIVE WILSON inquired whether the correspondent students were previously counted in the ADM.

MR. JEANS stipulated that correspondence programs are only factored in at the end of the equation, with the 80 percent calculation.

[9:27:14 AM](#)

CHAIR SEATON requested information regarding correspondence students who may also meet special education, or other program, requirements.

MR. JEANS agreed to make the information available to the committee, and clarified that, in many cases, the district that a child resides in will claim them as a .25 full time equivalent (FTE), to provide special education services, and the correspondence district claims them for the remaining .75 FTE; requiring coordination between districts.

[9:29:20 AM](#)

MR. JEANS continued with slide 20, a one page summary of the equation as applied to Nome, to arrive at the basic need final figure. He reviewed each step for clarity.

[9:30:23 AM](#)

REPRESENTATIVE KELLER commented on the complexity of the formula and asked if it is available to the public on the department's web sit.

MR. JEANS assured the committee that it is accessible to the public via the EED site.

[9:31:30 AM](#)

MR. JEANS said that, having established the basic need/entitlement the funding responsibility must be determined. Calculations are made to arrive at independent contribution sums from each of the three sources, listed on slide 21: 1) required local contribution, 2) Federal Impact aid, and 3) state aid. He referred to the previous presentation [EDC meeting 1/26/09] that set forth how the required local contribution is formulated, and briefly reviewed the contributing factors on slides 22 and 23.

[9:32:09 AM](#)

MR. JEANS reviewed slide 24, to illustrate how the local contribution calculation is applied in the model for a product totaling \$955.700; Nome's required local contribution. He pointed out that every organized area is required to contribute in some way towards local education, either via property tax or by figuring 45 percent of the prior year basic need. In areas, such as North Slope, Valdez, and Skagway, where property taxes

are high, the 4 mill rate would far exceed 45 percent of basic need and those districts use the alternate calculation.

[9:33:15 AM](#)

MR. JEANS reviewed the eligibility of Title VIII Federal Impact Aid, which includes those residing on military bases, Alaska Native Claims Settlement Act (ANCSA) lands, or in a National Forest. These dwellers are non-taxable for this purpose. Slides 25 and 26 address this deduction.

[9:33:54 AM](#)

CHAIR SEATON clarified that the students must reside on federal or ANCSA land.

MR. JEANS concurred, and continued with slide 26, applying the Federal Impact Aid payments to the Nome model; \$81,920 eligible for education. As indicated on slide 27, the federal law requires the state to calculate the contribution ratio. The formula is that the required local contribution is divided by the budgeted local contribution. Budgeted local contribution, for the purposes of calculating the Impact Aid percentage, is found in the budget, as submitted on July 15th of each year, and may consist of: appropriations, investment earnings, in-kind services, or "other local." For Nome, the required local contribution of \$955,700 is divided by the budgeted local contribution of \$1,905,874 to equal a ratio of 50.14 percent.

[9:35:10 AM](#)

MR. JEANS moved to slide 29, to illustrate how the ratio is applied in the example: eligible Impact Aid/\$81,920 is multiplied by the Title VIII ratio/50.14 percent and finally multiplied by 90 percent to equal the total deductible Impact Aid product of \$36,967. He pointed out that the legislature is responsible for establishing the deduction multiplier of 90 percent.

CHAIR SEATON asked if all eligible districts apply for these funds.

MR. JEANS replied no. When a district only generates a couple thousand dollars, it is not cost effective to go through the process of verifying the land status and the paperwork involved in order to apply. If the figure to be gained is \$50,000 or more, this deduction is being claimed.

[9:37:29 AM](#)

REPRESENTATIVE BUCH pointed out, that in the Nome example, of the basic \$9,114,037 need, the federal Impact Aid contributes only \$36,967.

MR. JEANS agreed, and stipulated that this figure only represents the Nome district. On a state wide basis it is a substantial amount, approximately \$56-59 million of the \$1 billion dollar total funding formula.

[9:38:35 AM](#)

MR. JEANS reviewed the summary of the Nome city school calculation on slide 30: the basic need is \$9,114,037, less the calculated required local contribution of \$955,700, and less the federal Impact Aid of \$36,967, to arrive at the state aid total of \$8,121,370. Additional funds, above the basic need, as indicated on slide 31 are: additional local contributions, and the Quality Schools grant.

[9:39:15 AM](#)

MR. JEANS explained that, in order to count the federal Impact Aid dollars, it is necessary to have an equalized funding formula. Federal law dictates that the disparity between the richest and poorest districts of the state cannot exceed 25 percent. Hence, the state imposed the local contribution cap. The state allows a district to contribute up to 23 percent of the basic need above the required local contribution. Slide 32 indicates that 23 percent of Nome's basic need is \$2,096,229. As shown on slide 33, this amount is added to the required local contribution of \$955,700, to arrive at the maximum contribution the Nome city schools can receive from the city - \$3,051,929. If this amount is exceeded, either the state aid is reduced or, as is the norm, funds are returned to the city coffers.

[9:40:37 AM](#)

MR. JEANS reviewed how the Quality Schools grant program component is calculated; slide 34. Established under AS 14.17.480, this allows a district to receive a grant not to exceed the district's adjusted ADM multiplied by \$16. He explained that this grant was conceived to provide intervention that is now being taken up via other means, and as such, the program may have served its purpose and is no longer as

effective as when it was established. Additionally, the amount calculated tends to be minimal. The Nome example shows the district adjusted ADM of \$1,633.34 multiplied by \$16 for a contribution product of [\$26,133.44].

[9:41:54 AM](#)

REPRESENTATIVE WILSON questioned the property tax contribution and the way in which communities comply with the mill rate.

MR. JEANS said that the 50 percent provision for the required local effort has resulted in the state paying \$75 million that should be coming from local sources. Referring to the schedule in the committee packet, he said that the state aid total would \$75 million less had the provision not passed. The required local effort is not based on the number of inhabitants but the value of the property, he stressed.

REPRESENTATIVE WILSON pondered whether communities should be allowed to pay extra to attain their cap, when the state is paying additional due to the adjustment.

[9:44:31 AM](#)

CHAIR SEATON inquired if there is an effect on the amount a community can contribute if property values have increased, and is the cap lowered when this occurs.

MR. JEANS said that it does lower the cap, because the state is paying a portion of the required local effort. Whatever portion of the required local effort the state is paying would have been added to the cap. He offered an example using Nome, to illustrate this point.

[9:46:01 AM](#)

REPRESENTATIVE WILSON continued to question how the local caps are effected when the state pays a portion of the local contribution.

MR. JEANS reiterated his concern, that, within a couple of years, there will be some districts with local tax revenue available to contribute to education, but the cap is going to be lower than anticipated. He predicted that when this occurs, the legislature will be looked to for relief. The reason that the cap is lower is due to the current state subsidies to the local contribution.

9:47:05 AM

REPRESENTATIVE KELLER requested a bar graph to allow the committee to compare contributions by community.

CHAIR SEATON requested that the percentage of where the districts fall in regards to respective caps be included.

REPRESENTATIVE WILSON suggested that the graph include a per student contribution.

MR. JEANS said that this information is available on an annual basis, and easily generated for the committee.

9:48:58 AM

REPRESENTATIVE GARDNER returned to slide 34, the Quality Schools grant slide, and asked for further understanding of the program.

MR. JEANS said that this is a distinct separate component within the foundation program, intended to provide interventions to assist struggling students.

9:49:58 AM

MR. JEANS directed attention to slide 35, to illustrate that Nome's total state entitlement is the sum of the calculated state aid, at \$8,121,370, plus the Quality Schools grant of \$26,133, equaling \$8,147,503. If insufficient funds are appropriated by the legislature to meet the total entitlement, then all components of the public school funding formula program will be reduced by the same percentage, as stipulated under AS 14.17.400 (b).

CHAIR SEATON referred to the formula rewrite of last year, which was to ensure an equality of funding versus costs, and to allow every district to receive the same amount of funding per student. He inquired how the energy grant, instituted at the time, was handled.

MR. JEANS said it was also factored in and distributed under the adjusted ADM.

9:52:08 AM

REPRESENTATIVE GARDNER returned to the IEP topic, and asked whether a contract would be written differently if cost were not a factor and only the needs of the student were being considered.

MR. JEANS suggested that the question be held for when the department's special education administrator's are before the committee [February 13, 2009].

[9:52:58 AM](#)

REPRESENTATIVE WILSON asked if there are any other per student program calculations not included in the district cost factor other than the Quality Schools grant.

MR. JEANS responded that nothing else is factored independently.

[9:53:25 AM](#)

CHAIR SEATON responded to a committee member's question, stating that he was part of the education funding task force, held in the summer of 2008. The recommendations from that meeting were adopted by the governor and implemented by EED.

[9:55:21 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:55 a.m.