

Offered: 4/8/87
Referred: Finance

w01157sB

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE HEALTH, EDUCATION AND
2 CS FOR SENATE BILL NO. 119 (HESS) SOCIAL SERVICES COMMITTEE
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
11 public school foundation account is established. The account consists
12 of appropriations for distribution to districts and [OR] for central-
13 ized 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 AS 14.17.021 is repealed and reenacted to read: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 a school district may qualify in a fiscal
20 year is calculated by subtracting from the basic need defined in (b)
21 of this section the required local effort under AS 14.17.025(a) and
22 90 percent of the amount of federal aid received by the district as of
23 March 1 of that fiscal year as payment for its entitlement for the
24 application submitted during the preceding fiscal year, including
25 advance payments and adjustments received since March 1 of the preced-
26 ing fiscal year from prior year applications, under secs. 2, 3, and 4
27 of P.L. 81-874 (20 U.S.C. 237 - 239), as amended, to the extent per-
28 mitted by that Act and regulations adopted under it.
29 (b) The basic need of a school district is determined by

1 multiplying the area cost differential of the district under AS 14.-
2 17.051 by the number of instructional units in the district under
3 AS 14.17.031 and then multiplying that product by the instructional
4 unit value in AS 14.17.056.

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

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

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

17 Sec. 14.17.025. LOCAL EFFORT. (a) A city or borough that is a
18 school district shall appropriate and contribute to the school op-
19 erating fund of the district for each fiscal year, under AS 14.14.060
20 and 14.14.065, at least the lesser of

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

26 (2) 35 percent of the district's basic need for the preced-
27 ing fiscal year, as determined under AS 14.17.021(b).

28 (b) In addition to the required contribution under (a) of this
29 section a city or borough may contribute to the school operating fund

1 of the district for any fiscal year no more than the greater of:

2 (1) the equivalent of a 2.0 mill tax levy on the full and
3 true value of the taxable real and personal property in the district
4 as of January 1 of the second preceding fiscal year, as determined by
5 the Department of Community and Regional Affairs under AS 14.17.140
6 and AS 29.45.110; or

7 (2) the product of

8 (A) 21 percent of the instructional unit value in
9 AS 14.17.056;

10 (B) the number of instructional units approved for the
11 district for the fiscal year; and

12 (C) the area cost differential of the district under
13 AS 14.17.051.

14 (c) Interest earnings that a district is allowed to keep and
15 spend on school operations, state tuition payments, and in-kind con-
16 tributions by the city or borough may be counted toward the local
17 effort requirement in (a) of this section, and shall be counted under
18 the contribution limit in (b) of this section, under regulations
19 adopted by the department. Payments received under P.L. 81-874 (20
20 U.S.C. 237-239), as amended, may not be counted under (a) or (b) of
21 this section.

22 (d) A local contribution is not required in a regional educa-
23 tional attendance area. Interest earnings and other local revenue in
24 a regional educational attendance area are not considered local reve-
25 nue for current operating expenditures, and are subject to regulation
26 and disposition by the department.

27 (e) A state foundation aid payment may not be made to a city or
28 borough school district in which the requirements of (a) of this
29 section have not been met.

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

2 Sec. 14.17.031. ALLOWABLE INSTRUCTIONAL UNITS. (a) The depart-
3 ment shall adopt regulations defining funding communities within each
4 district which reflect geographic and attendance area factors. For
5 the purpose of determining instructional units, students are counted
6 in the district and the funding community from which they receive
7 educational services. The total number of instructional units in a
8 school district is the sum of the following units for each funding
9 community within the district, as determined by the department:

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

12 (2) the number of units for vocational education determined
13 under AS 14.17.043;

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

16 (4) the number of units for bilingual education determined
17 under AS 14.17.047.

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

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

24 Sec. 14.17.041. ELEMENTARY AND SECONDARY INSTRUCTIONAL UNITS.

25 (a) For funding communities that have an average daily membership of
26 less than 200 in grades K-6 or less than 200 in grades 7-12, combined
27 elementary and secondary instructional units are determined under the
28 following table:

29 ADM Units

1	1 - 10	2
2	11 - 20	2 + ((ADM-10)/5)
3		
4	21 - 60	4 + ((ADM-20)/8)
5		
6	61 - 120	9 + ((ADM-60)/12)
7		
8	121 - 525	14 + ((ADM-120)/15)

9 (b) For funding communities that are not included under (a) of
10 this section,

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

13 units = 15 + ((ADM-200)/17), where ADM is the number of
14 students in average daily membership in grades kindergarten through 6;

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

17 units = 18 + ((ADM-200)/13), where ADM is the number of
18 students in average daily membership in grades 7 through 12.

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

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

25 * Sec. 7. AS 14.17 is amended by adding new sections to read:

26 Sec. 14.17.043. VOCATIONAL EDUCATION INSTRUCTIONAL UNITS. Voca-
27 tional education instructional units for vocational education courses
28 approved by the department are calculated as the sum, for all of those
29 courses in the funding community, of the products obtained by

1 multiplying 0.05 by the ADM full-time equivalent of the course, and
2 then by the cost weighting factor for the course determined under
3 department regulations. A funding community in which a vocational
4 education course approved by the department is operated receives a
5 minimum of 0.10 instructional units for vocational education, or each
6 district in which a vocational education course is operated receives a
7 minimum of 1.00 instructional units, whichever is greater.

8 Sec. 14.17.045. SPECIAL EDUCATION INSTRUCTIONAL UNITS. (a) An
9 exceptional child, as defined in AS 14.30.350, who is enrolled in a
10 special education program, approved by the department, on the last day
11 of the counting period for which a determination is being made, gener-
12 ates 0.025 instructional units if the child receives gifted services,
13 0.056 instructional units if the child receives resource services, 0.1
14 instructional units if the child receives self-contained services, or
15 0.333 instructional units if the child receives intensive or hospi-
16 tal/homebound services, as those categories of service are defined by
17 the department by regulation, in the funding community in which the
18 child is served. A child may be counted in one special education
19 category only.

20 (b) Notwithstanding (a) of this section, in a district that
21 offers a special education program each funding community receives a
22 minimum of 0.25 instructional units for special education or the
23 district receives a minimum of 1.00 instructional units for special
24 education, whichever is greater.

25 Sec. 14.17.047. BILINGUAL EDUCATION INSTRUCTIONAL UNITS. A
26 student for whom an appropriate bilingual program must be provided
27 under regulations adopted by the department, and who is enrolled in a
28 bilingual program, approved by the department, as of the last day of
29 the counting period for which a determination is being made,

1 generates, in the funding community in which the student is served,
2 the number of bilingual education instructional units that is the
3 product obtained by multiplying 0.042 by the student's language domi-
4 nance category weight under department regulations. A funding commu-
5 nity in which a bilingual program approved by the department is oper-
6 ated receives a minimum of 0.10 instructional units for bilingual
7 education, and a district in which a bilingual program is operated
8 receives a minimum of 1.00 instructional units.

9 * Sec. 8. AS 14.17.051 is repealed and reenacted to read:

10 Sec. 14.17.051. AREA COST DIFFERENTIAL. The area cost differen-
11 tial for a school district is as follows:

12 School District	Area Cost Differential
13 Adak	1.27
14 Alaska Gateway	1.16
15 Aleutian Region	1.27
16 Anchorage	1.00
17 Annette Island	1.00
18 Bering Strait	1.34
19 Bristol Bay	1.27
20 Chatham	1.00
21 Chugach	1.11
22 Copper River	1.11
23 Cordova	1.11
24 Craig	1.00
25 Delta/Greely	1.16
26 Dillingham	1.27
27 Fairbanks	1.04
28 Galena	1.30
29 Haines	1.05

1	Hoonah	1.05
2	Hydaburg	1.00
3	Iditarod	1.30
4	Juneau	1.00
5	Kake	1.00
6	Kashunamiut	1.30
7	Kenai	1.00
8	Ketchikan	1.00
9	King Cove	1.27
10	Klawock	1.00
11	Kodiak	1.09
12	Kuspuk	1.30
13	Lake & Peninsula	1.27
14	Lower Kuskokwim	1.38
15	Lower Yukon	1.30
16	Matanuska-Susitna	1.00
17	Nenana	1.20
18	Nome	1.34
19	North Slope	1.42
20	Northwest Arctic	1.42
21	Pelican	1.05
22	Petersburg	1.00
23	Pribilof	1.27
24	Railbelt	1.20
25	Sand Point	1.27
26	Sitka	1.00
27	Skagway	1.05
28	Southeast Island	1.00
29	Southwest Region	1.27

1	St. Mary's	1.30
2	Tanana	1.30
3	Unalaska	1.27
4	Valdez	1.11
5	Wrangell	1.00
6	Yakutat	1.05
7	Yukon Flats	1.42
8	Yukon-Koyukuk	1.30
9	Yupitit	1.30

10 * Sec. 9. AS 14.17.056 is amended to read:

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

14 * Sec. 10. AS 14.17.080 is repealed and reenacted to read:

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

28 * Sec. 11. AS 14.17.082 is repealed and reenacted to read:

29 Sec. 14.17.082. FUND BALANCE IN SCHOOL OPERATING FUND. (a) A

1 district may not accumulate in a fiscal year an unreserved portion of
2 its year-end fund balance in its school operating fund, as defined by
3 department regulations, that is greater than five percent of its
4 expenditures for that fiscal year.

5 (b) The department shall review the annual audit of each dis-
6 trict for the preceding fiscal year to ascertain its year-end operat-
7 ing fund balance. The amount by which the unreserved portion of that
8 balance exceeds the amount permitted in (a) of this section shall be
9 deducted from the state foundation aid that would otherwise be paid to
10 the district in the current fiscal year.

11 * Sec. 12. AS 14.17.140 is amended to read:

12 Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPART-
13 MENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) To determine the amount
14 of local effort under AS 14.17.025 and to aid the department and the
15 legislature in planning. [EQUALIZED PERCENTAGE TO BE APPLIED TO BASIC
16 NEED UNDER AS 14.17.021] the Department of Community and Regional
17 Affairs, in consultation with the assessor for each district, shall
18 determine the full value of the taxable real and personal property in
19 each city or borough district. [EXEMPTIONS GRANTED UNDER CH. 129, SLA
20 1957, KNOWN AS THE ALASKA INDUSTRIAL INCENTIVE ACT (AS 43.25), SHALL
21 BE HONORED.] If there is no local assessor or current local assess-
22 ment for a district, then the Department of Community and Regional
23 Affairs shall make the determination of full value from information
24 available. In making the determination, the Department of Community
25 and Regional Affairs shall be guided by AS 29.45.110. The determina-
26 tion of full value shall be made by [BEFORE] October 1 and sent by
27 certified mail, return receipt requested, on or before that date to
28 the president of the school board in each district. Duplicate copies
29 shall be sent to the commissioner. The governing body of a [THE]

1 borough or city that [WHICH] is a school [THE] district may obtain
2 judicial review of the determination. The superior court may modify
3 the determination of the Department of Community and Regional Affairs
4 only upon a finding of abuse of [OR] discretion or upon a finding that
5 there is no substantial evidence to support the determination.

6 (b) Motor vehicles subject to the motor vehicle registration tax
7 under AS 28.10.431 [AS 28.10.255] shall be treated as taxable property
8 under [FOR PURPOSES OF (a) OF] this section.

9 * Sec. 13. AS 14.17.160 is repealed and reenacted to read:

10 Sec. 14.17.160. STUDENT COUNTING PERIODS. (a) Within two weeks
11 after the end of the 20-school-day period ending the fourth Friday in
12 October, each district shall transmit a report to the department that,
13 under regulations adopted by the department, reports its average daily
14 membership for that counting period, and other student count informa-
15 tion that will aid the department in making a determination of its
16 state foundation aid. If it makes the district eligible for more
17 state foundation aid, a district may transmit, within two weeks after
18 the 20-school-day period ending the second Friday in February, a
19 similar report for that counting period. The department may make
20 necessary corrections in the report submitted, and shall notify the
21 district of changes made. The commissioner shall notify the governor
22 of additional appropriations the commissioner estimates to be neces-
23 sary to fully fund the public school foundation program for the cur-
24 rent fiscal year.

25 (b) Upon written request and for good cause shown, the commis-
26 sioner may permit a district to use a 20-school-day counting period
27 other than the periods set out in (a) of this section. However, the
28 counting period must be 20 consecutive school days.

29 * Sec. 14. AS 14.17.170 is repealed and reenacted to read:

1 Sec. 14.17.170. DISTRIBUTION OF STATE FOUNDATION AID. (a) The
2 department shall determine the state foundation aid for each school
3 district in a fiscal year on the basis of the district's data reported
4 under AS 14.17.160 for the counting period that makes the district
5 eligible for the greatest number of instructional units. On or before
6 the 15th day of each of the first nine months of each fiscal year,
7 1/12 of each district's state foundation aid shall be distributed on
8 the basis of the data reported for the preceding fiscal year. On or
9 before the 15th day of each of the last three months of each fiscal
10 year, 1/3 of the balance of each district's state foundation aid shall
11 be distributed, after the balance has been recomputed on the basis of
12 student count and other data reported for the current fiscal year.

13 (b) If a district receives more state aid money than it is
14 entitled to receive under this chapter, it shall immediately remit the
15 amount of overpayment to the commissioner, to be returned to the
16 public school foundation account. Upon an adequate showing of a cash
17 flow shortfall, and in the discretion of the commissioner, the depart-
18 ment may make advance payments to a school district. The total of
19 advance payments may not exceed the amount of state foundation aid for
20 which the district is eligible for the fiscal year.

21 * Sec. 15. AS 14.17.190(b) is amended to read:

22 (b) Each district shall maintain complete financial records of
23 the receipt and disbursement of public school foundation money, [AND]
24 money acquired from local effort, and other money received by the
25 district. The records must be in the form required by the department
26 [COMMISSIONER] and are subject to audit by the department [COMMIS-
27 SIONER OR THE BOARD] at any time.

28 * Sec. 16. AS 14.17.220 is amended to read:

29 Sec. 14.17.220. PURPOSE. It is the intention of the legisla-

1 ture, in enacting this public school foundation program, to assure
2 an adequate level of educational opportunities for those in atten-
3 dance in the public schools of the state. Except for the limita-
4 tions of AS 14.17.025, this [THIS] chapter may [SHALL] not be inter-
5 preted as preventing a public school district from providing educa-
6 tional services and facilities beyond those assured by the foundation
7 program.

8 * Sec. 17. AS 14.17.225 is repealed and reenacted to read:

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

13 (b) Money to carry out the provisions of AS 14.17.010 - 14.-
14 17.190 may be appropriated annually by the legislature into the public
15 school foundation account. If amounts in the account are insufficient
16 to meet the allocations authorized under AS 14.17.010 - 14.17.190 for
17 a fiscal year, the instructional unit value in AS 14.17.056 shall be
18 reduced by the department as necessary to make the funds available
19 sufficient to meet the allocations for that fiscal year.

20 * Sec. 18. AS 14.17.250(1) is amended to read:

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

26 * Sec. 19. AS 14.17.250(2) is amended to read:

27 (2) "average daily membership" or "ADM" means the aggregate
28 days of membership of pupils divided by the actual number of days in
29 session for the counting period for which a determination is being

1 made [SCHOOL TERM];

2 * Sec. 20. AS 14.17.250(11) is amended to read:

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

6 * Sec. 21. TRANSITION. (a) For the purpose of calculating the re-
7 quired local effort under AS 14.17.025(a)(2) for fiscal year 1988, and for
8 the purpose of (d)(2) of this section, each district's basic need for the
9 preceding fiscal year is as determined by the department based on its
10 projections of student count data for fiscal year 1988 and the allowable
11 instructional units and instructional unit value as contained in this Act.

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

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

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

17 (c) In (b) of this section

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

20 (2) "current ADM" means the average daily membership of the
21 district in the student counting period used for funding for the current
22 fiscal year;

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

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

29 (5) "p" means the transition percentage, which is 90 percent in

1 fiscal year 1988, 80 percent in fiscal year 1989, and 70 percent in fiscal
2 year 1990;

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

5 (7) "sum87" means the sum of

6 (A) state aid received by the district under AS 14.17.021,
7 as it read before July 1, 1987, for fiscal year 1987;

8 (B) 90 percent of that portion of the federal impact aid
9 received by the district in fiscal year 1987 under secs. 2 - 4 of P.L.
10 81-874 (20 U.S.C. 237 - 239), as amended, to the extent that that
11 money could be considered as local resources under that Act and the
12 regulations adopted under it; and

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

14 (i) the district's revenue from earnings in the dis-
15 trict's operating fund in fiscal year 1987;

16 (ii) state tuition payments to the district in fiscal
17 year 1987; and

18 (iii) city or borough appropriations or in-kind contri-
19 butions for fiscal year 1987.

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

22 (1) the equivalent of a four-mill tax levy on the full and true
23 value of taxable real and personal property in the district as of January
24 1, 1986, as determined by the Department of Community and Regional Affairs
25 under AS 14.17.170; or

26 (2) 35 percent of the district's basic need as determined under
27 (a) of this section.

28 (e) Notwithstanding AS 14.17.021(a), in fiscal year 1988 amounts
29 received by a district under P.L. 81-874 (20 U.S.C. 237 - 239), as amended,

1 between March 1, 1987, and July 1, 1987, based upon applications submitted
2 before or during fiscal year 1986 may not be subtracted from the district's
3 basic need under AS 14.17.021(b).

4 * Sec. 22. AS 14.17.023, 14.17.027, 14.17.061, 14.17.090, 14.17.150,
5 14.17.180, 14.17.205, 14.17.250(5), 14.17.250(7), 14.17.250(10), and 14.-
6 17.250(12) are repealed.

7 * Sec. 23. Sections 4 and 21 of this Act take effect immediately under
8 AS 01.10.070(c).

9 * Sec. 24. Sections 1 - 3, 5 - 10, 12 - 20, and 22 of this Act take
10 effect July 1, 1987.

11 * Sec. 25. Section 11 of this Act takes effect July 1, 1988.