

1 IN THE HOUSE

BY THE COMMITTEE ON FINANCE

2 COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 86

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIRST LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Commissioner of
7 Education to make necessary deficiency pay-
8 ments for the support of schools; authorizing
9 an appropriation; and providing for an
10 effective date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 Section 1. (1) The Commissioner of Education is hereby
13 authorized to approve deficiency payments to school districts for
14 the 1958-1959 school year according to the regular refund schedule
15 and in accordance with the school district budget approved by
16 the Commissioner and Board of Education; provided, however, that
17 no refunds shall be made except in accordance with law.

18 (2) The exact amounts necessary for these deficiency
19 payments shall be appropriated when determined by the school
20 district's final annual audit.

21 (3) The Commissioner of Education is hereby authorized
22 to make the above payments to school districts which are in need,
23 from current funds appropriated for the 1959-1960 fiscal year;
24 such amounts to be replaced by an appropriation when the amounts
25 due are determined as a result of the final annual audits.

26 Sec. 2: This Act shall take effect immediately upon its
27 passage and approval or upon its becoming law without such
28 approval.

29 C.S.H.B. #86

April 2, 1959

REPORT OF THE HOUSE COMMITTEE ON FINANCE
COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 86

Following the custom, your Finance Committee would like to present the cause for and the need of this deficiency appropriation.

First, let us explain that we are talking only about one line item, "Support of schools within districts" -- the total estimated cost to the state to support these schools was \$12,900,000 in 1957. The 1957 legislature cut that budget by \$1,100,000 or approximately 9 percent.

On April 1st, just 6 days after the budget was cut, the Commissioner, in a letter to all members of the Board of Education, outlined his plan to completely ignore the appropriation cut and to continue to operate as usual, proceed to increase salaries in his administration department (by 21% totaling \$117,466.00) and plan to request the 1959 legislature for a deficiency.

Pages of supporting reasons, none of which have proven valid, were enclosed with the letter; also enclosed was a form letter addressed back to the Commissioner asking for approval of this action. All members of the Board signed and returned the form letters approving this action.

On July 18, 1958 the Commissioner, in Department of Education Memorandum #61, page 1, informed the school districts of the budget cut, quote: "The territorial board, as a matter of policy instructed the Commissioner to handle school district budgets in the usual manner but with the expectation that there would be a deficiency. Therefore we have we have approximately 90% of the territorial portion of school district budgets (1958-59) and only this percentum can be approved at this time, the board will no doubt authorize this office to prepare a deficiency appropriation bill for presentation to the legislature immediately on its convening. No doubt local school boards will feel the necessity of informing legislators from their area of the need for the restoration of the amount cut from the territorial portion."

The Finance Committee sent the following telegram to each school district:

"On July 18, 1958 you were advised that your budget for the 1958-59 year would be cut 10 percent. Please advise this committee by return wire followed by a signed statement whether you adjusted your budget accordingly or whether you continued on a full support basis."

The school district superintendents almost all replied that July 18, 1958 was too late a date for them to adjust their budgets and many indicated that they had been assured by the Commissioner that the deficiency would be approved by this Legislature. Only the Hoonah school superintendent replied that he had cut his budget to take into account the 10 percent adjustment. Copies of these wires are on file with the Finance Committee and will be kept as a permanent record.

The Department of Education Bulletin #5 of January 30, 1959, page 3, quotes Ch. 49 SLA 1955, Sec. 37-3-63, provides that the Commissioner of Education "shall designate in accordance with applicable rules and regulations of the Territorial Board of Education those expenditures for which territorial payment will be allowed". On page 13, Article IV, Sec. 9 (d) BOARD REGULATIONS, quote: "The Commissioner of Education with the consent of the majority of the Board is authorized to reduce budgets on a percentage basis if necessary to keep the budgets of the incorporated districts within the amount appropriated by the legislature."

It is clear that the Board of Education and the Commissioner assumed authority of overriding the legislature, made no effort to comply with the budget as approved in 1957. We wish to point out that this Board met only twice in 18 months and each time the first order of business was a motion asking unanimous consent to approve all action taken by the Commissioner since the previous meeting.

At a joint hearing of the House and Senate Finance Committees, Mr. Ziegler (president of the Board) stated "It's the fault of the legislature; we told them what we needed and they knew better than us". Senator Gilbert replied "If this is so, Mr. Ziegler, why do we consider the budget at all?".

They have, by their actions, caused a deliberate and pre-meditated deficiency in the budget and except for circumstances beyond their control, resulting in a school enrollment drop during 1957-58 (the original budget was estimated on 23,590 students; the actual was 21,806, nearly 1,800 students less), there would be before you today a deficiency of nearly two million dollars.

The districts were led to believe, and budgeted themselves accordingly, on a full support basis, and now this legislature is faced with the decision of appropriating the deficiency or placing on 23 school districts a financial burden which they have no immediate way to carry and which would necessarily close some of the schools. After a comprehensive study your Finance Committee has arrived at the following conclusion -- on this line item -- as follows:

Budgets as approved by the Commission	
58-59 TOTAL	\$7,122,890.42
Total advanced to March 1, 1959	4,765,674.19
Balance Due	2,357,216.23
Balance on hand	<u>1,876,480.82</u>
Deficiency	480,735.41
Budget of 1957-58 year approved	6,595,590.71
Final Audit	<u>6,410,900.68</u>
	\$ 184,690.03

This \$184,690.03 was over and above the original estimate of the 1957-58 school year.

April 2, 1959

The final audit of the 1958-59 year will not be ready until February 1960; using the previous year, it is reasonable to assume that the 1958-59 final audit will be at least one hundred fifty thousand dollars over the estimate.

Present deficiency	\$ 480,735.40
Estimate overage	<u>150,000.00</u>
Estimate needed	330,735.40

The Finance Committee urges that the Committee Substitute be passed and we are confident that this situation can never occur under the new plan of organization when the Commissioner is directly responsible to the governor and cannot hide behind a board.