

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 126

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public school foundation
7 program; and providing for an effective date."

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

9 * Section 1. AS 14.17.010 is amended to read:

10 Sec. 14.17.010. PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
11 school foundation account is established. The account consists of
12 appropriations for distribution to districts and [OR] for centralized
13 correspondence study programs under this chapter.

14 (b) The money of the account may be used only in aid of public
15 schools, including community school programs, and [OR] for centralized
16 correspondence study programs as provided by this chapter.

17 * Sec. 2. AS 14.17.021 is repealed and reenacted to read:

18 Sec. 14.17.021. STATE FOUNDATION AID. (a) The amount of state
19 foundation aid for which each school district may qualify in any
20 fiscal year is calculated by subtracting from the basic need defined
21 in (b) of this section the required local effort under AS 14.17.025(a)
22 and 90 percent of the amount of federal aid received by the district
23 during the preceding fiscal year under secs. 2, 3, and 4 of P.L. 81-
24 874 (20 U.S.C. 237 -- 239), as amended, to the extent permitted by
25 that Act and regulations adopted under it.

26 (b) The basic need of each school district is determined by
27 multiplying the area cost differential of the district under AS 14.-
28 17.051 by the number of instructional units in the district under
29 AS 14.17.031 and then by the instructional unit value in AS 14.17.056.

1 * Sec. 3. AS 14.17.022 is amended to read:

2 Sec. 14.17.022. MONEY [FUNDS] FOR CENTRALIZED CORRESPONDENCE
3 STUDY. Money [FUNDS] for providing centralized correspondence study
4 programs for students not enrolled in an approved school district
5 correspondence study program includes [SHALL INCLUDE] an allocation
6 [APPROPRIATION] from the public school foundation account in an amount
7 calculated by multiplying the [BASE] instructional unit value in
8 AS 14.17.056 by the total number of instructional units, as determined
9 by applying the number of correspondence students to the formula for
10 elementary schools in AS 14.17.041(b)(1), then multiplying that prod-
11 uct by 65 percent [AS 14.17.041(a)].

12 * Sec. 4. AS 14.17 is amended by adding a new section to read:

13 Sec. 14.17.025. LOCAL EFFORT. (a) Each city or borough that is
14 a school district is required to appropriate and contribute to the
15 school operating fund of the district for each fiscal year, in accor-
16 dance with AS 14.14.060 and AS 14.14.065, at least the lesser of

17 (1) the equivalent of a four mill tax levy on the full and
18 true value of the taxable real and personal property in the district
19 as of January 1 of the second preceding fiscal year, as determined by
20 the Department of Community and Regional Affairs under AS 29.45.110
21 and AS 14.17.140; or

22 (2) 35 percent of the district's basic need for the preced-
23 ing fiscal year, as determined under AS 14.17.021(b).

24 (b) A city or borough may not contribute more to the school
25 operating fund of the district in any fiscal year than the equivalent
26 of a 5.5 mill tax levy on the full and true value of the taxable real
27 and personal property in the district as of January 1 of the second
28 preceding fiscal year, as determined by the Department of Community
29 and Regional Affairs under AS 29.45.110 and AS 14.17.140.

1 (c) Interest earnings that a district is allowed to keep and
2 spend on school operations, state tuition payments, and in-kind con-
3 tributions by the city or borough, may be counted toward the local
4 effort requirement in (a) of this section, and must be counted under
5 the contribution limit in (b) of this section, in accordance with
6 regulations adopted by the department.

7 (d) No local contribution is required in regional educational
8 attendance areas. Interest earnings and other local revenue in such
9 districts are not considered local revenues for current operating
10 expenditures, and are subject to regulation and disposition by the de-
11 partment.

12 (e) No state foundation aid payments may be made to a city or
13 borough school district in which the requirements of (a) of this
14 section have not been met.

15 * Sec. 5. AS 14.17.031 is repealed and reenacted to read:

16 Sec. 14.17.031. ALLOWABLE INSTRUCTIONAL UNITS. (a) The depart-
17 ment shall adopt regulations defining funding communities within each
18 district which reflect geographic and attendance area factors. For
19 the purpose of determining instructional units, students are counted
20 in the district and the funding community from which they receive
21 educational services. The total number of instructional units in each
22 school district is the sum of the following units for each funding
23 community within the district, as determined by the department:

24 (1) the number of units for elementary and secondary stu-
25 dents determined under AS 14.17.041(a) or (b);

26 (2) the number of units for vocational education determined
27 under AS 14.17.043;

28 (3) the number of units for special education determined
29 under AS 14.17.045; and

1 (4) the number of units for bilingual education determined
2 under AS 14.17.047.

3 (b) For purposes of (a)(1) of this section, in fiscal years
4 beginning after July 1, 1987, 90 percent of the district's total
5 elementary and secondary instructional units for the preceding fiscal
6 year is used if that number is greater than the district's total under
7 (a)(1) of this section for the current fiscal year.

8 * Sec. 6. AS 14.17.041 is repealed and reenacted to read:

9 Sec. 14.17.041. ELEMENTARY AND SECONDARY INSTRUCTIONAL UNITS.

10 (a) For funding communities that do not have an average daily mem-
11 bership of at least 200 in grades K-6 and at least 200 in grades 7-12,
12 combined elementary and secondary instructional units are determined
13 under the following table:

14	<u>ADM</u>	<u>Units</u>
15	1 - 10	2
16	11 - 20	2 + <u>(ADM-10)</u>
17		5
18	21 - 60	4 + <u>(ADM-20)</u>
19		8
20	61 - 120	9 + <u>(ADM-60)</u>
21		12
22	121 - 525	14 + <u>(ADM-120)</u>
23		15

24 (b) For other funding communities,

25 (1) instructional units for elementary students are de-
26 termined by the formula:

27
$$\text{units} = 15 + \frac{\text{ADM} - 200}{17}$$

28

29 where ADM is the number of students in average daily

1 membership in grades kindergarten through 6;

2 (2) instructional units for secondary students are de-
3 termined by the formula:

$$4 \text{ units} = 18 + \frac{\text{ADM} - 200}{13}$$

5 13

6 where ADM is the number of students in average daily member-
7 ship in grades 7 through 12.

8 (c) Kindergarten students who attend school less than four hours
9 a day are counted as 0.5 ADM under (a) and (b) of this section.

10 (d) District correspondence or other students who do not regu-
11 larly attend school on a daily basis are counted in the appropriate
12 grade level of the funding community with the highest ADM in the
13 district.

14 * Sec. 7. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.043. VOCATIONAL EDUCATION INSTRUCTIONAL UNITS.

16 Vocational education instructional units for high-cost vocational
17 education courses, approved by the department, are calculated as the
18 sum, for all such courses in the funding community, of the products
19 obtained by multiplying 0.05 by the ADM full-time equivalent of the
20 course, and then by the cost weighting factor for the course de-
21 termined under department regulations. Any funding community in which
22 a high-cost vocational education course, approved by the department,
23 is operated receives a minimum of 0.10 instructional units for voca-
24 tional education, and each district in which such a course is operated
25 receives a minimum of 1.00 such units.

26 * Sec. 8. AS 14.17 is amended by adding a new section to read:

27 Sec. 14.17.045. SPECIAL EDUCATION INSTRUCTIONAL UNITS. Each

28 exceptional child, as defined in AS 14.30.350, who is enrolled in a
29 special education program, approved by the department, on the last day

1 of the counting period for which a determination is being made, gener-
2 ates 0.025 instructional units if the child receives gifted services,
3 0.056 instructional units if the child receives resource services, 0.1
4 instructional units if the child receives self-contained services, or
5 0.333 instructional units if the child receives intensive or hospi-
6 tal/homebound services, as those categories of service are defined by
7 the department by regulation, in the funding community in which the
8 child is served. A child may be counted in one special education
9 category only. Any funding community in which a special education
10 program, approved by the department, is operated receives a minimum of
11 0.25 instructional units for special education, and any district in
12 which such a program is operated receives a minimum of 1.00 such
13 units.

14 * Sec. 9. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.047. BILINGUAL EDUCATION INSTRUCTIONAL UNITS. Each
16 student for whom an appropriate bilingual program must be provided
17 under regulations adopted by the department, and who is enrolled in a
18 bilingual program, approved by the department, as of the last day of
19 the counting period for which a determination is being made, gener-
20 ates, in the funding community in which the student is served, the
21 number of bilingual education instructional units that is the product
22 obtained by multiplying 0.042 by the student's language dominance
23 category weight under department regulations. Any funding community
24 in which a bilingual program, approved by the department, is operated
25 receives a minimum of 0.10 instructional units for bilingual educa-
26 tion, and each district in which such a program is operated receives a
27 minimum of 1.00 such units.

28 * Sec. 10. AS 14.17.051 is repealed and reenacted to read:

29 Sec. 14.17.051. AREA COST DIFFERENTIAL. The area cost

1 differential for each school district is as follows:

2	<u>School District</u>	<u>Area Cost Differential</u>
3	Adak	1.27
4	Alaska Gateway	1.16
5	Aleutian Region	1.27
6	Anchorage	1.00
7	Annette Island	1.00
8	Bering Strait	1.34
9	Bristol Bay	1.27
10	Chatham	1.00
11	Chugach	1.11
12	Copper River	1.11
13	Cordova	1.11
14	Craig	1.00
15	Delta Greely	1.16
16	Dillingham	1.27
17	Fairbanks	1.04
18	Galena	1.30
19	Haines	1.05
20	Hoonah	1.05
21	Hydaburg	1.00
22	Iditarod	1.30
23	Juneau	1.00
24	Kake	1.00
25	Kashunamuit	1.30
26	Kenai	1.00
27	Ketchikan	1.00
28	King Cove	1.27
29	Klawock	1.00

1	Kodiak	1.09
2	Kuspuk	1.30
3	Lake & Peninsula	1.27
4	Lower Kuskokwim	1.38
5	Lower Yukon	1.30
6	Matanuska-Susitna	1.00
7	Nenana	1.20
8	Nome	1.34
9	North Slope	1.42
10	Northwest Arctic	1.42
11	Pelican	1.05
12	Petersburg	1.00
13	Pribilof	1.27
14	Railbelt	1.20
15	Sand Point	1.27
16	Sitka	1.00
17	Skagway	1.05
18	Southeast Island	1.00
19	Southwest Region	1.27
20	St. Mary's	1.30
21	Tanana	1.30
22	Unalaska	1.27
23	Valdez	1.11
24	Wrangell	1.00
25	Yakutat	1.05
26	Yukon Flats	1.42
27	Yukon-Koyukuk	1.30
28	Yupitit	1.30
29	* Sec. 11. AS 14.17.056 is amended to read:	

1 Sec. 14.17.056. [BASE] INSTRUCTIONAL UNIT VALUE. The [BASE]
2 instructional unit value [FOR FISCAL YEARS BEGINNING ON OR AFTER
3 JULY 1, 1986,] is \$60,000 [\$42,184].

4 * Sec. 12. AS 14.17.080 is repealed and reenacted to read:

5 Sec. 14.17.080. STUDENT COUNT ESTIMATES. Each district shall
6 prepare and submit to the department, by September 20 of each fiscal
7 year, in the manner and on forms prescribed by the department, an
8 estimate of its average daily membership and other student count data
9 for the succeeding fiscal year, upon which computations can be made of
10 the amount of estimated state foundation aid for which the district
11 will be eligible under AS 14.17.021 in that fiscal year. In making
12 this estimate, the district shall consider its average daily member-
13 ship, other student count data, the pattern of growth or decline in
14 preceding years, and other pertinent information available to the
15 district. The preliminary reports required by this section are the
16 basis for estimating the need for state foundation aid for the next
17 fiscal year.

18 * Sec. 13. AS 14.17.082 is repealed and reenacted to read:

19 Sec. 14.17.082. FUND BALANCE IN SCHOOL OPERATING FUND. (a) A
20 district may not accumulate in any fiscal year an unreserved portion
21 of its year-end fund balance in its school operating fund, as defined
22 by department regulations, which is greater than five percent of its
23 expenditures for that fiscal year.

24 (b) The department shall review the annual audit of each dis-
25 trict for the preceding fiscal year to ascertain its year-end operat-
26 ing fund balance. Any amount by which the unreserved portion of that
27 balance exceeds the amount permitted in (a) of this section must be
28 deducted from the state foundation aid that would otherwise be paid to
29 the district in the current fiscal year.

1 * Sec. 14. AS 14.17.140 is amended to read:

2 Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPART-
3 MENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) To determine the amount
4 of local effort under AS 14.17.025 and to aid the department and the
5 legislature in planning, [EQUALIZED PERCENTAGE TO BE APPLIED TO BASIC
6 NEED UNDER AS 14.17.021,] the Department of Community and Regional
7 Affairs, in consultation with the assessor for each district, shall
8 determine the full value of the taxable real and personal property in
9 each district, as defined in AS 14.17.250. Exemptions granted under
10 ch. 129, SLA 1957, known as the Alaska Industrial Incentive Act
11 (AS 43.25), must [SHALL] be honored. If there is no local assessor or
12 current local assessment for a district, then the Department of Commu-
13 nity and Regional Affairs shall make the determination of full value
14 from information available. In making the determination, the Depart-
15 ment of Community and Regional Affairs shall be guided by AS 29.45.-
16 110. The determination of full value must [SHALL] be made by [BEFORE]
17 October 1 and sent by certified mail, return receipt requested, on or
18 before that date to the president of the school board in each dis-
19 trict. Duplicate copies must [SHALL] be sent to the commissioner.
20 The governing body of a [THE] borough or city that [WHICH] is a school
21 [THE] district may obtain judicial review of the determination. The
22 superior court may modify the determination of the Department of
23 Community and Regional Affairs only upon a finding of abuse of [OR]
24 discretion or upon a finding that there is no substantial evidence to
25 support the determination.

26 (b) Motor vehicles subject to the motor vehicle registration tax
27 under AS 28.10.431 must [AS 28.10.255 SHALL] be treated as taxable
28 property under [FOR PURPOSES OF (A) OF] this section.

29 * Sec. 15. AS 14.17.160 is repealed and reenacted to read:

1 Sec. 14.17.160. STUDENT COUNTING PERIODS. Within two weeks
2 after the end of the 20-school-day period ending the fourth Friday in
3 October, each district shall transmit a report to the department
4 which, in accordance with regulations adopted by the department,
5 reports its average daily membership for that counting period, and
6 other student count information that will aid the department in making
7 a determination of its state foundation aid. If it makes the district
8 eligible for more state foundation aid, a district may transmit,
9 within two weeks after the 20-school-day period ending the second
10 Friday in February, a similar report for that counting period. The
11 department may make any necessary corrections in the report submitted,
12 and shall notify the district of any changes made. The commissioner
13 shall notify the governor of any additional appropriations the commis-
14 sioner estimates to be necessary to fully fund the public school
15 foundation program for the current fiscal year.

16 * Sec. 16. AS 14.17.170 is repealed and reenacted to read:

17 Sec. 14.17.170. DISTRIBUTION OF STATE FOUNDATION AID. (a) The
18 department shall determine the state foundation aid for each school
19 district in any fiscal year on the basis of the district's data re-
20 ported under AS 14.17.160 for the counting period that makes the
21 district eligible for the greatest number of instructional units. On
22 or before the 15th day of each of the first nine months of each fiscal
23 year, one-twelfth of each district's state foundation aid will be
24 distributed on the basis of the data reported for the preceding fiscal
25 year. On or before the 15th day of each of the last three months of
26 each fiscal year, one-twelfth of the balance of each district's state
27 foundation aid will be distributed, after the balance has been recom-
28 puted on the basis of student count and other data reported for the
29 current fiscal year.

1 (b) If a district receives more state aid money than it is
2 entitled to receive under this chapter, it shall immediately remit the
3 amount of overpayment to the commissioner, to be returned to the
4 public school foundation account. Upon an adequate showing of a cash
5 flow shortfall, and in the discretion of the commissioner, the depart-
6 ment may make advance payments to a school district. The total of
7 advance payments is not to exceed the amount of state foundation aid
8 for which the district is eligible for the fiscal year.

9 * Sec. 17. AS 14.17.190 is amended to read:

10 Sec. 14.17.190. RESTRICTIONS GOVERNING RECEIPT AND EXPENDITURE
11 OF MONEY FROM PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
12 school foundation money distributed to a district during a year must
13 [SHALL] be received, held, and expended by the district subject to the
14 provisions of law and regulations of [PROMULGATED BY] the department.

15 (b) Each district shall maintain complete financial records of
16 the receipt and disbursement of public school foundation money, [AND]
17 money acquired from local effort, and any other money received by the
18 district. The records must be in the form required by the department
19 [COMMISSIONER] and are subject to audit by the department [COMMISSION-
20 ER OR THE BOARD] at any time.

21 * Sec. 18. AS 14.17.200 is amended to read:

22 Sec. 14.17.200. REGULATIONS. The department shall adopt [PRO-
23 MULGATE] regulations to implement this chapter.

24 * Sec. 19. AS 14.17.220 is amended to read:

25 Sec. 14.17.220. PURPOSE. It is the intention of the legisla-
26 ture, in enacting this public school foundation program, to assure an
27 adequate level of educational opportunities for those in attendance in
28 the public schools of the state. Except for the limitations of
29 AS 14.17.025, this [THIS] chapter may [SHALL] not be interpreted as

1 preventing a public school district from providing educational ser-
2 vices and facilities beyond those assured by the foundation program.

3 * Sec. 20. AS 14.17.225 is repealed and reenacted to read:

4 Sec. 14.17.225. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)
5 This chapter does not create a debt of the state. Each district shall
6 establish, maintain, and operate under a balanced budget. The state
7 is not responsible for the debts of any school district.

8 (b) Money to carry out the provisions of AS 14.17.010 -- 14.-
9 17.190 may be appropriated annually by the legislature into the public
10 school foundation account. If amounts in the account are insufficient
11 to meet the allocations authorized under AS 14.17.010 -- 14.17.190,
12 the instructional unit value in AS 14.17.056 must be reduced by the
13 department as required.

14 * Sec. 21. AS 14.17.250(1) is amended to read:

15 (1) "ADM full-time equivalent" means the [QUOTIENT OF THE]
16 aggregate class periods of pupil membership [PER DAY] in specified
17 classes for the student counting period for which a determination is
18 being made, divided by the total number of all class periods in the
19 student counting period [SCHOOL DAY];

20 * Sec. 22. AS 14.17.250(2) is amended to read:

21 (2) "average daily membership" or "ADM" means the aggregate
22 days of membership of pupils divided by the actual number of days in
23 session for the counting period for which a determination is being
24 made [SCHOOL TERM];

25 * Sec. 23. AS 14.17.250(11) is amended to read:

26 (11) "taxable real and personal property" means all real and
27 personal property taxable under the laws of the state[, BUT DOES NOT
28 INCLUDE HOUSEHOLD GOODS AND PERSONAL EFFECTS];

29 * Sec. 24. TRANSITION. (a) For the purpose of calculating the

1 required local effort under AS 14.17.025(a)(2) for fiscal year 1988, and
2 for the purpose of (c)(7) of this section, each district's basic need for
3 the preceding fiscal year is as determined by the department based on its
4 projections of student count data for fiscal year 1988 and the allowable
5 instructional units and instructional unit value as contained in this Act.

6 (b) In fiscal years 1988, 1989, and 1990, a district may receive
7 state aid, in addition to its state foundation aid under AS 14.17.021(a),
8 in the lesser amount of

9 (1) $(p \times \text{sum87} \times \text{current ADM} / \text{ADM87})$ - current need; or

10 (2) $(p \times \text{state87} \times \text{current ADM} / \text{ADM87})$ - current state.

11 (c) In (b) of this section

12 (1) "ADM87" means the average daily membership of the district
13 in the student counting period used for funding for fiscal year 1987;

14 (2) "current ADM" means the average daily membership of the
15 district in the student counting period used for funding for the current
16 fiscal year;

17 (3) "current need" means the basic need of the district under
18 AS 14.17.021(b), as amended by sec. 2 of this Act, for the current fiscal
19 year;

20 (4) "current state" means the state foundation aid to the dis-
21 trict under AS 14.17.021(a), as amended by sec. 2 of this Act, for the
22 current fiscal year;

23 (5) "p" means the transition percentage, which is 90 percent in
24 fiscal year 1988, 80 percent in fiscal year 1989, and 70 percent in fiscal
25 year 1990;

26 (6) "state87" means the state aid received by the district for
27 fiscal year 1987 under AS 14.17.021, as it read before July 1, 1987;

28 (7) "sum87" means the sum of

29 (A) state aid received by the district under AS 14.17.021,

1 as it read before July 1, 1987, for fiscal year 1987;

2 (B) 90 percent of that portion of the federal impact aid
3 received by the district in fiscal year 1987 under secs. 2 -- 4 of P.L.
4 81-874 (20 U.S.C. 237 -- 239), as amended, to the extent that that money
5 could be considered as local resources under that Act and the regulations
6 adopted under it; and

7 (C) for city or borough school districts, the total of

8 (i) the district's revenue from earnings in the
9 district's operating fund in fiscal year 1987;

10 (ii) state tuition payments to the district in fiscal
11 year 1987; and

12 (iii) any city or borough appropriations or in-kind
13 contributions for fiscal year 1987.

14 (d) The amount determined under (c)(7)(C) of this section may not
15 exceed the lesser of

16 (1) the equivalent of a four mill tax levy on the full and true
17 value of taxable real and personal property in the district as of January
18 1, 1986, as determined by the Department of Community and Regional Affairs
19 under AS 14.17.170; or

20 (2) 35 percent of the district's basic need as determined under
21 (a) of this section.

22 * Sec. 25. AS 14.17.023, 14.17.027, 14.17.061, 14.17.090, 14.17.150,
23 14.17.180, 14.17.205, 14.17.250(5), 14.17.250(7), 14.17.250(10), and 14.-
24 17.250(12) are repealed.

25 * Sec. 26. Sections 4, 13, and 24 of this Act take effect immediately
26 under AS 01.10.070(c).

27 * Sec. 27. Sections 1 -- 3, 5 -- 12, 14 -- 23, and 25 of this Act take
28 effect July 1, 1987.